

A clear glass bottle of olive oil is centered in the foreground, partially filled with a golden-yellow liquid. The bottle has a silver-colored screw cap. In the background, there are several olive branches with green, oval-shaped olives and silvery-green leaves. The scene is set against a bright blue sky. The overall image has a clean, professional aesthetic.

2001

Timbercorp Olive Project

Prospectus



An offer to cultivate and manage up to 500 hectares of olive groves (ie. 2000 x 0.25 hectare GroveLots) for the production of premium olive oil with an option to accept oversubscriptions.

2001 Timbercorp Olive Project ARSN 094 382 082

This is not intended to be a short term venture and will be subject to the risks generally associated with commercial olive grove plantations.

Corporate Directory

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2001 Timbercorp

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

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

The Custodian has not authorised or caused the issue of this prospectus. The Custodian has had no role in the preparation of this prospectus.

Each subscriber will become a Grower responsible commercially for carrying on the business of cultivating and managing olive trees for the production of premium olive oil. This venture is not intended to be a short-term investment and will be subject to the risks generally associated with commercial olive grove plantations. Neither Timbercorp Securities Limited nor Land And Water Holdings Limited guarantees 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.

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Olive Project

Prospectus

This prospectus is dated 3 October 2000 and was lodged with the Australian Securities and Investments Commission on 3 October 2000. The Australian Securities and Investments Commission takes no responsibility as to its contents. No interests or Options will be allotted or issued on the basis of this prospectus later than 3 November 2001. It should be noted that no applications will be accepted after 30 April 2001, or such later date determined by Timbercorp Securities Limited.

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

Features

Benefit from increasing worldwide demand for olives and olive – related products *Page 4*

An opportunity to participate in one of the largest commercial olive groves in Australia located in Boort, Victoria *Page 26*

Significant tax deductions are available to Growers – confirmed by ATO Product Ruling PR 2000/100: 2001 Timbercorp Olive Project *Page 17*

Substantial after tax returns for Growers on high marginal tax rates *Pages 14 and 15*

Receive income from your activities from year three of the Project *Page 6*

An opportunity to share in the ownership of the Grove at attractive prices *Page 7*

The size of the Project combined with the most advanced farming and harvesting equipment and irrigation systems should achieve significant economies of scale and enhanced returns for Growers *Page 4*

The commercial viability of the Project is underpinned in its first 19 years by a put option to sell all extra virgin and virgin olive oil to Costa d'Oro, a major Italian distributor, at market prices *Page 22*

Sufficient permanent water rights to irrigate the 500 hectare Grove during the life of the Project have been acquired and further rights will be acquired, if required *Page 26*

Your GroveLots will be established by the Land Owner on premium land and professionally managed by an experienced management team *Pages 26 and 32*

The Responsible Entity and the Project Manager are wholly owned subsidiaries of Timbercorp Limited, an ASX 200 listed company capitalised at approximately \$350 million *Page 34*

You may assign or transfer your GroveLots *Page 52*

The Project contains a number of safeguards to protect Growers *Page 36*

Permanent Trustee Company Limited has been appointed as Custodian to receive and hold all Application Moneys and Proceeds until they are disbursed in accordance with the Project Agreements *Page 19*

Security of your land tenure is enhanced by the grant of a lease by the Land Owner to the Responsible Entity *Page 20*





Project Overview

Demand for olive oil

Worldwide demand for olives and olive-related products is increasing. Worldwide consumption of olive oil in 1998/99 has been estimated at 2.41 million tonnes, approximately 400,000 tonnes above the average for the decade and has grown by over 40% from 1990/91 to 1998/99. This represents an average growth rate of approximately 4% per annum. Australia, which imports practically all of the olive oil that it consumes, experienced an increase in consumption of imported olive oil from 12,343 tonnes in 1990 to 22,821 tonnes by the end of 1999. This reflects an average growth rate of 7% per annum. Countries that do not produce material amounts of olive oil have also experienced a significant increase in consumption of imported olive oil over this period.

An increased awareness of the health benefits of olive oil has led to a growing global demand for quality olive oil for an increasing diversity of uses. With the development of mechanised methods of cultivating and harvesting olives and the processing of olive oil, the time is ripe for Australia to become a supplier in the world olive oil industry.

What are we offering?

The 2001 Timbercorp Olive Project offers you a unique opportunity to participate in this rapidly expanding global industry.

If fully subscribed, the Project will be one of the largest commercial olive groves in Australia and will significantly expand the burgeoning olive oil industry in Australia. The anticipated size of the Project, combined with the most advanced farming and harvesting equipment and irrigation systems, should achieve significant economies of scale and enhanced returns for Growers.

The commercial viability of the Project is underpinned in its first 19 years by a put option to sell the processed bulk extra virgin and virgin olive oil produced by Growers to Costa d'Oro, a major Italian distributor, at market prices. The put option gives the Project Manager, Olivecorp Management, the right (but not the obligation) to sell your olive oil to Costa d'Oro. This means that if the Project Manager can sell your oil for a higher price, it will do so.

The Project also offers you (or your Associate) the opportunity to participate in ownership of the Grove (comprising the Land, Water Rights, Olive Trees and other infrastructure and capital works) by giving you an option to acquire shares in LWH Limited which, in turn, is being granted an option to acquire a direct interest in the Grove. You will have a period of approximately 5 years to monitor the progress of the Grove before deciding whether or not to acquire the shares. For further details regarding this feature of the Project, refer to the How the Project Works section of this prospectus.

How does the Project work?

The Land Owner (Olivecorp Land), will establish an olive grove of up to 500 hectares, or more if we accept oversubscriptions, at a site that fronts the Boort – Charlton Road, situated 10 kilometres west of Boort, Victoria. It will own the Olive Trees, Water Rights and other Capital Works comprising the Grove.

Under the Licence and Joint Venture Agreement, the Land Owner will grant you a licence to use and occupy a discrete area of the Grove that you will agree to cultivate and manage jointly with the Land Owner. Your discrete area will comprise a number of allotments of approximately 0.25 hectares each, called GroveLots. **You must apply for a minimum of 3 GroveLots (0.75 hectares).** Each GroveLot will contain olive trees, Water Rights and associated infrastructure. The Grove is in the course of being established for the production of high quality extra virgin and virgin olive oil for the Australian and overseas markets.

The Land Owner will be your joint venturer in respect of each of your GroveLots. Your joint venture interest will be 90% and the Land Owner's interest will be 10%. This means that you will pay 90% of all costs associated with the cultivation and management of your GroveLots and the Land Owner will pay 10% of these costs. Similarly, you will receive 90% of the produce and the Land Owner will receive 10% of the produce. You should note that management costs shown in this prospectus relate to your 90% share of those costs and entitlement to income.

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

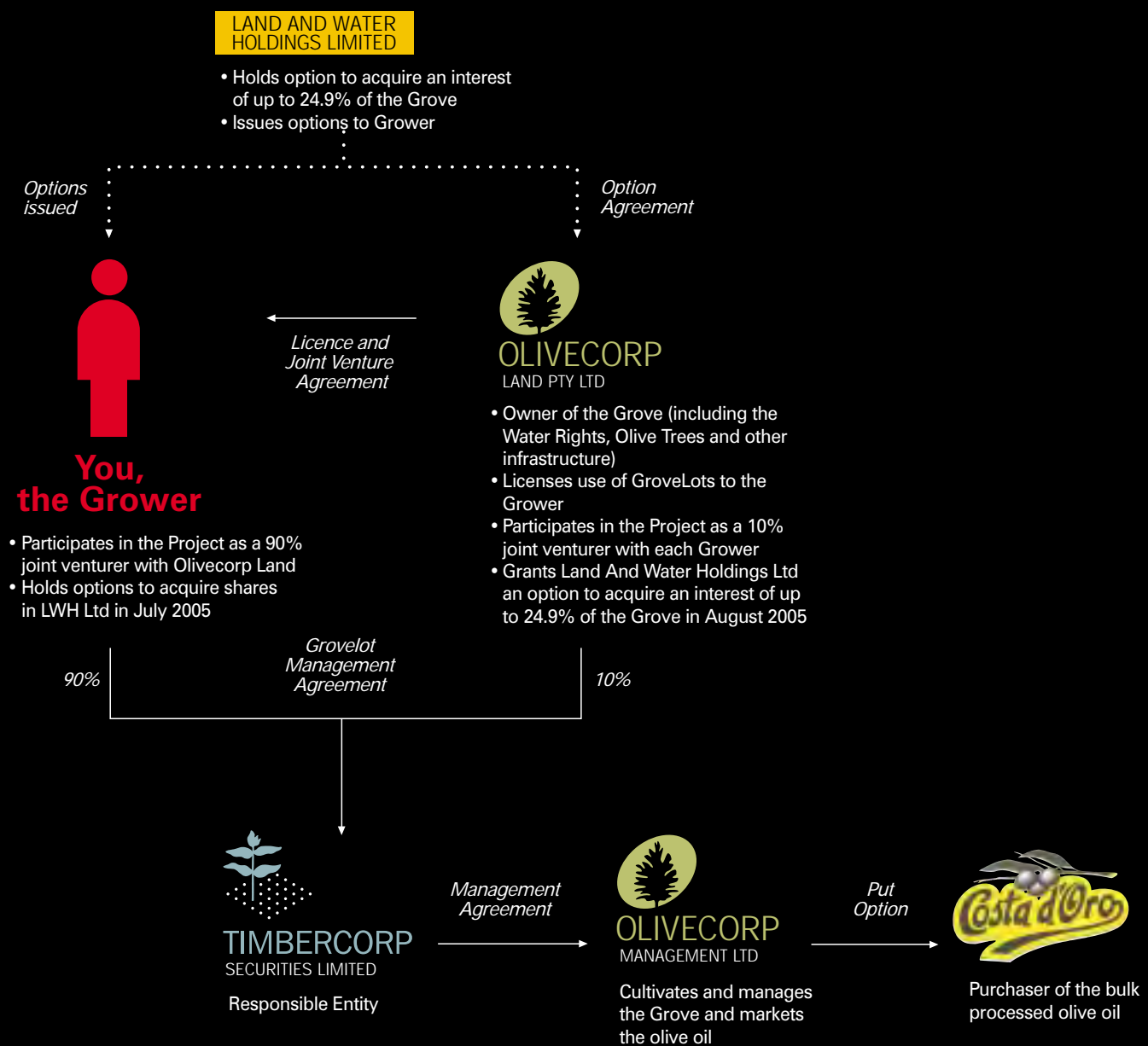
- cultivate and manage the Olive Trees on your GroveLots for the production of premium olive oil;
- harvest and procure the processing of the olives grown on your GroveLots; and
- market and sell the olive oil produced from your GroveLots.

The term of the Project is approximately 23 years from the date of acceptance of a Grower's application.

Naturally, you will be free to visit the Grove and monitor the performance of your GroveLots.

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

Project Structure



What will you receive?

As a Grower, you will receive:

- a GroveLot statement together with a map to enable you to identify the location of your GroveLots;
- annual reports setting out the results of the harvest of your olives including yields per variety, the condition of the Grove and Olive Trees and other relevant details; and
- once the Olive Trees start producing olives, annual statements of income and expenses and proceeds from the sale of olive oil produced from your olives. Please note that all olives from the Grove will be harvested and processed and you will receive a pro rata share of the Proceeds less your annual cost of licence and management fees including all incentive fees.

LWH Limited will send to you (or your Associate) an option certificate in respect of the Options issued.

We expect your GroveLots to start producing commercial quantities of olives in the third year after the year of establishment, ie. June 2004. Your olives will be harvested using state-of-the-art harvesting machinery and they will be processed at a processing facility that will utilise state-of-the-art techniques. Our parent company, Timbercorp Limited, intends to establish a processing facility near the Grove. For further details regarding the processing facility refer to the Project Site and Development section of this prospectus.

Details of the Olive Grove

Under the Project, an olive grove comprising up to 500 hectares, or more if we accept oversubscriptions, will be established and planted with an average density of approximately 340 trees per hectare.

The Grove will be established by the Land Owner and will be professionally managed by the Project Manager.

The Project Manager has substantial expertise in both the establishment and management of olive groves, having been involved with the establishment and management of a 362 hectare olive grove under the 2000 Timbercorp Olive Project private offer. A number of its staff and consultants have been associated with irrigated agriculture and the establishment and management of olive groves for many years.

How much will it cost?

Initial fees

As a Grower, you will be required to pay the following management and licence fees **per GroveLot** (0.25 of a hectare) in respect of the first three financial years of the Project. **These fees represent your 90% share of the total fees for this period.**

The total costs payable **per GroveLot** on application is **\$6,600** (including \$600 GST).

You must apply for a minimum of 3 GroveLots (0.75 hectares).

Ongoing fees and costs

You will incur the following ongoing annual fees and costs:

- \$400 per GroveLot as an annual licence fee for the use of the Grove (ie. the Land, Water Rights, Olive Trees and other infrastructure and capital works). This fee will be Indexed each year;
- from 30 September 2003, the estimated costs of operating your GroveLots. This will include an allocation of overhead costs incurred by the Project Manager that will not exceed \$70 per GroveLot Indexed each year; and
- from 30 September 2003, a management fee equal to 7.5% of the annual Gross Proceeds from the sale of your olive oil each year.

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

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

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

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

| Year ended 30 June | 2001 \$ | 2002 \$ | 2003 \$ |
|--------------------|----------------------------|----------------------------|----------------------------|
| Management Fee | 6,160 (incl. \$560 GST) | 1,870 (incl. \$170 GST) | 1,870 (incl. \$170 GST) |
| Licence Fee | 440 (incl. \$40 GST) | 440* (incl. \$40 GST) | 440* (incl. \$40 GST) |
| Total | 6,600 | 2,310 | 2,310 |
| When Due | On application | 30 November 2001 | 30 November 2002 |

* The licence fees payable on 30 November 2001 and 30 November 2002 will be Indexed to CPI

Cost of exercising option to participate in ownership of the Grove

The Project offers you (or your Associate) the opportunity to participate in ownership of the Grove through an issue of Options to acquire ordinary shares in LWH Limited. In turn, LWH Limited is being granted an option by the Land Owner to acquire a direct interest of up to 24.9% in the Grove.

In July 2005, you (or your Associate) will be entitled to exercise the Options issued by LWH Limited. You should note that the exercise of the Options will only be effective if 30% or more of all Options issued to Growers (or their Associates) are exercised. Once Options are validly exercised, and so long as it is in the best interests of the company to do so, LWH Limited will exercise the option granted to it to acquire an interest of up to 24.9% in the Grove (including the Land, Water Rights, Olive Trees and other infrastructure and capital works).

The exercise price of each Option issued to you (or your Associate) is \$800.

For full details on this feature of the Project, refer to the How the Project Works section of this prospectus.

Proceeds from the sale of olive oil

Your olives will be harvested generally between April and July each year. They will then be pooled with the olives of all other Growers in the Project and processed primarily into extra virgin olive oil for sale. In line with industry standards, the processor will retain 10% of the olive oil and all of the waste, of which it will dispose. Otherwise, processing costs of an equivalent amount will be incurred.

You will be entitled to your proportionate share of the olive oil sale proceeds less the licence fees payable, the estimated costs of operating your GroveLots for the next year, the management fee equal to 7.5% of the annual Gross Proceeds and any incentive fee due to us. These costs will be deducted from the olive oil sale proceeds before distribution.

Further, by the time we distribute the proceeds to you, we will have calculated the actual costs of operating your GroveLots for the preceding year. Therefore, we will also adjust the amount of the proceeds payable to you to reflect the actual cost for that year.

What are the returns?

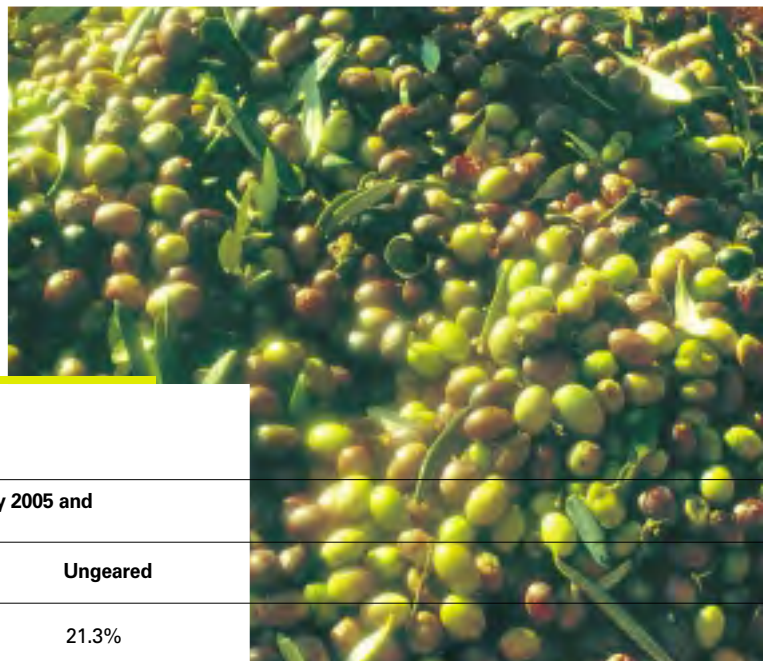
Based on the projections set out in this prospectus, a Grower participating in the Project can expect the returns set out below:

Subscription and allocation details

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

We are offering up to 2000 GroveLots and LWH Limited will issue a corresponding number of Options for subscription. We also have the right to accept oversubscriptions. GroveLots will be allocated and Options issued on a first come first served basis, ie. in the order of receipt of completed applications. Unless agreed otherwise with any particular Grower or financial intermediary, GroveLots will be allocated randomly across the Grove. Applications will not be accepted after 30 April 2001.

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



Where Grower elects not to exercise Options issued by LWH Limited in July 2005 and therefore not to participate in ownership of the Grove

| | Geared | Ungeared |
|--|--------|----------|
| Equivalent pre-tax return p.a. | 28.0% | 21.3% |
| Average after tax compound return p.a. | 14.4% | 11.0% |

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

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

The Olive Oil Industry



An international perspective

Although olive oil has been used for thousands of years in Mediterranean countries, until recently there was little awareness of it amongst many Northern Europeans, North Americans and Australians. Today, however, olive oil consumption continues to grow outside the traditional Mediterranean markets. Even in Japan people are beginning to broaden their food consumption habits to include Italian foods. Another contributing factor is the marketing drive being conducted by the International Olive Oil Council ('IOOC') in non-Mediterranean countries such as the United States, Australia, Canada, Japan and Brazil. In fact, this year the IOOC is commencing a drive into China to increase awareness of the virtues of olive oil.

Worldwide consumption of olive oil in 1998/99 was recorded at approximately 10,000 tonnes above the estimated world production.

In 1998/99, world olive oil production was provisionally set at 2.40 million tonnes, which is below the previous two years' record production, but still 350,000 tonnes above the average production rate for the past decade of 2.05 million tonnes. Production for the 1999/2000 crop year has been estimated to drop to 2.20 million tonnes. The expected fall in production is due to alternate fruit bearing and lengthy drought periods during flowering and fruit maturation.

The major suppliers of olive oil are the European Union and Tunisia, which respectively provide more than 75% and 8% of the average worldwide production.

Three successive seasons of particularly high production have had an expected positive impact on the levels of consumption worldwide.

In 1998/99, global consumption of olive oil has been estimated at 2.41 million, 400,000 tonnes above the average consumption rate for the past decade of 2.01 million tonnes. In the past three years, global consumption has exceeded the average rate of consumption for the past decade, and for the 1999/00 year is estimated at 2.41 million tonnes.

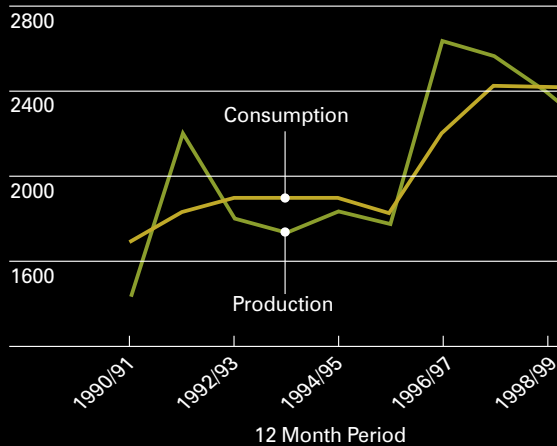
The level of olive oil imported worldwide in 1998/99, which is estimated at 564,500 tonnes, is 45% greater than the average level of imports during the past 9 years. The European Community accounted for 40% of these imports and Australia, the United States, Canada, Japan and Brazil collectively accounted for 46%. Approximately one half of these imports were extra virgin olive oils.

The graph below, titled Imports of Olive Oil, shows that in the 1998/99 year:

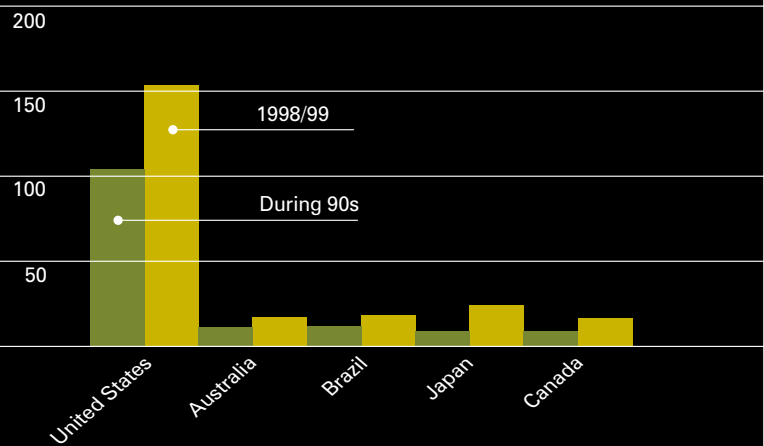
- Consumption of imported olive oil has been strong in comparison with the average rate of consumption during the past decade.
- The United States has imported approximately 40% above the average rate for the past decade. Japan has imported approximately 81% more, Canada 45% and each of Australia and Brazil 16%.

Imports by these countries are expected to increase by 6% in 1999/00.

World Olive Oil Market
Tonnes (000's)



Imports of Olive Oil
Tonnes (000's)





The growing Asian market

Whilst olive oil is still a small volume item on a world scale, over the period 1984 to 1996 the level of olive products imported into the Asian economies, in particular, Korea, Hong Kong, Singapore, Japan and China, has grown. Japan is experiencing a growth in consumption buoyed by the increased awareness of the health benefits of olive oil and a growing trend towards Western style eating habits. In 1992, Japan imported 4,864 tonnes of olive oil. By 1998/99 imports amounted to 28,000 tonnes, representing growth of approximately five and a half fold over this six year period.

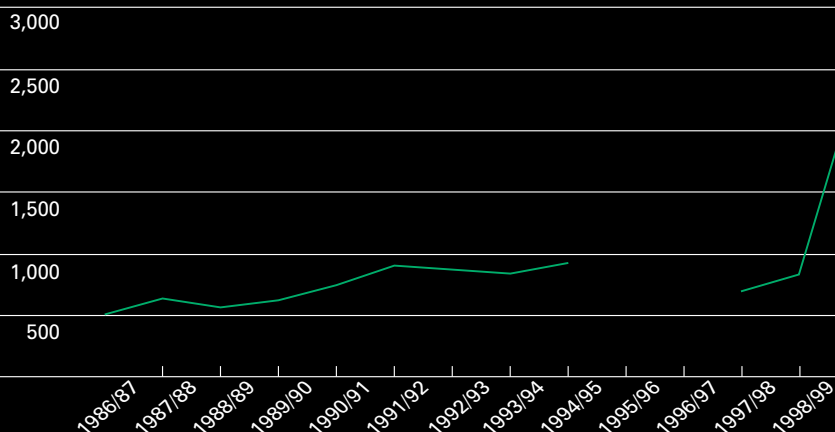
In the period 1984 to 1994, Japan accounted for the majority of olive oil imported into North East Asia, comprising China, Japan and Hong Kong. Substantial quantities of olive oil have also been imported into the South East Asia region, including Malaysia, Indonesia, Thailand and South Korea and Southern Asia, including India and Pakistan. Since 1994, Japan has continued to consume increasing amounts of olive oil.

Australian olive oil market

It is estimated that at least 95% of Australian consumption of olive oil is satisfied by imported product. It is difficult to quantify Australian consumption. However, it can be deduced from analysing Australian olive production and import and export statistics of olive oil.

For the year ended 31 March 1999, Australian production of olives increased to 2,404 tonnes, up from 763 tonnes in 1998. This growth is due to the establishment of a significant number of new olive groves. In 1993/94 the number of olive groves in Australia numbered 121. In 1998/99 that number increased to 830 groves. In the ten years to 1998, the annual production of olives has been in the range of 530 – 930 tonnes.

Australian Olive Production
Tonnes



Note: no data was collected by the Australian Bureau of Statistics for the period 1994/95 and 1995/96.



The amount of olive oil exported by Australia is negligible, although in 1999 approximately 306 tonnes were exported, representing a 75% increase above the 1998 level of exports.

Both Australian production and export levels of olive fruit and olive oil are insignificant in comparison with the level of olive oil imports into Australia.

Over the past decade, there has been a steady growth in the amount of olive oil imported into Australia. In 1990, Australia imported 12,343 tonnes of olive oil. However, by 31 December 1999, imports increased to 22,821 tonnes. This represented an average annual growth rate of 7%. In the four months to 30 April 2000, almost 6,800 tonnes of olive oil were imported. The customs value of olive oil imported into Australia in 1999 was approximately \$90 million.

More than 97% of olive oil imported into Australia is sourced from six countries, namely, Spain, Italy, Greece, Turkey, Lebanon and Tunisia. The predominant suppliers are Spain and Italy, which provided Australia with 59% and 32% respectively of total imported oil in 1999.

Over the period 1990 to 1996, per capita consumption of virgin olive oil increased by an average of 7.5% per annum, compared with an average increase of 4.1% per annum for pure olive oil. These figures suggest that there is a growing trend towards consumption of premium olive oil. Since 1996, Australia has continued to import increasing amounts of olive oil.

Australia's competitive advantage

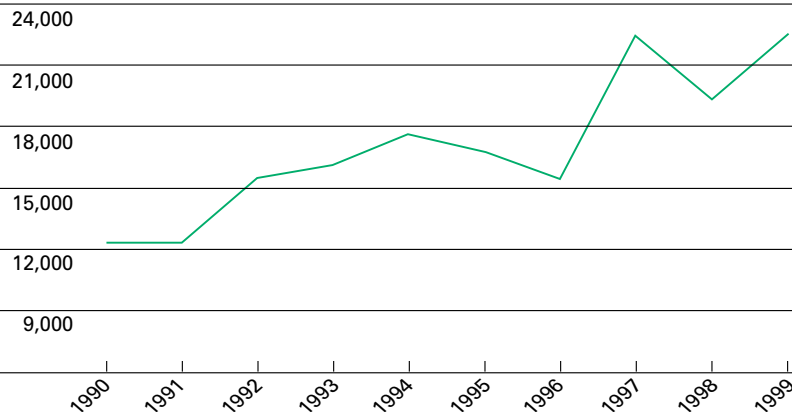
In the past, Australia could not compete with the Mediterranean producing countries which have used traditional farming practices for picking and processing olives cheaply.

With changes in technology, in particular the introduction of mechanised systems for irrigating, harvesting and processing olives and olive oil, Australia is well placed to compete in the international market.

Unlike the traditional Mediterranean countries which are constrained in their efforts to modernise farm establishment and management practices, Australia is able to establish and operate efficient olive groves that have the potential to improve the quantity and quality of olive yields and reduce production costs.

These factors, combined with the growing demand worldwide for quality olive oil, Australia's favourable land and climate conditions and its geographical location, which means it can supply fresh produce to the international market during the Mediterranean off-season, mean the time is ripe for Australia to become a more substantial producer in the world olive oil industry.

**Imported Olive Oil
Tonnes**



Types of olive oil

There are four distinct categories of olive oil based on chemical and organoleptic characteristics:

- Extra Virgin Olive Oil – pure olive oil with an acidity level of less than 1 per cent.
- Fine Virgin Olive Oil – pure olive oil with an acidity level between 1 and 2 per cent.
- Virgin Olive Oil – pure olive oil with an acidity level between 2 and 3.3 per cent.
- Olive Oil – a mixture of virgin olive oil and refined olive oil. Oil of a high level of acidity of over 3.3 per cent requires treatment to ensure it is fit for human consumption. The final acidity level of olive oil must be below 1.8 per cent after the refining and mixing process.

The most important factors in achieving high quality oil include the timing of harvesting and processing, the condition and health of the fruit, the transportation conditions, the cleanliness of the oil processing machinery and storage conditions. The taste of the olive oil is determined mainly by the variety of olive and the stage of fruit maturation.

Uses of olive oil

Olive oil has many uses. Whilst mainly used in cooking, natural salad dressing and the manufacture of table margarine, olive oil is increasingly being used in the following ways:

- Flavoured dipping oil for bread in the European style instead of butter. These flavoured oils also provide a ready-made flavour for salads and gourmet cooking, while attractive bottling and labelling of these products also make them popular gifts.
- Spray dressings containing olive oil and various other ingredients.
- Pressure pack olive oil spray with a "light" taste used for greasing fry pans or spraying oven baked vegetables.
- Preserving pickled vegetables and canned fish.
- Cosmetics, particularly soaps and creams.

Olive oil - the health benefits

Nowadays, more and more people have poor diets either because of excess calorie intake or the frequent imbalance of nutrients. Carbohydrate consumption is decreasing, consumption of food of animal origin is rising, and fresh vegetables are often canned, deep frozen or cooked. These changes, which result from a combination of matters, including technological progress, the increasing consumption of fast foods and changes in tastes, are likely to have a negative effect on health. It is therefore necessary to curb these dietary trends and make people more aware of a balanced diet, such as the Mediterranean diet.

This diet is characterised by the consumption of meat and dairy products, a higher intake of complex carbohydrates, fresh fruit and vegetables, an appropriate intake of fish and, where fats are concerned, an intake of primarily olive oil.

The fat in the Mediterranean diet is primarily monounsaturated and comes from olive oil. The incidence of heart disease is much lower in the Mediterranean than in countries like Australia. This is thought to be linked to their high consumption of olive oil which is low in saturated fats and high in monounsaturated fats. As a result of its balanced composition, olive oil is claimed to have a protective effect on the arteries, the stomach and the liver. It promotes growth during childhood and extends life expectancy, while at the same time its organoleptic characteristics produce a pleasing sensation to the palate.

Increased enthusiasm for the Mediterranean cuisine in Australia has boosted the popularity of olive oil. People buy it not only for its taste but also for its health properties.



Projected Proceeds and Returns

| Year ending 30 June | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|--------------|--------------|--------------|--------------|--------------|
| Project Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Olive Oil Sales | | | | 862 | 2,665 | 2,744 | 3,769 | 3,882 | 4,241 | 4,368 | 4,499 |
| less processing costs | | | | (86) | (267) | (274) | (377) | (388) | (424) | (437) | (450) |
| Net Sales | | | | 776 | 2,398 | 2,470 | 3,392 | 3,494 | 3,817 | 3,931 | 4,049 |
| less: JV partner's share | | | | (78) | (240) | (247) | (339) | (349) | (382) | (393) | (405) |
| Grower's share of olive oil sales | | | | 698 | 2,158 | 2,223 | 3,053 | 3,145 | 3,435 | 3,538 | 3,644 |
| Grower's Costs | | | | | | | | | | | |
| Management costs | 5,600 | 1,700 | 1,700 | 765 | 788 | 812 | 836 | 861 | 887 | 913 | 941 |
| Licence fee | 400 | 412 | 424 | 437 | 450 | 464 | 478 | 492 | 507 | 522 | 538 |
| Management fee | - | - | - | 52 | 162 | 167 | 229 | 236 | 258 | 265 | 273 |
| Total costs | 6,000 | 2,112 | 2,124 | 1,254 | 1,400 | 1,443 | 1,543 | 1,589 | 1,652 | 1,700 | 1,752 |
| Net proceeds to Growers | (6,000) | (2,112) | (2,124) | (556) | 758 | 780 | 1,510 | 1,556 | 1,783 | 1,838 | 1,892 |
| Taxable Income (deduction) | (6,000) | (2,112) | (2,124) | (556) | 758 | 780 | 1,510 | 1,556 | 1,783 | 1,838 | 1,892 |
| Tax saving (payable) | 2,910 | 1,024 | 1,030 | 270 | (368) | (378) | (732) | (755) | (865) | (891) | (917) |
| Cashflow after tax | (3,090) | (1,088) | (1,094) | (286) | 390 | 402 | 778 | 801 | 918 | 947 | 975 |
| Cumulative Cashflow | (3,090) | (4,178) | (5,272) | (5,558) | (5,168) | (4,766) | (3,988) | (3,187) | (2,268) | (1,322) | (347) |
| With Borrowings | | | | | | | | | | | |
| Borrowings: | 4,800 | 1,690 | 1,699 | | | | | | | | |
| Principal payments | (121) | (929) | (1,306) | (1,573) | (1,755) | (1,748) | (578) | (179) | - | - | - |
| Interest payments | (87) | (580) | (647) | (564) | (383) | (180) | (48) | (5) | - | - | - |
| Total loan payments | (208) | (1,509) | (1,953) | (2,137) | (2,138) | (1,928) | (626) | (184) | - | - | - |
| Cashflow before tax | (1,408) | (1,931) | (2,378) | (2,693) | (1,380) | (1,148) | 884 | 1,372 | 1,783 | 1,838 | 1,892 |
| Taxable income (deductions) | (6,087) | (2,692) | (2,771) | (1,120) | 375 | 600 | 1,462 | 1,551 | 1,783 | 1,838 | 1,892 |
| Tax saving (payable) | 2,952 | 1,306 | 1,344 | 543 | (182) | (291) | (709) | (752) | (865) | (891) | (917) |
| Cashflow after tax | 1,544 | (625) | (1,034) | (2,150) | (1,562) | (1,439) | 175 | 620 | 918 | 947 | 975 |
| Cumulative Cashflow | 1,544 | 919 | (115) | (2,266) | (3,828) | (5,266) | (5,091) | (4,471) | (3,553) | (2,606) | (1,631) |

Notes and Assumptions:

- a The projections are for one GroveLot of 0.25 hectares planted in the 2001 financial year.
- b The inflation rate, as measured by the Consumer Price Index (All Groups) Weighted Average of Eight Capital Cities, is 3% per annum from June 2001.
- c Under this Project, the majority of olive oil processed will be extra virgin olive oil. The sale price of olive oil is based on the market price for extra virgin olive oil and is estimated at \$A4.40 per litre as at 30 June 2001, indexed to CPI adopting 30 June 2001 as the base year.
- d On average, 340 olive trees will be planted per hectare, ie. 85 per GroveLot.

e The long term average yields of olives from the Grove and the resulting oil yield are assumed as follows:

| Year ended 30 June | Olive Yield (Tonnes / GroveLot) | Oil Yield Litres / GroveLot |
|--------------------|------------------------------------|--------------------------------|
| 2004 | 0.825 | 179.35 |
| 2005 | 2.475 | 538.04 |
| 2006 | 2.475 | 538.04 |
| 2007 | 3.300 | 717.39 |
| 2008 | 3.300 | 717.39 |
| 2009 onwards p.a. | 3.500 | 760.87 |

Of course, actual yields may fluctuate from year to year due to seasonal and other factors.



| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | TOTAL |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | |
| 4,634 | 4,773 | 4,916 | 5,064 | 5,216 | 5,372 | 5,533 | 5,699 | 5,870 | 6,047 | 6,228 | 6,415 | 6,607 | 99,404 |
| (463) | (477) | (492) | (506) | (522) | (537) | (553) | (570) | (587) | (605) | (623) | (642) | (661) | (9,941) |
| 4,171 | 4,296 | 4,424 | 4,558 | 4,694 | 4,835 | 4,980 | 5,129 | 5,283 | 5,442 | 5,605 | 5,773 | 5,946 | 89,463 |
| (417) | (430) | (442) | (456) | (469) | (484) | (498) | (513) | (528) | (544) | (561) | (577) | (595) | (8,947) |
| 3,754 | 3,866 | 3,982 | 4,102 | 4,225 | 4,351 | 4,482 | 4,616 | 4,755 | 4,898 | 5,044 | 5,196 | 5,351 | 80,516 |
| 969 | 998 | 1,028 | 1,059 | 1,091 | 1,123 | 1,157 | 1,192 | 1,228 | 1,264 | 1,302 | 1,341 | 1,382 | 30,937 |
| 554 | 571 | 588 | 606 | 624 | 643 | 662 | 682 | 702 | 723 | 745 | 767 | 790 | 13,781 |
| 282 | 290 | 299 | 308 | 317 | 326 | 336 | 346 | 357 | 367 | 378 | 390 | 401 | 6,039 |
| 1,805 | 1,859 | 1,915 | 1,973 | 2,032 | 2,092 | 2,155 | 2,220 | 2,287 | 2,354 | 2,425 | 2,498 | 2,573 | 50,757 |
| 1,949 | 2,007 | 2,067 | 2,129 | 2,193 | 2,259 | 2,327 | 2,396 | 2,468 | 2,544 | 2,619 | 2,698 | 2,778 | 29,759 |
| 1,949 | 2,007 | 2,067 | 2,129 | 2,193 | 2,259 | 2,327 | 2,396 | 2,468 | 2,544 | 2,619 | 2,698 | 2,778 | 29,759 |
| (945) | (973) | (1,003) | (1,033) | (1,064) | (1,095) | (1,129) | (1,162) | (1,197) | (1,234) | (1,270) | (1,309) | (1,347) | (14,433) |
| 1,004 | 1,034 | 1,064 | 1,096 | 1,129 | 1,164 | 1,198 | 1,234 | 1,271 | 1,310 | 1,349 | 1,389 | 1,431 | 15,326 |
| 657 | 1,691 | 2,756 | 3,852 | 4,981 | 6,145 | 7,343 | 8,577 | 9,848 | 11,158 | 12,506 | 13,896 | 15,326 | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | (8,189) |
| - | - | - | - | - | - | - | - | - | - | - | - | - | (2,494) |
| - | - | - | - | - | - | - | - | - | - | - | - | - | (10,683) |
| 1,949 | 2,007 | 2,067 | 2,129 | 2,193 | 2,259 | 2,327 | 2,396 | 2,468 | 2,544 | 2,619 | 2,698 | 2,778 | 27,265 |
| 1,949 | 2,007 | 2,067 | 2,129 | 2,193 | 2,259 | 2,327 | 2,396 | 2,468 | 2,544 | 2,619 | 2,698 | 2,778 | 27,265 |
| (945) | (973) | (1,003) | (1,033) | (1,064) | (1,095) | (1,129) | (1,162) | (1,197) | (1,234) | (1,270) | (1,309) | (1,347) | (13,223) |
| 1,004 | 1,034 | 1,064 | 1,096 | 1,129 | 1,164 | 1,198 | 1,234 | 1,271 | 1,310 | 1,349 | 1,389 | 1,431 | 14,042 |
| (627) | 407 | 1,471 | 2,568 | 3,697 | 4,861 | 6,058 | 7,292 | 8,564 | 9,873 | 11,222 | 12,611 | 14,042 | |

Olive oil as a percentage of the olive's weight averages 20%, although it may be lower in the first two years of production. In order to convert kilograms to litres, we have divided the result in kilograms by a factor of 0.92.

f The cost of processing the fruit into oil is based on the processor retaining 10% of the olive oil (or its equivalent in money terms) and dealing with all of the waste. This is industry practice.

g Management costs are based on actual production costs. In addition there is a management fee equal to 7.5% of Gross Proceeds. The licence fees are \$400 per GroveLot p.a. Both management and licence fees will be indexed at the assumed inflation rate of 3% p.a. from 30 June 2001.

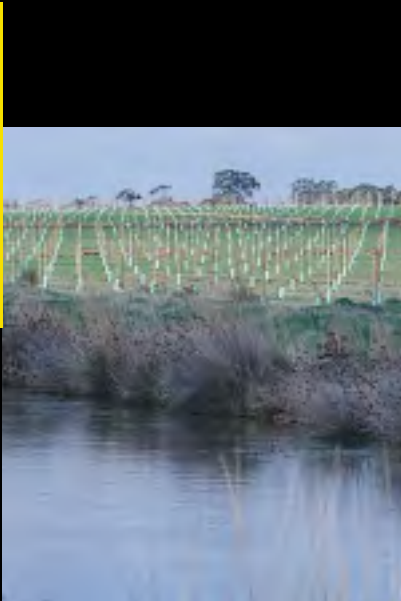
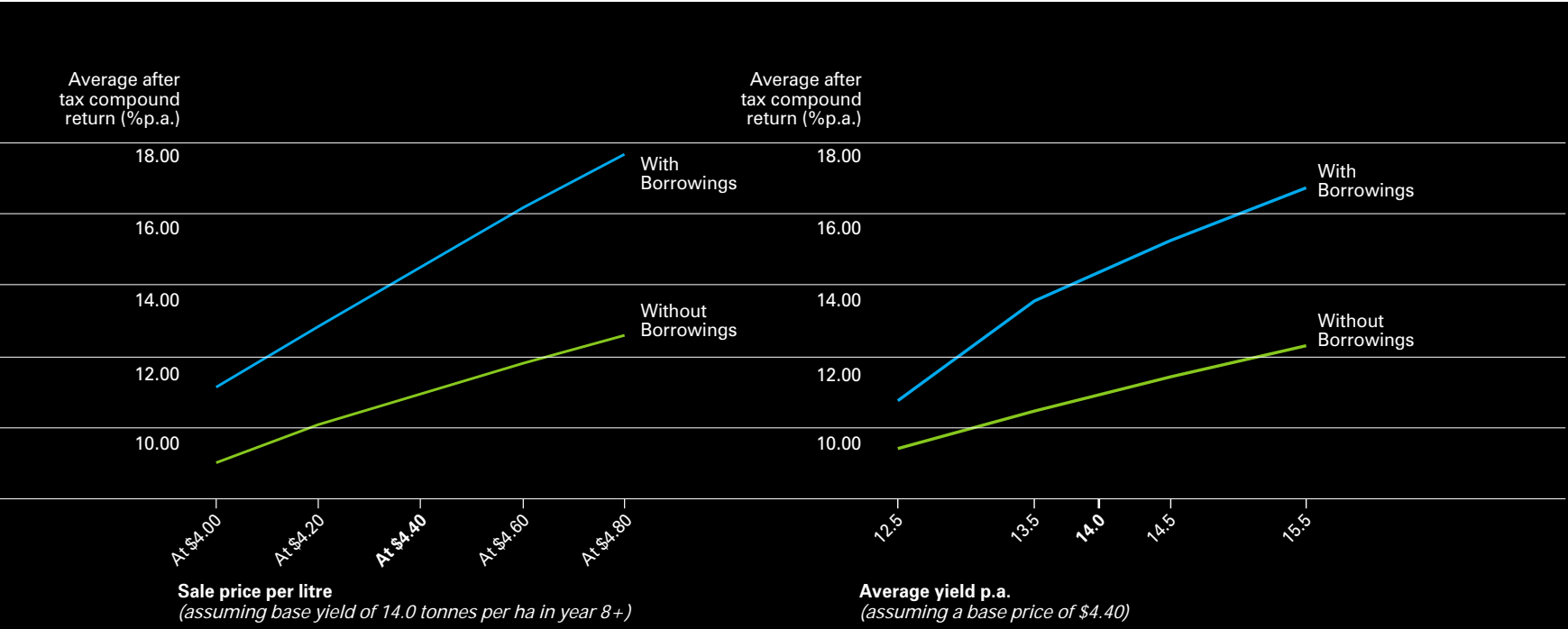
h Gearing - assumes 80% of the management and licence fees (excluding GST) payable during the first three years will be financed by way of three separate loans. Each of the loans will be drawn when the relevant fees become due and payable and will be repayable by 60 equal monthly instalments of principal and interest. The annual interest rate will be 11% p.a. Repayments for loan 1 commence in May 2001.

i Taxation rate - 48.5% including medicare levy.

j All costs incurred in respect of services rendered will be subject to GST. However, the effect of GST has been ignored in calculating the projected results outlined above. This is because Growers registered for the GST will be entitled to claim a GST input tax credit for GST paid and because olive oil sold to the export market should not attract GST.

Sensitivity Analysis

The graphs below demonstrate the sensitivity of the average after tax compound return p.a. to the major factors that have an impact on Grower returns. These factors are the sale price per litre which is assumed at \$A4.40, and the maximum yield per hectare. From year 8 of the Project, the expected yield of olives is 14 tonnes per hectare.



Taxation Benefits and GST

Ralph Report – Stage 2

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

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

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

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

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

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

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

Deductions available

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

However, you should note the operation of section 27-5 of the Income Tax Assessment Act 1997 which is explained below.

ATO Product Ruling

The Australian Taxation Office has issued Product Ruling PR 2000/100. This Ruling confirms the deductibility of the above costs. A copy of the ruling is attached to the Taxation Advisor's Report.

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





Goods and Services Tax (GST)

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

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

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 or ABN from the Australian Taxation Office. If you already carry on an enterprise that is registered and you own your GroveLots 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 GroveLot and olive oil enterprise.

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

You should note the effect of section 27-5 of the Income Tax Assessment Act 1997. 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 the GST, you will not be entitled to claim a tax deduction for the amount of any GST that you pay to us during the life of the Project. Of course if you are registered for the GST, you will be entitled to claim an input tax credit in respect of any GST paid to us.

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

Olive oil proceeds

All proceeds that you derive from the sale of olives or olive oil will be assessable income for taxation purposes.

Taxation of Options

Generally, the issue of the Options, and shares that may arise from the exercise of the Options, will give rise to the following capital gains tax and ordinary income tax implications:

- the issue of the Options by LWH Limited will not have any tax implications to you as a Grower or your Associate;
- any capital gain made by you (or your Associate) on the disposal of Options, including through any application of the market value substitution rule, will be subject to capital gains tax;
- any capital gain or loss made by you (or your Associate) in relation to the exercise of an Option will be disregarded for taxation purposes. However, the exercise price (\$800 per Option) will form part of the cost base of the shares;
- any capital gain on the disposal of shares in LWH Limited by you or your Associate must be included in your (or your Associate's) disposable income and any capital loss may be used to offset other capital gains; and
- dividends are fully assessable to shareholders at their marginal income tax rates in the year of receipt. Franked dividends will carry franking credits.

It should be noted that if the Options in LWH Limited issued to you (or your Associate), or the shares issued as a result of the exercise of the Options, are held as trading stock, you or your Associate will be subject to the ordinary operation of the trading stock provisions of the income tax legislation and should seek specific advice.

Taxation Opinion

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

Before deciding whether to participate, you should refer to the Taxation Advisor's Report and to Product Ruling PR 2000/100. You should also obtain your own independent professional advice on this important matter.

How the Project works

Becoming a Grower

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

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

Upon becoming a Grower we will send you:

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

LWH Limited will send to you (or your Associate) an option certificate in respect of the Options issued.

During the Project we will send you:

- annual reports setting out the results of the harvest of olives including yields per variety, the condition of the Grove and Olive Trees and other relevant details;
- periodic invoices for management fees and licence fees; and
- once the Olive Trees start producing olives, annual statements of income and expenses and proceeds from the sale of olive oil produced from your olives. Please note that all olives from the Grove will be harvested and processed together progressively and you will receive a pro rata share of the proceeds from the sale of the olive oil.

You will be entitled to visit your GroveLots and monitor the progress of the Olive Trees.

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

Constitution

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

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

Custody Agreement

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

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

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

Licence and Joint Venture Agreement

The Licence and Joint Venture Agreement will be between you and the Land Owner.

Under this agreement, the Land Owner agrees to establish the 500 hectare Grove by 30 November 2000. If we accept oversubscriptions, the Land Owner will establish the remaining part of the Grove by 30 April 2001. The Land Owner will own the Grove and all associated capital works and infrastructure and the Water Rights. For further details on the Grove, refer to the Project Site and Development section of this prospectus.

The Land Owner will grant to you a licence to use and occupy identifiable GroveLots for the term of the Project. The purpose of the licence is to allow you to cultivate and harvest olives and produce bulk processed olive oil in joint venture with the Land Owner.

Your application fee includes a licence fee of \$440 (including \$40 GST) for the period from acceptance of your application until 30 June 2001 and is payable on subscription. On 30 November 2001 and 30 November 2002, and thereafter on 30 September of each subsequent year, you will pay an annual licence fee of \$400, Indexed and increased on account of GST, that is payable partly in arrears and partly in advance.

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

Lease of the Land

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

Management of your GroveLots

Under the Grovelot Management Agreement between you and us, we will throughout the term of the Project manage and cultivate your GroveLots, procure the processing of the olives harvested into olive oil and market and sell the bulk-processed olive oil.

Your application fee includes a management fee of \$6,160 per GroveLot (including \$560 GST) for the period from acceptance of your application until 30 June 2001.

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

- a for the period commencing on 1 July 2001 and ending on 30 June 2002 – \$1,870 per GroveLot (including \$170 GST) payable on 30 November 2001 partly in advance and partly in arrears;
- b for the period commencing on 1 July 2002 and ending on 30 June 2003 – \$1,870 per GroveLot (including \$170 GST) payable on 30 November 2002 partly in advance and partly in arrears;
- c in respect of each subsequent financial year until 30 June 2023 – an amount per GroveLot that we estimate to be the reasonable operating costs of us managing your GroveLot. The fee will include an allocation of overhead costs incurred by the Project Manager or its contractors that will not exceed \$70 per GroveLot, Indexed and increased on account of GST. This fee will be payable on 30 September of each year. Once the actual costs are determined, we will adjust the following year's payments to reflect the actual costs;
- d from 30 September 2003, 7.5% of the annual Gross Proceeds; and
- e an incentive fee of 25% of so much of the annual Net Proceeds payable to you in a financial year which exceed the projected Net Proceeds set out in this prospectus, less any allowance for inflation at arriving at such estimate, but Indexed from the date of the Grovelot Management Agreement. In order to allow for a variation in yields from year to year, this fee will be calculated on a two year rolling basis.

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



Harvest periods

We expect your GroveLots to start producing commercial quantities of olives in the third year after the year of establishment, ie. June 2004.

Harvesting is expected to occur in the autumn and winter months of April to July. We intend to use state-of-the-art mechanical harvesting machinery that maximises the yield of olives from each tree and avoids damage to the olives and the root system of the trees. For further details regarding harvesting methods that we intend to employ during the Project, see the Project Site and Development section of this prospectus.

The Grove will consist of olive trees of different varieties (see Olive Tree Varieties heading under the Project Site and Development section of this prospectus) and the optimum harvest periods for each variety may differ slightly. We will prepare a harvesting management plan which incorporates the characteristics of each variety and the optimum harvest periods to ensure that harvesting of your olives is carried out in the most efficient and effective manner possible.

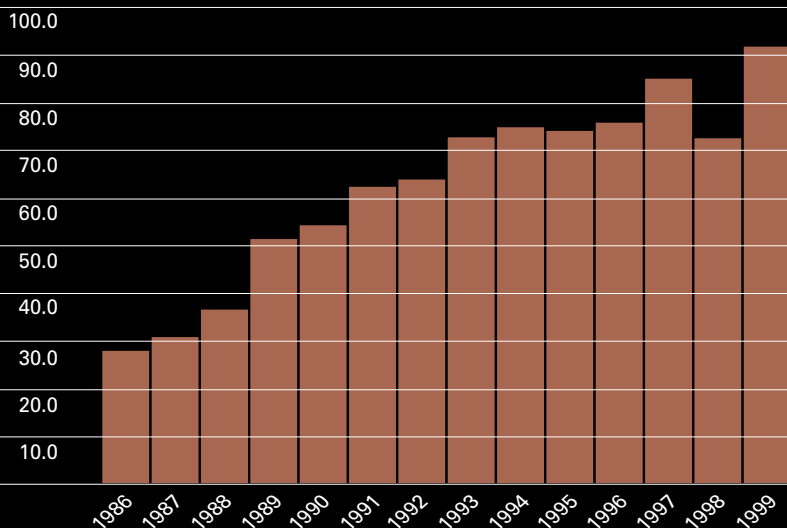
Processing of your olives into olive oil

Olives produced from the Grove will be processed primarily into extra virgin olive oil. Olive oil that is not capable of reaching extra virgin grade will be processed and sold according to its grade. The quality of the olive oil produced will be affected by the speed at which the olives are delivered to the processing plant after harvesting and the processing method. In order to maximise the quality and content of the olive oil, Timbercorp intends to commission the construction and operation of a state-of-the-art olive oil processing plant on or near the site of the Project. For further information on the processing of your olives see the Project Site and Development section of this prospectus.



Costa d'Oro Olive Oil Sales

Sales (lire billion)



Sale of your olive oil

The Grovelot Management Agreement requires us to sell your olive oil as your agent. We will endeavour to sell the olive oil for as high a price as we can achieve. Under the Grovelot Management Agreement we are appointed as your agent and attorney to enter into any olive oil sale agreement. We have appointed the Project Manager as agent to sell the olive oil, subject to our direction.

The Project Manager has secured a put option to sell up to 4,500 metric tonnes of olive oil each year to Costa d'Oro, a major Italian distributor of olive oil. This is in excess of the quantity of olive oil that is expected to be produced from the Project each year.

The option agreement provides for the olive oil to be sold at prevailing market prices. The price will be quoted in Australian dollars and will be based on the average price of equivalent quality olive oil produced from olives grown in Italy as quoted by the Associazione Granaria di Milano, which is an integrated part of the Borsa di Milano (Milan Stock Exchange).

Costa d'Oro was founded in Spoleto, Italy in 1968 and, with over 30 years' experience, produces extra virgin olive oil as its core business. The company also produces pure olive oil, light olive oil, pomace and oils from sunflower, peanuts, soya, corn and grapeseed. Packing is offered in glass and tins. In April 1986, Costa d'Oro was the first olive oil company in the world to obtain ISO 9002 accreditation for its quality control system.

Costa d'Oro bottles and markets approximately 15,000 tonnes of olive oil per annum internationally.

The graph above sets out details of olive oil sales achieved by Costa d'Oro from 1986 to 1999.

It is important to note that the Project Manager is not compelled to sell your olive oil to Costa d'Oro. If a higher price can be obtained from another purchaser, either we or the Project Manager will endeavour to sell the olive oil for that higher price.



Distribution of your olive oil proceeds

Your olive oil proceeds will be pooled with the proceeds of other Growers in the Project.

You will then be entitled to a proportionate share of the proceeds after deduction of your proportionate share of the management fees and costs and licence fees. Details of these fees and costs are set out earlier in this section.

Research trials

The Land Owner will retain, at its cost, a portion of the Grove in order to conduct a series of research trials.

The purpose of these trials will be to develop improved methods of establishing and developing olive groves and the production and harvesting of olives. These trials will be conducted in conjunction with the Project Manager and leading horticultural experts from Australia and around the world.

Option to acquire an indirect interest in the Grove

This prospectus also offers you (or your Associate) the opportunity to participate in the ownership of the Grove, consisting of the Land, Water Rights, Olive Trees and other infrastructure and capital works. This opportunity is offered through the issue of Options to acquire ordinary shares in LWH Limited. In turn, LWH Limited has been granted an option to acquire an interest of up to 24.9% in the Grove.



What Options will be held by Growers?

For each GroveLot for which you apply under this prospectus, you or your Associate will be granted one Option to subscribe for one fully paid ordinary share in the capital of LWH Limited. LWH Limited is currently an unlisted public company and a wholly-owned subsidiary of Timbercorp Limited. Its board of directors currently mirrors the board of directors of Timbercorp Securities Limited.

The terms and conditions attaching to the Options are set out in the Fourth Schedule of the Constitution. In summary, the Options:

- may be taken up by you or your Associate;
- will be issued for no payment;
- will be issued at the time the GroveLots are issued to the Grower, together with an option certificate;
- will lapse immediately after a Grower ceases to participate in the Project;
- may only be transferred, mortgaged, charged, assigned or otherwise disposed of or encumbered with the prior written consent of LWH Limited; and
- will become exercisable in whole, and not in part, in July 2005, at an exercise price of \$800 each.

There are conditions which ensure that if, during the currency of the Options, LWH Limited issues bonus shares or makes a pro rata issue of shares for cash, there will be an adjustment to the number of shares to which an Option Holder is entitled, or to the exercise price of the Options, in order to reflect the dilution effect of such issue. Similarly, if, during the currency of the Options, the capital of LWH Limited is reconstructed or reorganised, the number of Options or exercise price of the Options must be reconstructed or reorganised on a similar basis. Options do not otherwise carry a right to participate in any other issue of shares, options or other securities of LWH Limited made to shareholders generally.

You should note that an Option does not entitle the holder to receive a distribution of dividends from LWH Limited, to participate in a winding up of LWH Limited or to attend, participate in and vote at a general meeting of LWH Limited.

When may you exercise your Options?

The offer of Options has been structured so that you will have a period of approximately five years to monitor the progress of the Grove before deciding whether or not to exercise your Options. The exercise period will commence on 1 July 2005 and end on 31 July 2005. During that period, an Option Holder may exercise his or her Options by serving a notice on LWH Limited stating whether or not he or she wishes to exercise his or her Options, together with a bank cheque or bank draft payable to LWH Limited for the exercise price of \$800 multiplied by the number of Options to be exercised. A notice of exercise must relate to the entire holding of Options held by an Option Holder.

Under the terms and conditions of the Options, the exercise of the Options will only be effective if not less than 30% of all the Options issued under this prospectus are exercised. If, by the end of the exercise period, less than 30% of all the Options issued are exercised, LWH Limited will refund the exercise price paid to it together with interest less bank and government charges.

After the expiry of the exercise period, and provided at least 30% of all Options issued are exercised, the following will occur:

- within 30 days after the expiry of the exercise period, LWH will cause shares to be allotted to all persons who have exercised their Options;
- so long as it is in the best interests of the company, LWH Limited will exercise the option granted to it under the Option Agreement described below; and
- a meeting of shareholders will be called for the purpose of electing new directors to the board of LWH Limited and accepting the resignations of the then existing directors.

If you exercise your Options, what rights will attach to the ordinary shares?

All shares acquired by Option Holders as a result of the exercise of Options will rank equally for dividends and for a distribution of surplus on a winding up of LWH Limited.

For a summary of the rights attaching to the ordinary shares, refer to the section of this prospectus titled Summary of Significant Documents.

For financial projections associated with the holding of shares in LWH Limited, refer to the Projected Proceeds and Returns section of this prospectus.

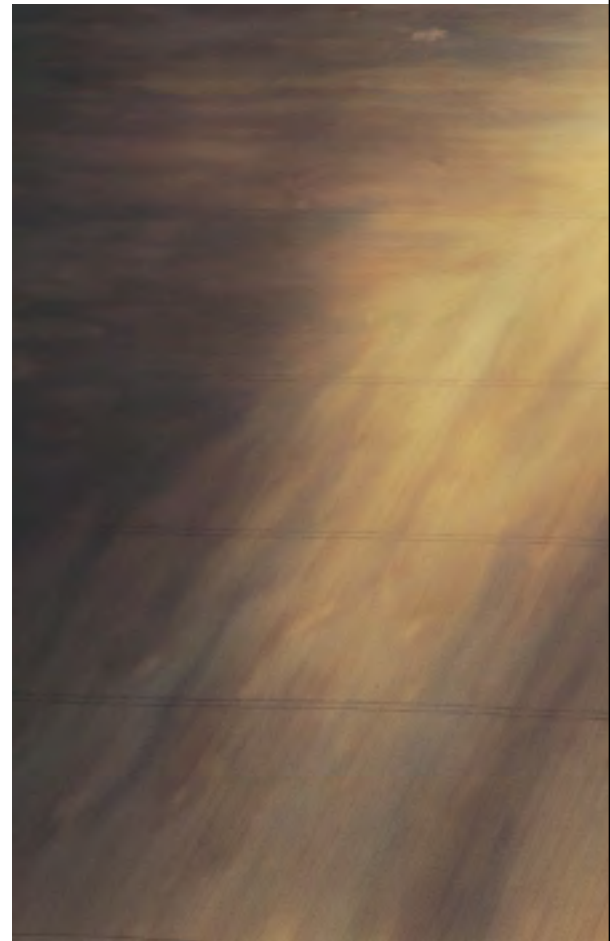
LWH Limited's option to purchase an interest in the Grove

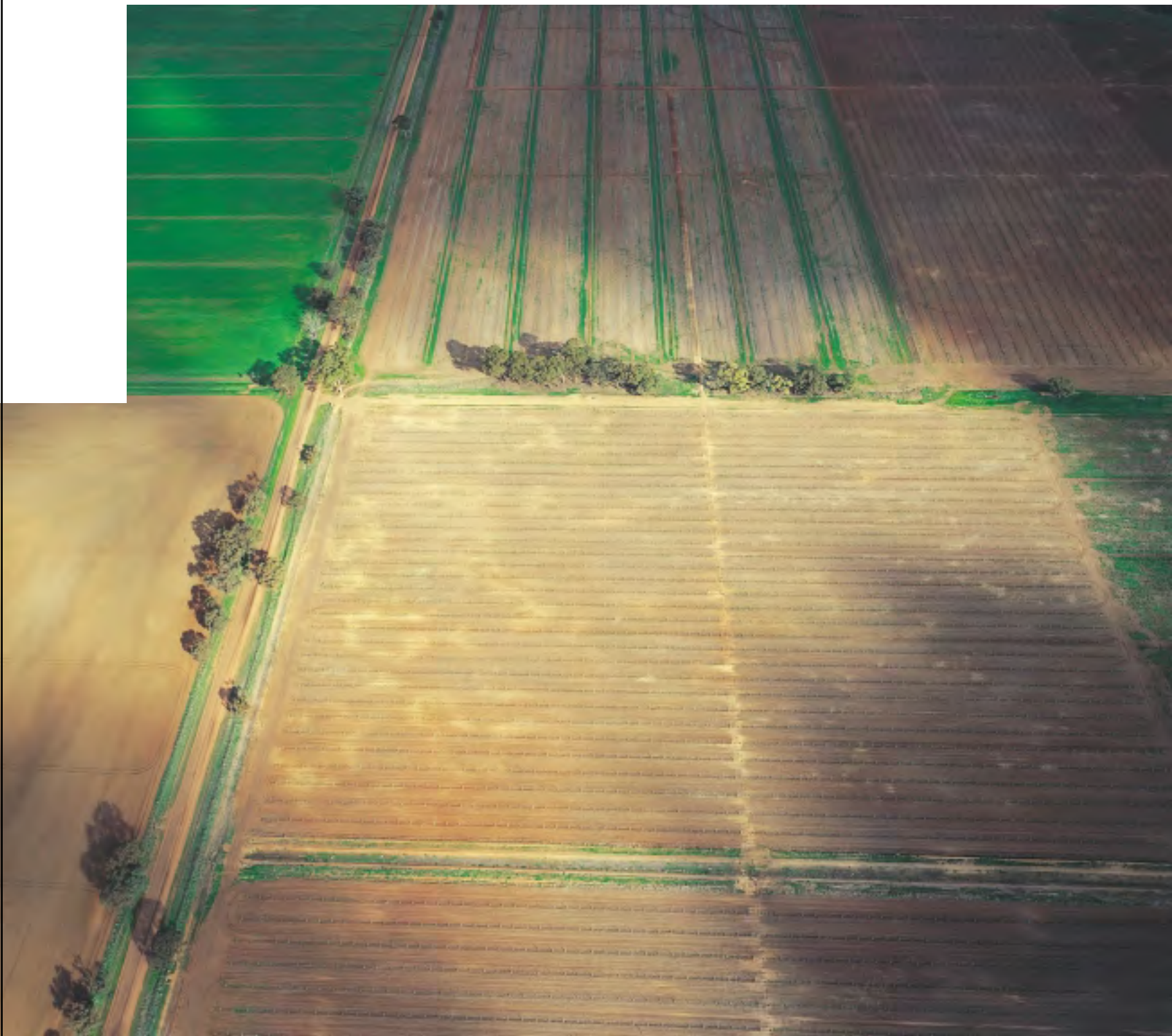
Under an Option Agreement between LWH Limited and the Land Owner, LWH Limited has been granted an option to purchase an interest of up to 24.9% of the Grove, comprising the Land, Water Rights, Olive Trees and other infrastructure and capital works, for a purchase price being the lesser of:

- the amount calculated by multiplying \$1,560,000 by the proportionate interest to be acquired in the Grove; and
- an independent valuation of the Grove multiplied by the proportionate interest to be acquired in the Grove.

To the extent that we accept oversubscriptions, in which case the Grove will comprise an area greater than 500 hectares, the purchase price will be increased by an amount agreed between the Land Owner and LWH Limited. The option is exercisable in the period commencing on 1 August 2005 and ending on 31 August 2005 and will only be exercised by LWH Limited if it is in the company's best interests to do so. Settlement of the contract of sale will take place 30 days following the exercise of the option.

If LWH Limited exercises its option to acquire an interest in the Grove, any Grower (or his or her Associate) who has exercised the Options will benefit from the payment of licence fees by all Growers under the Licence and Joint Venture Agreement during the life of the Project. This benefit will be realised through the payment of dividends by LWH Limited. In addition, Growers (or their Associates) should benefit from any increase in the value of the Grove that may accrue over the life of the Project when the Licence and Joint Venture Agreement expires.





Project Site and Development

The Grove is located in the Boort district, in the shire of Loddon, 120 kilometres northwest of Bendigo in Victoria. The site fronts the Boort - Charlton Road and is situated 10 kilometres west of Boort. The Land Owner owns the Land and has entered into contracts to purchase a further 1,725 hectares in the immediate area. It also holds options to acquire a further 955 hectares.

The source of irrigation for the Project is from the Waranga Western Channel, which runs through the site, and comes under the control and direction of the Goulburn Murray Water Authority. The Grove will be irrigated by water piped from the channel to the Grove Lots through pumps, main lines and sub-mains owned and controlled by the Land Owner. The pumps are situated on the banks of the Waranga Western Channel. Water will be fed through a sophisticated micro-irrigation system that includes two rows of drip irrigation on each row through the Grove.

Climatological Summary for Boort Postal Agency

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Annual | Years of Record |
|------------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|--------|-----------------|
| Mean daily maximum temperature (C) | 31.4 | 31.0 | 27.6 | 22.4 | 17.9 | 14.4 | 13.9 | 15.7 | 18.6 | 22.2 | 26.2 | 29.5 | 22.6 | 70 |
| Mean daily minimum temperature (C) | 14.9 | 15.3 | 13.0 | 9.5 | 6.8 | 4.4 | 3.7 | 4.6 | 6.2 | 8.3 | 10.8 | 13.2 | 9.2 | 70 |
| Mean number of days with frost | - | - | - | 0.1 | 0.9 | 5.4 | 7.6 | 4.0 | 1.6 | 0.3 | - | - | 19.8 | 20 |
| Mean number of days with hail | - | - | - | 0.1 | - | - | - | - | 0.3 | 0.2 | 0.1 | 0.2 | 0.9 | 20 |
| Mean monthly rainfall (mm) | 23.4 | 26.0 | 26.5 | 27.6 | 39.4 | 39.5 | 38.3 | 42.1 | 38.8 | 39.8 | 31.0 | 25.2 | 397.6 | 102 |

Land, climate and water conditions in Boort

Climate

Boort enjoys a Mediterranean climate with warm dry summers. Sixty percent of the annual rainfall is evenly distributed between May and October. Mean daily January temperatures range from 14.9 to 31.4 degrees celsius whilst mean daily June temperatures range from 4.4 to 14.4 degrees celsius. The annual rainfall for Boort is 397.6 millimetres.

Water

Over 70% of Boort’s irrigation water is sourced from the Loddon River. The river is supplied by three major storages located in the Upper Loddon catchment: Cairn Curran, Tullaroop and the Laanecoorie Reservoirs. The balance is obtained from the Goulburn River system via the Goulburn Weir, Waranga Basin and the Waranga Western Channel, which passes through the Project site. Water from the Loddon and the Goulburn mixes at the Loddon Weir at Fernihurst.

The Land Owner has acquired sufficient permanent Water Rights to meet the requirements of the 500 hectare Grove for the life of the Project. We will accept oversubscriptions to the extent only that the Land Owner is able to secure further permanent Water Rights. If during the life of the Project additional water is required to irrigate the Grove, the Project Manager will procure additional temporary or permanent water rights, if they are reasonably available, and make these available for Growers. The cost of procuring such additional water rights will be treated as a cost of operating the Grove, payable by Growers under paragraph (c) of the heading titled Management of your Grovelots in the section of this prospectus titled How the Project Works.

At the date of this prospectus, the Land Owner had acquired permanent rights to greater than 2,750 megalitres of water in respect of the Project. This means that the Land Owner is entitled to draw up to 5.5 megalitres of water annually for each hectare of the Grove.

Geomorphology

The Boort area contains features of the Riverine Plain and Mallee region of northern Victoria. The property is located in the Mallee Plains of west Boort. It is a semi-arid, sandy region mostly covered by wind-dune systems. The Mallee portion drains internally and is mainly used for dry land agriculture.

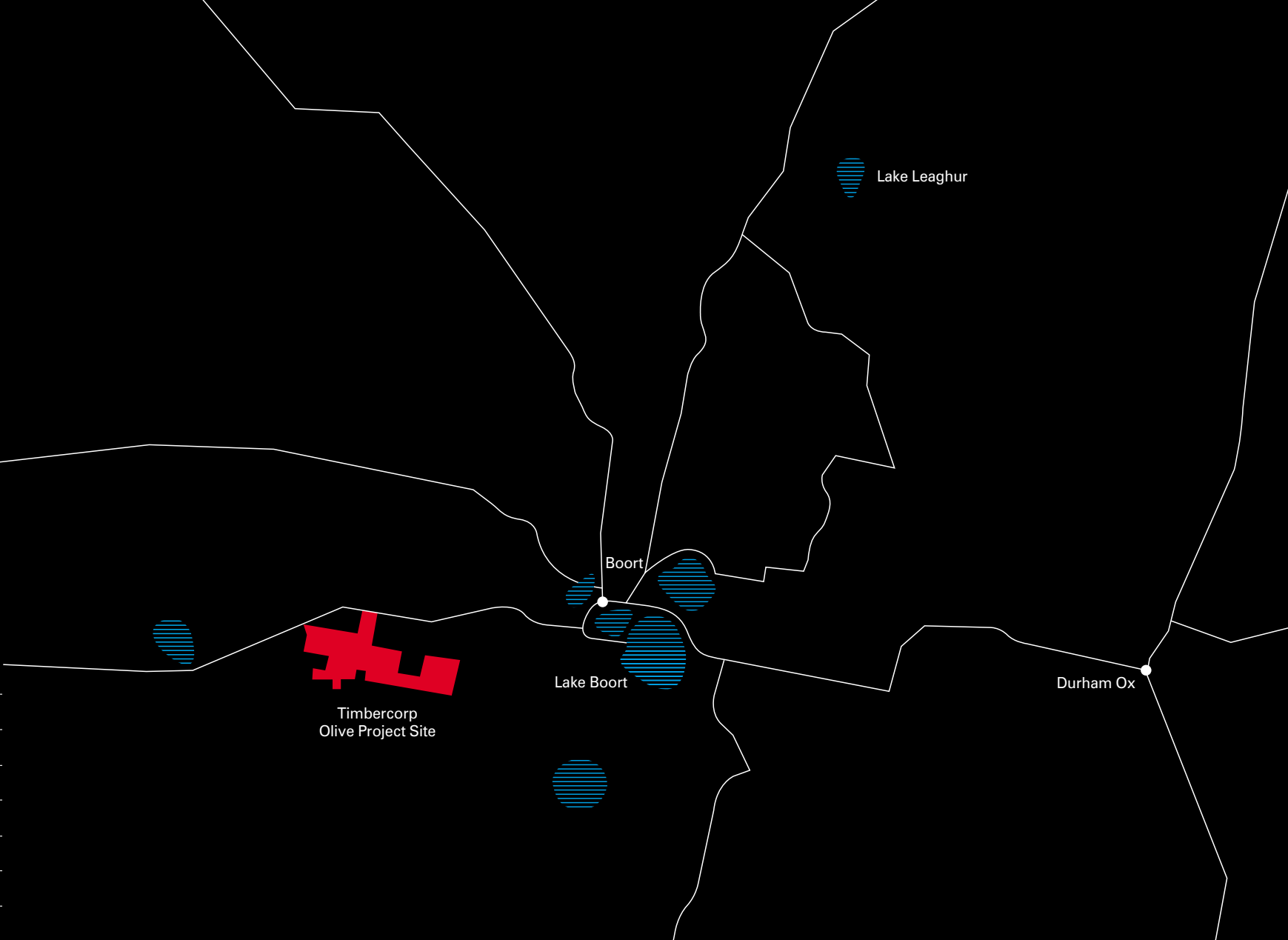
Soils

In determining the suitability of the Project site, the Grove and irrigation design, the Land Owner has conducted detailed soil investigations. There is a range of distinctive soils throughout the property. The typical soils are:

- Red Brown Earths
- Cryptopodzols
- Lateritic Podzols

There is also an assortment of other soils spread through the site, namely, densipan podzols, solodic soils, cracking grey clays and gilgai. There are many intergrades occurring between the various soil types throughout the site. With appropriate preparation, all of these soils are considered suitable for olive growing.

For further details regarding the Land and soil, refer to the Independent Olive Grove Expert’s Report.



Olive planting strategies

There are generally two different styles of planting modern olive groves. They are best described as:

- the "free – standing" planting method which under this Project will involve spacing of 7 metres by 5 metres or 7 metres by 4 metres depending on the variety of the trees; and
- the "high – density" planting method involving spacing of up to 4 metres by 1.65 metres. This method is still under experiment.

Under this Project, olive trees will be planted using the free-standing planting method at a density of approximately 340 trees to the hectare.

Olive tree varieties

It is generally accepted that relying on a single cultivar in a plantation development is undesirable from both a horticultural and economic perspective. At least four cultivars will be used to facilitate cross-pollination on the Grove and to increase yields by planting varieties that have different maturity profiles, thereby spreading the harvesting season and increasing the rate of pollination. The Picholine variety will be used only if we accept oversubscriptions.

The main varieties and their likely yields are outlined in the following table:

| Variety | Approximate % of total planting | Maximum expected yield (tonnes/ha) | Year of first commercial production |
|------------|---------------------------------------|---|---|
| Barnea | 70.0 | 16.0 | Year 3 |
| Picual | 6.0 | 12.0 | Year 4 |
| Frantoio | 12.0 | 13.0 | Year 4 |
| Manzanillo | 6.0 | 12.0 | Year 4 |
| Leccino | 6.0 | 12.0 | Year 4 |

The Land Owner may change the mix of varieties and use other varieties if doing so is likely to enhance returns from the Project.

Barnea

The majority of plantings under this Project will be of the Barnea variety.

The Barnea is a relatively new cultivar developed by industry pioneer Professor Shimon Lavee, of the Volcani Center and the Hebrew University in Israel. Barnea is the keystone olive variety for the establishment of a modern commercial and cost-effective Australian olive oil industry. Barnea was named after the region of Kadesh Barnea from which the original plant material for its development arrived approximately 30 years ago, an oasis in the northeast of the Sinai Desert.

The Barnea produces high-quality fruit for the premium end of the olive oil market, at which the Timbercorp Olive Project is aimed.

With adequate irrigation, the Barnea tree gives a commercial yield of up to 10 tonnes per hectare with 20 per cent oil content by the fourth year after planting. All other olive varieties produce commercial yields four years after planting. However, according to the Israeli Ministry of Agriculture and Rural Development, the long-term average yield of mature irrigated, well-maintained Barnea groves is between 14 and 16 tonnes per hectare.

In New Zealand, one commercial olive grower using Barnea as its primary cultivar has produced extra virgin olive oil with an acidity of an exceptionally low 0.15 per cent. The "Ponder Estate" olive oil from New Zealand is listed in the International Olive Oil Companion as one of the world's Top 100 Single Estate oils. The Ponder Estate has been attracting premium prices from the export market for bottled Barnea olive oil.

Picual

Picual is the leading variety in Spain and the most widely planted oil variety in the world. The Picual tree adjusts to a wide range of soils and climatic conditions. It is particularly resistant to cold and wet soils, tolerant to soils containing lime or calcium and has a relatively high salinity tolerance.

The yield is relatively high and the tree responds well to irrigation. Under intensive conditions, an average yield of about 12 tonnes per hectare can be achieved. The fruit matures late and requires prompt processing. The quality of oil produced by the Picual fruit is medium, but well accepted in the international trade.

Frantoio

The Frantoio variety is the leading variety in Italy and is world renowned for its characteristics both as a single and blending variety. The oil quality is considered high and its production under irrigated conditions is good.

The fruits from this cultivar are relatively small and do not ripen uniformly, although they have an oil content of between 17% and 22%.

Manzanillo

Manzanillo is the major cultivar for pickling in all olive-growing regions in Israel and is a suitable pollinator of Barnea. It is not planted under dryland conditions as it is highly sensitive to drought. It responds well to chemical thinning and fruit loosening for mechanical harvest.

Ordinarily it is pruned annually and in 'on' years with a high yield, chemical fruit thinning is important.

The tree has predominantly lateral growth, with a tendency to hanging fruiting shoots. The fruit is elongated and symmetrical with a yellow-green colour for green picking and a dark black colour when fully ripe.

Leccino

The Leccino variety originated in the Tuscany region and is one of the major olive cultivars of Italy. It has high fruiting potential and responds well to irrigation, resulting in a marked increase in yield.

Pollinators are needed for a good commercial yield, with the Frantoio regarded as a good pollinator with the Leccino. It is a cultivar for oil that is remarkably widespread with an early and simultaneous ripening of the fruit. The olives are of a medium size, ripen relatively early and at the time of harvest are purplish black and have an oil yield of between 17 and 20 per cent under irrigated conditions. The oil is of a good quality with a somewhat fruity aromatic flavor.

Picholine

Picholine is a French cultivar that grows mainly in North Africa. Overseas experience shows its production under irrigation is high and while the oil content of the Picholine variety is lower than some other varieties, the oil is of a very high quality. This cultivar is also important as an efficient pollinator for Barnea.

Picholine trees are relatively early producers and in intensive groves a commercial yield can be achieved in the fourth year. The oil is light in colour and has a fine, delicate taste. The fruit can be used for quality table olives.

Stages of Development

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

| Stages of Development | Spring Planting | Autumn Planting |
|---|---|---|
| Stage 1 <ul style="list-style-type: none"> - Topographical & soil surveying - Development & preparation of grove design - Development and preparation of irrigation design - Land clearing and preparation including fences and clear-up | May 2000 June 2000 June 2000 June 2000 | July/August 2000 November 2000 November 2000 December 2000 |
| Stage 2 <ul style="list-style-type: none"> - Survey blocks, rows and irrigation pipelines - Soil amelioration and commencement of staking - Installation of irrigation headworks - Complete electrical connections | June 2000 July 2000 July 2000 September 2000 | January 2001 February 2001 February 2001 March 2001 |
| Stage 3 <ul style="list-style-type: none"> - Commence watering - Commence planting of trees and commence fertigation | September 2000 October 2000 | March 2001 March 2001 |
| Stage 4 <ul style="list-style-type: none"> - Farm management including weeding & fertilisation, irrigation, pest and disease mitigation, retying, pruning and related activities | October 2000/March 2004 | April 2001/March 2004 |
| Stage 5 <ul style="list-style-type: none"> - Expect first commercial harvest | April/July 2004 | April/July 2004 |

Source of olive trees

The Land Owner has contracted to purchase the Olive Trees from two commercial nurseries, namely, the Agrolive Nursery and the Marlborough Olive Nursery. Both nurseries have imported the original Barnea olive tree from Israel and have initiated local propagation from established Australian mother stock. Plants for the Project have been sourced from these stocks. Agrolive, which will supply approximately 85% of the total number of Olive Trees, has agreed to replace any tree planted that does not survive the first six months at no cost to the Land Owner or to Growers.

Irrigation

Effective and efficient irrigation is fundamental to achieving quality yields and is vital to the success of modern commercial olive production.

The Land Owner has commissioned Agri Hort Developments Pty Ltd to design an irrigation system that is capable of meeting the requirements of the Olive Trees for the life of the Project. Agri Hort Developments Pty Ltd will oversee the installation of a micro-irrigation system on the Grove with two drip line laterals for each row of trees. One of the particular design features of the system is that it will interconnect various pump stations on the Land. This will ensure a consistent supply of water throughout the site and will enable us to maximise the quantity and quality of the olive yields and achieve consistent and uniform production.

For details of the Water Rights acquired for the purpose of this Project, refer to the paragraphs on water earlier in this section.

Mechanised harvesting

As the optimal harvest period for olives is short (3–4 months), mechanical harvesting is essential for a successful, modern and commercial olive industry.

We propose using the latest in European harvesting machines for the Project. This machinery uses a high frequency vibration technique to vibrate the trees rather than shaking them. Conventional mechanical shaking methods can damage an olive tree's root system and branches, as well as the fruit. The high frequency vibration method generally avoids any damage to the olive tree, even in its early stages of development.

High frequency vibration, coupled with existing methods of collecting fruit continuously along the rows, provides the optimum harvesting solution for large-scale commercial projects. The single biggest advantage of this method is its speed which results in the production of better quality olive oil. It also dispenses with the requirement of hiring large numbers of manual labour for hand picking or tree raking.

Processing of your olives

In full production, we expect the Olive Trees across the 500 hectare Grove to yield approximately 7,000 tonnes of olives per annum once full maturation is reached. This is estimated to produce approximately 1.5 million litres of processed bulk olive oil which will be predominantly extra virgin.

Timbercorp intends to establish or procure the establishment of an on-site or near-site olive oil crushing and processing plant to service the olives produced from the Project. Timbercorp is holding discussions with a number of parties with the aim of establishing a processing plant under a joint venture arrangement.

The crushing plant will be installed with the help of a specialised designer and operator that will provide technical expertise and support to assemble the plant and bring it to full operational capacity. The designer and operator will also be commissioned to operate the plant during the first harvesting season at which time local personnel will be trained.

Key Participants



TIMBERCORP
SECURITIES LIMITED

The Responsible Entity

Timbercorp Securities Limited

We are a wholly owned subsidiary of Timbercorp Limited, an ASX 200 listed company with a market capitalisation of approximately \$350 million. As Responsible Entity, we are required to operate the Project and perform the functions conferred on us by the Constitution and the Corporations Law. We have the power to appoint an agent or engage a person or entity to do anything that we are authorised to do in relation to the Project. If we do so, we remain responsible for anything the agent or person has done.

On 5 September 2000, the Project was registered by ASIC as a managed investment scheme. We have applied for, and have been issued with, a securities dealer's licence which enables us to operate this Project and forestry based primary production projects. We can also carry on a securities business in relation to these projects.

Compliance measures

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

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

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

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 to assess the adequacy of the compliance plan. The compliance committee will meet regularly following the issue of this prospectus. The committee comprises two external members and one of our representatives. The following persons are members of the compliance committee:

George Aivazidis B Com
(our representative)

George Aivazidis is the compliance and contracts manager of the Timbercorp group. From 1991 to 1999 he was a senior officer with the ASIC and prior to that spent 6 years at the Corporate Affairs office.

Greg Bush LLB BA
(external member)

Greg Bush is a commercial lawyer with approximately 8 years' experience in advising both small and medium businesses on general corporate and legal issues.

Michael J Walter FCA
(external member)

Michael Walter has over 30 years' experience advising small and medium businesses across a range of industries on accounting, audit and taxation issues. From 1978 to 1998, he was a partner with Coopers & Lybrand, later PricewaterhouseCoopers, joining the firm in 1963. He is a fellow of the Institute of Chartered Accountants and currently practises as a chartered accountant under his own name.



The Directors

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

Our directors are as follows:

David W A Muir

Age 52

Non-Executive Chairman

Mr Muir is a co-founder of the Timbercorp Group of Companies and has eighteen years' experience in the management of agricultural activities.

Previously Mr Muir was finance director and company secretary of SEAS Group Limited (now Auspine Limited), a large Australian forestry and timber company, being responsible for its initial listing on the Australian Stock Exchange.

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

Robert J Hance

Age 57

Executive Director

Mr Hance is a co-founder of the Timbercorp Group of Companies and is the chief executive officer of Timbercorp. He has been in charge of the design and marketing of Timbercorp's primary industries based projects since incorporation.

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

John M Vaughan

Age 58

Executive Director

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

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

Sol C Rabinowicz

Age 33

Executive Director

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

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

Gary W Liddell

Age 59

Non-Executive Director

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

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



OLIVECORP

The Project Manager

Olivecorp Management Limited

Olivecorp Management Limited is also a wholly owned subsidiary of our parent company, Timbercorp Limited, and has an identical board structure. It has substantial expertise in the establishment and management of olive groves having successfully established a 362 hectare olive grove under the 2000 Timbercorp Olive Project private offer. A number of its staff have also been associated with other forms of irrigated agriculture.

The Management Team

Darren Lipton
General Manager

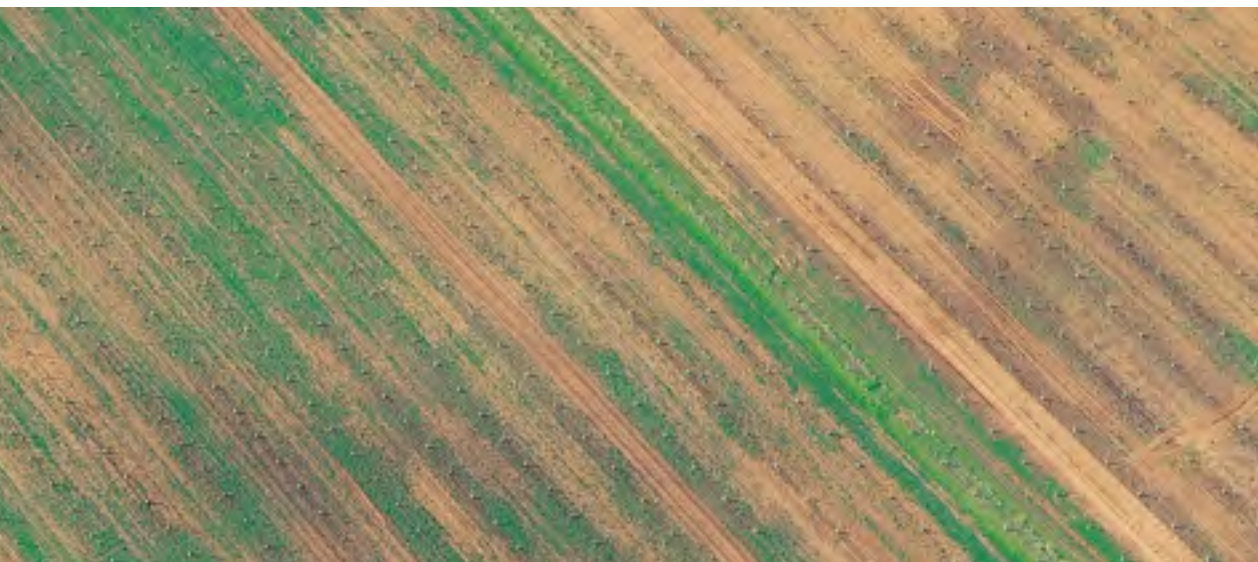
Darren Lipton has managed Timbercorp's expansion into the olive industry over the past 18 months. He has in excess of 10 years' corporate finance and project management experience. He has assembled a strong team of staff and consultants that have experience and expertise in the various areas of site establishment and olive grove management including general horticultural management.

Kenneth J McDougall
Site Manager

Ken McDougall has been engaged as site manager. Ken has 30 years' experience with irrigated agriculture in North-West Victoria and the Southern Riverina in New South Wales. During 1995, whilst employed with the Department of Natural Resources and Environment, Victoria, Ken assisted in establishing olive tree trials in the Kerang region (Victoria). In 1997, Ken was awarded a regional scholarship to study olive production, intensive horticulture and water use in Israel and Italy. Ken also attended the third World Olive Conference in Crete in 1997. As a result of this study and a subsequent report, Ken became the DNRE state-wide contact for olive enquiry in Victoria and provided services in relation to site selection, grove design, irrigation development, variety selection and marketing aspects for potential olive growers.

A team of staff with expertise in the areas of irrigation and farm management has been assembled on both a full time and casual basis to work with Ken on site.





Consultants

The Project Manager has commissioned a number of external parties to provide expert services in relation to the ongoing operation of the Grove as and when required. These include:

- Professor Shimon Lavee – Professor Lavee has evaluated the Project and has prepared the Independent Olive Grove Expert's Report included in this prospectus. He is the current President of the International Olive Oil Council and is internationally recognised as a leading olive and olive oil expert. He is credited with the creation of the Barnea variety, which is the predominant strain of cultivar planted in this Project. Professor Lavee will be available to consult to the Project Manager as and when required.
- Serve-Ag Pty Ltd – Serve-Ag provides full specialist agronomic services using the latest in agronomic technology. It will provide an integrated solution in the areas of plant nutrition, pest and disease management, cultural issues and irrigation monitoring.
- Netap – Netap is the project development and support department of Netafim which is the manufacturer of the irrigation equipment used in the Project. Netafim is the world's largest micro-irrigation company, providing innovative and leading irrigation products and know-how. Netap will provide agronomical support and technical support for all aspects concerning irrigation of the Grove.
- Agrolive – Agrolive will provide technical expertise on various farm management practices. Agrolive was formed in 1995 as an Australian/Israeli/Italian venture with the aim of developing the Australian olive industry. Over a number of years, it has assembled a team of international experts that specialise in all aspects of commercial olive grove operations and maintenance and has been closely associated with the establishment and development of large-scale commercial olive groves in Israel and Argentina.

The Land Owner – Olivecorp Land Pty Ltd

Olivecorp Land Pty Ltd is also a wholly owned subsidiary of our parent company, Timbercorp Limited, and draws on the experience and expertise of the management of Timbercorp.

It has successfully established a 362 hectare olive grove under the 2000 Timbercorp Olive Project private offer and will establish the Grove under this Project.

The Land Option Holder – LWH Limited

LWH Limited was incorporated on 12 May 2000 as a wholly owned subsidiary of Timbercorp Limited. It is a special purpose company that has been registered for the sole purpose of enabling Growers to participate in ownership of the Grove comprising the Land, Water Rights, Olive Trees and all infrastructure and capital works. LWH Limited will not carry on any activities until July 2005 when Growers will be entitled to exercise their Options to acquire ordinary shares in the capital of LWH Limited.

Details on how you may participate in ownership of the Grove (ie. the Land, Water Rights, Olive Trees and other infrastructure and capital works) are contained in the How the Project Works section of this prospectus.

The Timbercorp Group

It is appropriate that we provide you with information about our parent company, Timbercorp Limited. After more than a decade of plantation operations, the Timbercorp group is regarded as one of Australia's leading primary industry investment managers.

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

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

Following a period of substantial growth, Timbercorp listed on the Australian Stock Exchange in May 1996 and currently has a market capitalisation of approximately \$350 million. In July 1998, the company established a tree farming division, Timbercorp Treefarms, in conjunction with a number of leading participants in the hardwood plantation industry. This division expanded Timbercorp's operations and skills into land acquisition, plantation development and maintenance. It now operates with over 55 staff and is one of Australia's largest plantation contractors.

Recently, the Timbercorp Group launched the 2001 Timbercorp Eucalypts Project, its tenth annual forestry prospectus project since the company's incorporation in 1992. To date, Timbercorp has raised in excess of \$285 million to establish more than 62,000 hectares of Tasmanian Bluegums on 250 separate properties in Western Australia, western Victoria and eastern South Australia.

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

Some 18 months ago, Timbercorp made the decision to expand its activities and as a result has investigated a range of primary production projects. Following a 15 month investigation into the olive industry, the company formed the view that the industry fundamentals were conducive to the establishment of large scale olive projects. As a result of this work, the company, through its subsidiary, successfully established an olive grove of some 362 hectares in Boort, Victoria, a project which has well positioned us to offer interests in this Project.

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

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



Timbercorp Limited

Audited Balance Sheet
as at 30 June

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

Audited Profit and Loss Statement
for the year ended 30 June

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





Risk Analysis

Any investment involves risk. Growers in the Project will be subject to the risks generally associated with long-term commercial agricultural projects, risks peculiar to olive grove management and olive oil processing and sale, and financial and other risks. We have considered these risks and have implemented strategies to reduce the incidence and minimise the impact of such risks.

Project specific risks

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. The quality of olive oil produced may be of a lower grade than that forecast as a result of variations in growing conditions including rainfall, pestilence, vermin, disease, flood, frost and wind, as well as poor horticultural management, including preparation, weed control, planting techniques, fertiliser application and general management.

An adequate supply of water is crucial to the success of the Project. We have secured sufficient Water Rights to irrigate the Grove for the life of the Project on the basis that the Grove will comprise 500 hectares. Whilst these are permanent rights, unexpected changes in climatic conditions may affect future allocation of water rights due to low water storages in the Goulburn Loddon River catchments. We note that the risk of this occurring is small. In fact, according to Goulburn Murray Water Authority records, an allocation of water rights equal to or in excess of those purchased by consumers has occurred in 97 of the past 100 years.

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 Project and market olive oil. This may be jeopardised as a result of changes in government policy or the law.

The financial success and projected yields of the Project will depend on the growth rates achieved for the olives produced from the Grove and the prevailing market conditions at the time of sale and distribution of olive oil.

Anything that affects our ability to meet our obligations under the Grovelot Management Agreement and the ability of the Land Owner to meet its obligations under the Licence and Joint Venture Agreement could also constitute a risk to Growers.

The Project represents one of the first major plantings of the Barnea olive variety in Australia. The assumptions used in the projections are based on the average performance of this olive variety in mature groves in Israel.

Agricultural risks

All agricultural projects involve risks, a number of which are beyond our control. Inherent risks such as drought, storms, as well as the onset of diseases and attacks by pests, may lead to destruction of, or damage to, the Grove. The effects of drought have been addressed by the purchase of permanent Water Rights sufficient to irrigate the 500 hectare Grove for the life of the Project. We will accept oversubscriptions to the extent only that the Land Owner is able to acquire additional permanent water rights.

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

The Land Owner has also secured a guarantee from Agrolive, the supplier of approximately 85% of the Olive Trees that it will replace, free of charge, any Olive Tree that dies within six months of being planted, with an olive tree of the same variety, quality and size. The supplier of the remaining 15% of the Olive Trees has agreed to supply an additional 1,200 olive trees free of charge except for delivery costs.

Financial risks

Global economic conditions and actions taken by individual governments, particularly Mediterranean based countries that supply the majority of the world's olive oil, will have an impact on the world price for olive oil. Similarly, changes in foreign exchange rates, and in particular, the future value of the Australian dollar, will have an impact on the price and revenues that Growers will generate from olive oil sales to Costa d'Oro and other overseas distributors of olive oil.

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.

Growers should be mindful of the fact that adverse changes in income tax laws may affect the timing and ability of Growers to claim deductions for payments incurred in the Project. Product Ruling PR 2000/100: 2001 Timbercorp Olive Project constitutes a binding public ruling in respect of the Project, although it may be superseded by a legislative change in tax laws.

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



Other risks

There are four further sets of business risks.

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

Changes in technology may make other olive groves more competitive and, therefore, have an impact on projected returns, unless we stay abreast of technological improvements in management techniques and equipment. In this respect, we will use what we believe are world best management practices and we are committed to upgrading these practices, as appropriate, with the best available technology.

If we cause the exercise of the put option and Costa d'Oro fails to complete its agreement to purchase olive oil produced from the Project, we will need to secure alternative purchasers of the olive oil. There is a risk that local competition may develop for the supply of premium olive oil to the export market and this could have a material adverse affect on the Project's operating and financial performance.

Our ability and the ability of the Land Owner to provide quality services may be affected by Growers' failure to pay annual management and licence fees when due.

As far as these four business risks are concerned, we will act in the best interests of the Growers in managing each of them using industry best practices. We will keep abreast of all changes to technology that may potentially affect the Project and continuously monitor the performance of outside reputable service providers engaged to perform services from time to time.

General risk management

We have in place risk mitigation plans that, to the maximum extent possible, will reduce the effect of the above risks. This will be done through careful management and on-going technical advice from leading olive industry consultants, proper site selection and infrastructure set-up, and implementation of farm management practices, including suitable insurance cover.

Secondary market

The Project is not intended to be a short-term investment and should be viewed as being one for a fixed term of approximately 23 years. It is expected that interests issued under this prospectus will be relatively illiquid because there is unlikely to be a formal secondary market for the sale of interests. We are not under any obligation to buy-back the interest of Growers in any GroveLot. We will, however, maintain a register of interested buyers and sellers and make the register available for inspection to Growers free of charge. If you wish to sell your interest in any GroveLot during the life of the Project, you should seek independent professional advice, as there may be legal and taxation implications.

Shares in LWH Limited and Water Rights

The value of the Land and Water Rights may rise or fall and, accordingly, the value of the shares that are allotted to a Grower (or Associate) on the exercise of Options will be sensitive to fluctuations in the value of the interest held by LWH Limited in the Land.

Taxation Advisor's Report

2001 Timbercorp Olive Project

Advice

- 1 My advice has been requested in connection with a proposal whereby Timbercorp Securities Limited ("Timbercorp") will, pursuant to a prospectus lodged with the Australian Securities and Investment Commission invite persons ("Growers") to become involved in an olive grove project ("the Project") on land near Boort in northern Victoria. A company associated with Timbercorp, called Olivecorp Land Pty Ltd ("the Land Owner") is or will shortly become the registered proprietor of over 500 hectares of land upon which it will establish olive groves.
- 2 Each Grower will enter into three principal agreements:
 - i) a Constitution, which sets out the basis for the establishment of the Project;
 - ii) a Licence and Joint Venture Agreement with the Land Owner ("the Licence Agreement") and;
 - iii) a Grovelot Management Agreement ("the Management Agreement") with Timbercorp.
- 3 I have been briefed with drafts of each of these agreements.

The Licence Agreement

- 4 Under the Licence Agreement the Land Owner agrees to establish olive groves on Grovelots which are separate identifiable areas of land comprising about 0.25 hectares: see cl 2.1. This work includes preparation, installation of irrigation, drainage, planting, staking and trellising, and is referred to in the Licence Agreement as the Capital Works. The Licence Agreement anticipates that half of the Capital Works will be completed by 30 November 2000 and the remaining half by 30 April 2001: see cl 2.3.
- 5 Under the Licence Agreement the Land Owner also grants to the Grower a licence to use and occupy specified Grovelots (in joint venture with the Land Owner) for the purpose of cultivating and harvesting olives and producing olive oil. The Licence Agreement continues until 30 June 2024 or the earlier termination of the Joint Ventures' Participating Interest in the Project: see cl 4.1.
- 6 The licence fee payable by each Grower will be:
 - \$400 per Grovelot (exclusive of GST) payable on the Commencement Date in respect of the period from commencement to 30 June 2001; and
 - \$400 per Grovelot (exclusive of GST and subject to CPI increases) for each subsequent year commencing on 1 July, which amount is payable on 30 November 2001 and 2002 for each of the first two years and on 30 September for each year thereafter during the life of the Project.
- 7 The Licence Agreement also provides that the Land Owner and each Grower will enter into the Management Agreement as joint venturers. It provides that the Grower will be entitled to 90% of the Joint Venture Assets and will be entitled to 90% of the Olives, the olive oil which is produced and of the proceeds of sale. The Grower will also be responsible for 90% of the management fee.

The Management Agreement

- 8 Under cl 5 of the Management Agreement each Grower together with the Land Owner as joint venturers engage Timbercorp as manager to "cultivate and manage the Grove" and in particular to carry out the activities set out in cl 5.2 of the Management Agreement.

- 9 The olives from each Grower's Grovelots will be harvested by the manager and pooled with olives from other Growers' Grovelots. The manager may then sell all or part of the crop and process the balance into olive oil. The Growers will be entitled to the olives and the olive oil produced therefrom in proportion to each Grower's participating interest in the Project.
- 10 Although many of the services under the Management Agreement will be carried out once the Capital Works are completed by or on behalf of the Land Owner there will also be services provided before this time. For example the manager is required to oversee the establishment of groves by the Land Owner to ensure that such work is carried out in accordance with good horticultural and environmental practices.
- 11 The management fee payable to Timbercorp by each Grower and the Land Owner as joint venturers will be:
 - \$6,222 (excluding GST) per Grovelot; payable on the Commencement Date in respect of the period from commencement until 30 June 2001;
 - \$1,889 (excluding GST) per Grovelot payable on 30 November 2001 and 2002 in respect of each of the next two financial years;
 - ongoing fees as set out in the Management Agreement.The Grower is responsible for 90% of these fees.
- 12 Timbercorp will also be entitled to an additional management fee out of the proceeds payable to the Grower: see cl 10.2.
- 13 I am instructed, and assume for the purpose of this advice, that the management fees payable in respect of each period are reasonable having regard to the substantial planning and supervision required, the expertise of Timbercorp, and the critical nature of the work to be done in the period immediately following the planting of the olive trees.
- 14 Under cl 7.2 of the Management Agreement the Grower authorises Timbercorp to sell its share of the olives and olive oil, and Timbercorp must account to the Grower in respect of the Grower's Product.

Loans

- 15 I understand that Growers may finance part of the fees payable under the Licence Agreement and Management Agreement by a loan from Timbercorp Finance (Vic) Pty Ltd. I understand that such a loan will be fully recourse and negotiated on arm's length terms.

Advice

- 16 I have assumed that each of the agreements will be entered into in the form or substantially in the form in which they have been submitted to me, and that all payments will be made in accordance with the terms of the agreements.
- 17 In my opinion the payments to which the Growers will become entitled in respect of the proceeds of sale of the olives and/or the olive oil described in the agreement as Product, will constitute assessable income under s 6-5 of the Income Tax Assessment Act 1997 ("the 1997 Act"). Each of the payments made by the Growers under the Management Agreement and the Licence Agreement will be a loss or outgoing incurred in gaining or producing the assessable income to be derived pursuant to the sale of the olives and/or the olive oil. In my opinion these payments are not of a capital, private or domestic nature so as to be denied deductibility under s 8-1(2) of the 1997 Act. Accordingly, I believe they will be deductible for income tax purposes under paragraph (a) of s 8-1(1) of the 1997 Act. Depending on whether each Grower can be said to be carrying on a relevant business the payments may also be deductible under paragraph (b) of s 8-1(1) of the 1997 Act.
- 18 Recent legislative amendments will however have an important effect on when the Licence Fee and Management Fees will be allowed as a

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

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

- (a) the taxpayer cannot deduct all of the expenditure for the expenditure year; and
- (b) instead, the taxpayer can deduct, for each year of income during which part of the eligible service period for the expenditure occurs, an amount worked out using this formula:

| | |
|---------------|--|
| Expenditure x | <div style="text-align: center;"> Number of days of eligible service period in the year of income </div> |
| | <div style="text-align: center;"> Total number of days of eligible service period </div> |

(2) This section has effect:

- (a) despite section 8-1 of the Income Tax Assessment Act 1997; and
- (b) subject to Division 245 of Schedule 2C to this Act.

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

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

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

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

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

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

- (i) because of its nature, it has not yet satisfied one of the tests set out in section 35-30, 35-35, 35-40 or 35-45; and
- (ii) there is an objective expectation, based on evidence from independent sources (where available) that, within a period that is commercially viable for the industry concerned, the activity will either meet one of those tests or will produce assessable income for an income year greater than the deductions attributable to it for that year (apart from the operation of subsection 35-10 (2)).

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

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

- (a) the time at which it would be reasonable to expect the activity to first produce assessable income for an income year greater than the deductions attributable to it for that year (apart from the operation of subsection 35-10(2)); or
- (b) the time at which it would be reasonable to expect the activity to meet one of the tests set out in section 35-30, 35-35, 35-40 or 35-45."

20 While the matter is one of discretion it would appear that the intention of this provision is to allow deductions in cases such as the present. In my view, assuming the project will be commercially viable in a reasonable period or where there is at least an objective and reasonable expectation that it will be viable in a reasonable period, it would be reasonable to expect that the Commissioner will exercise his discretion favourably so as to allow the deductions against assessable income from other sources. I understand that the Commissioner has in his Product Ruling for this Project said that the rule in s. 35-10 of the 1997 Act might otherwise apply to defer deductibility does not apply provided the Project is carried out in the manner described in the Ruling: see para 48.

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

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

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

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

25 In forming the above opinion I have assumed that the parties to the agreements will intend to be bound by the terms thereof, these terms will be performed, that the agreements are not shams, and that fees charged are not excessive bearing in mind what the Grower might be expected to

pay someone else for providing the Services on his or her parcel of Land for the relevant period to which the fees relate.

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

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

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

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

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

...

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

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

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

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

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

Capital Gains Tax

33 Subject to the provisions of the Constitution, Growers are entitled to assign their respective rights under the various agreements. These rights are assets for Capital Gains Tax ("CGT") purposes and an assignment of

these rights will usually give rise to a CGT Event which may give rise to an assessable capital gain. A capital gain will accrue to a taxpayer on the occurrence of a CGT Event when the capital proceeds, i.e. the amount received for the transfer of the rights, exceeds the cost base of the rights. In determining the cost base of the rights any amounts paid by a Grower by way of Licence Fees and Management Fees are disregarded. This is because these fees are on revenue account and therefore fully deductible. No capital amount will be paid by a Grower for the acquisition of the rights under the contacts and accordingly there will be no or a very low cost base attaching to the rights. As such for most Growers an assessable capital gain will accrue, approximately equal to the amount received for the assignment of the rights.

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

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

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

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

37 Where the agreements expire the market value substitution rule in sub-s 116-30(1) of the 1997 Act does not apply and so a capital loss may arise to the extent of the amount of the Grower's reduced cost base of these assets: s. 104-25 and s. 102-22 of the 1997 Act. This interpretation is confirmed in paragraphs 198 to 201 of TR 2000/8.

38 It is essential that any Grower proposing to assign his interest under the agreements obtain advice relating to their individual taxation circumstances.

Good and Services Tax ("GST")

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

Conclusion

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

JOHN W de WIJN

OWEN DIXON CHAMBERS WEST

15 SEPTEMBER 2000

Product Ruling



Product Ruling PR 2000/100

Income tax: 2001 Timbercorp Olive Project

No guarantee of commercial success

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

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

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

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

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

Terms of Use of this Product Ruling

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

What this Product Ruling is about

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

Tax law(s)

- 2 The tax law(s) dealt with in this Ruling are:
 - section 6-5 of the Income Tax Assessment Act 1997 (ITAA 1997);
 - section 8-1 (ITAA 1997);
 - section 17-5 (ITAA 1997);
 - Division 27 (ITAA 1997);
 - Division 35 (ITAA 1997);
 - section 82KL of the Income Tax Assessment Act 1936 (ITAA 1936);
 - section 82KZM and sections 82KZMB – 82KZMD (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 Goods and Services Tax (GST) where applicable. In order for an entity (referred to in this Ruling as a Grower) to be entitled to claim input tax credits for the GST included in its expenditure, it must be registered, or required to be registered, for GST and hold a valid tax invoice.

Business Tax Reform

- 4 The Government is currently evaluating further changes to the tax system in response to the Ralph Review of Business Taxation and continuing business tax reform is expected to be implemented over a number of years. Although this Ruling deals with the laws enacted at the time it was issued, future tax changes may affect the operation of those laws and, in particular, the tax deductions that are allowable. Where tax laws change, those changes will take precedence over the application of this Ruling, and to that extent, this Ruling will be superseded.
- 5 Taxpayers who are considering investing in the Project are advised to confirm with their taxation adviser that changes in the law have not affected this Product Ruling since it was issued.

Note to promoters and advisers

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

Class of persons

- 7 The class of persons to whom this Ruling applies is those who enter into the arrangement described below on or after the date this Ruling is made. They will have a purpose of staying in the arrangement until it is completed (i.e., being a party to the relevant agreements until their term expires), and deriving assessable income from this involvement as set out in the description of the arrangement. In this Ruling these persons are referred to as 'Growers'.
- 8 The class of persons to whom this Ruling applies does not include persons who intend to terminate their involvement in the arrangement prior to its completion, or who otherwise do not intend to derive assessable income from the Project.

Qualifications

- 9 The Commissioner rules on the precise arrangement identified in the Ruling.
- 10 If the arrangement described in this Ruling is materially different from the arrangement that is actually carried out:
 - the Ruling has no binding effect on the Commissioner, as the arrangement entered into is not the arrangement ruled upon; and
 - the Ruling will be withdrawn or modified.
- 11 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 the Manager, Legislative Services, AusInfo, GPO Box 1920, Canberra ACT 2601.

Date of effect

- 12 This Ruling applies prospectively from 13 September 2000, the date this Ruling is made. However, the Ruling does not apply to taxpayers to the extent that it conflicts with the terms of settlement of a dispute agreed to before the date of issue of the Ruling (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).
- 13 If a taxpayer has a more favourable private ruling (which is legally binding), the taxpayer can rely on the private ruling if the income year to which the private ruling relates has ended, or has commenced but not yet ended. However, if the arrangement covered by the private ruling has not begun to be carried out, and the income year to which it relates has not yet commenced, this Ruling applies to the taxpayer to the extent of the inconsistency only (see Taxation Determination TD 93/34).

Withdrawal

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

Arrangement

- 15 The arrangement that is the subject of this Ruling is described below. This description incorporates the following documents:
- application for product ruling for the 2001 Timbercorp Olive Project dated 23 May 2000;
 - draft **Constitution** of the 2001 Timbercorp Olive Project Managed Investment Scheme dated 17 May 2000;
 - draft **Prospectus** for the 2001 Timbercorp Olive Project dated 23 May 2000;
 - draft **Grovelot Management Agreement** (the 'Management Agreement') between Timbercorp Securities Limited (the 'Responsible Entity') and each Grower, dated 19 May 2000 and 7 August 2000;
 - draft Management Agreement between Timbercorp Securities Limited and Olivecorp Management Limited dated 17 May 2000;
 - draft **Licence and Joint Venture Agreement** (the 'Licence and Joint Venture Agreement') dated 18 May 2000;
 - copy of put option agreement between Olivecorp Management Limited and Costa d'Oro srl regarding the sale of olive oil dated 23 March 2000;
 - draft Option Agreement dated 17 May 2000 between Olivecorp Land Pty Ltd and Land And Water Holdings Limited, an unlisted public company;
 - draft Custody Agreement between Permanent Trustee Company Limited and Timbercorp Securities Limited dated 13 April 2000;
 - draft Compliance Plan for the Project;
 - copy of a finance package available through Timbercorp Finance Pty Ltd or its subsidiary Timbercorp Finance (Vic) Pty Ltd ('Timbercorp Finance');
 - correspondence from Applicant dated 1 June 2000, 6 June 2000, 16 June 2000, 14 July 2000, 17 July 2000, 19 July 2000, 10 August 2000, 14 August 2000 and 31 August 2000.

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

- 16 The documents highlighted are those Growers enter into or become a party to. There are no other agreements, whether formal or informal, and whether or not legally enforceable, which a Grower, or any associate of a

Grower, will be a party to, which are part of the arrangements to which this Ruling applies. The effect of these agreements is summarised as follows.

Overview

- 17 The arrangement is the 2001 Timbercorp Olive Project.

Location

Boort (northwest of Bendigo), Victoria

Type of business each participant is carrying on

Cultivating olive trees on their designated 0.25 hectare olive groves and harvesting the olives for production and sale of olive oil.

Number of hectares under cultivation

Up to 500 with an option to accept oversubscriptions.

Number of olive trees per hectare

An average of 330 trees

Size of the olive groves

0.25 hectares

Number of olive trees per olive grove

83 on average

Minimum number of olive groves per Grower

3

Expected production

First harvest expected in the year ending June 2004 (year 3). Expected fruit yield is between 3 tonnes/hectare in year 3 and 16 tonnes/hectare from year 8.

The term of investment in years

Approximately 23 years commencing on acceptance of a Grower's application and ending on 30 June 2024

Subscription amount per olive grove (0.25 hectares)

\$6,600 in year ended 30 June 2001

Management fees

\$1,870 in each of years ended 30 June 2002 and 30 June 2003.

Licence fees

\$440 each year indexed to CPI from 30 June 2001.

- 18 The Project is to carry out a large scale business of cultivating and managing olive groves for the production of olive oil.
- 19 Growers entering into the Project will enter into a Licence and Joint Venture Agreement with Olivecorp Land Pty Ltd ('Olivecorp Land'). Olivecorp Land will agree to establish an olive grove and all associated infrastructure on its land. Under this agreement each Grower will be given a right to use and occupy a minimum of 3 parcels of land for a period of some 23 years for the purpose of cultivating the grove for the production of olives for processing into olive oil for sale. The Responsible Entity may, however, accept an application for less than 3 parcels of land. Each parcel of land is an allotment of 0.25 hectares of land ('grovelot'). Under the agreement, each Grower will also enter into a joint venture arrangement with Olivecorp Land (on a 90%:10% basis) in respect of the cultivation and management of their grovelots. As a result, each Grower will be

responsible for 90% of all management costs associated with the cultivation and management of their grovelots and will be entitled to 90% of all produce.

- 20 Growers (comprising applicants in joint venture with Olivecorp Land) will enter into a Grovelot Management Agreement with the Responsible Entity, to perform services in relation to the cultivation and management of their olive grovelots. Under this agreement, the Responsible Entity will also harvest the olives, procure the processing of olives into olive oil and sell the oil on behalf of the joint venture growers (at market prices) who will be entitled to the proceeds in their respective proportions. Olivecorp Management Limited ('Olivecorp Management'), to whom the Responsible Entity will delegate its managerial responsibilities, has entered into a put option agreement with Costa d'Oro srl, a major Italian olive oil distributor, under which it is entitled to require Costa d'Oro to purchase up to 4,500 metric tonnes of olive oil per annum during the first 19 years of the Project.
- 21 The cost of participation for a Grower, per grovelot, are set out below (these costs do not include the costs payable by Olivecorp Land as 10% joint venture party):
 - The initial subscription costs outlined in the Licence and Joint Venture Agreement and the Grovelot Management Agreement, totalling \$6,600 (including \$600 GST) per grovelot payable on application;
 - Licence fees of \$440 (including \$40 GST) per grovelot payable on 30 November 2001 (but not before 1 July 2001) and on 30 November 2002 (but not before 1 July 2002) and thereafter on 30 September (but not before 1 July) of each subsequent year, indexed to CPI from 30 June 2001 (using \$400 as the base amount), and increased on account of GST payable;
 - Management fees of \$1,870 per grovelot payable on 30 November 2001 (but not before 1 July 2001) and on 30 November 2002 (but not before 1 July 2002) for the years ending 30 June 2002 and 30 June 2003 respectively.
 - Ongoing costs outlined in the Licence and Joint Venture Agreement and the Grovelot Management Agreement payable in years 4 through to year 23; and
 - Any applicable financing costs.
- 22 Growers will also be given an opportunity to participate in ownership of the land on which the grove will be established by Olivecorp Land together with all capital works, infrastructure and water rights in July-August of 2005.

Licence and Joint Venture Agreement

- 23 Under the Licence and Joint Venture Agreement, Olivecorp Land agrees to establish olive groves at its own cost (clause 2.1) including construction of necessary infrastructure and carrying out capital works. This will be done on grovelots which are separate identifiable areas of land comprising allotments of 0.25 hectares of land. A portion of grove will be established by 30 November 2000 and the remaining portion will be established by 30 April 2001.
- 24 Each applicant Grower obtains a non-exclusive licence to use and occupy grovelots (in joint venture with Olivecorp Land). Under the terms of the agreement a Grower may only use the land for the purpose of cultivating and harvesting olives and producing olive oil.
- 25 At the expiration of the term, each Grower must return the grovelots to Olivecorp Land in good condition but is not required to remove the olive trees or restore the grovelots to their original condition.
- 26 The agreement provides that Olivecorp Land and each Grower will enter into the Grovelot Management Agreement as joint venturers. It provides that the Grower will be entitled to 90% of the joint venture assets and will be entitled to 90% of the olives and of the proceeds of sale. The Grower will also be responsible for 90% of the management fees.

Management Agreement and Grovelot Management Agreement

- 27 Under the Grovelot Management Agreement, each Grower (in joint venture with Olivecorp Land) engages the Responsible Entity to manage and cultivate the grove on behalf of the Grower in accordance with the management plan, harvest the olives, procure the processing of the olives into olive oil and market the oil for sale for the duration of the term.
- 28 The Responsible Entity is required to perform these services in a proper and efficient manner in accordance with good horticultural and environmental practices.
- 29 The olives from the grove will be pooled with olives from other Grower's grovelots and Growers will be entitled to their pro rata proportion of the olives and the olive oil produced.
- 30 Although the services described above will be carried out once the grove is established by Olivecorp Land, there will also be services provided before this time. The Responsible Entity is required to oversee the establishment of the grove by Olivecorp Land to ensure that the work is carried out in accordance with good horticultural and environmental practices.
- 31 The Responsible Entity will endeavour to arrange insurance on the Growers' behalf. Where this is available, Growers are required to insure their grovelots against damage or destruction by fire and other insurable risks. The Responsible Entity will arrange payment of insurance premiums to the appropriate insurers.
- 32 Under the Management Agreement between the Responsible Entity and Olivecorp Management Limited, the Responsible Entity will delegate its obligations under the Grovelot Management Agreement to Olivecorp Management Limited.

Fees

- 33 Under the terms of the Licence and Joint Venture Agreement and the Grovelot Management Agreement, a Grower will make the following payments per grovelot:
 - the initial subscription costs outlined in the Licence and Joint Venture Agreement and the Grovelot Management Agreement, totalling \$6,600 (including \$600 GST) per grovelot payable on application;
 - licence fees of \$440 per grovelot (including \$40 GST) indexed to CPI from 30 June 2001 (using \$400 as the base amount) and increased on account of GST payable on 30 November 2001 and 2002 and thereafter on 30 September of each subsequent year;
 - management fees of \$1,870 per grovelot payable on 30 November 2001 and 30 November 2002 for the years ending 30 June 2002 and 30 June 2003 respectively.
 - ongoing costs outlined in the Licence and Joint Venture Agreement and the grovelot Management Agreement payable in years 4 through to year 23; and
 - any applicable financing costs.
- 34 The Manager will only provide services following the execution of the Licence and Joint Venture Agreement and the Grovelot Management Agreement.
- 35 The subscription moneys payable on application (in advance) are payable in respect of services to be wholly provided by 30 June 2001. The fees payable on 30 November 2001 and 30 November 2002 (partly in arrears and partly in advance) are payable in respect of services to be wholly provided by 30 June 2002 and 30 June 2003 respectively.
- 36 After the third year, i.e., from the financial year ending 30 June 2003, Growers will be required to pay annual licence fees of \$440 per annum indexed from 30 June 2001 and management fees that will be estimated, in the first instance, by the Responsible Entity and adjusted once the actual costs of managing the Grower's grovelots are determined. The management fees will be increased on account of GST. Each Grower will also pay to the Responsible Entity its proportion of the following additional annual fees:

- (a) a management fee equal to 7.5% of annual gross proceeds from the sale of bulk olive oil less the costs and expenses of processing the olives into olive oil; and
- (b) a bonus, being 25% of so much of the annual proceeds (after deducting the fee referred to in paragraph (a) above) payable to a Grower in a financial year as exceeds the proceeds estimated in the prospectus, less any allowance for inflation arriving at such estimate, but indexed from the date of the Management Agreement. This fee will be calculated on a 2 year rolling basis to allow for variations in yields from year to year.

37 The Grower is also responsible for any applicable goods and services tax on any fees payable under the Licence and Joint Venture Agreement and the Grovelot Management Agreement.

Option to acquire an interest in the land

- 38 Under an Option Agreement between the Land Owner and Land And Water Holdings Limited ('Land And Water'), the latter company is granted an option to acquire a legal interest in the land on which the olive grove will be established that will not exceed 24.9%. That option is exercisable between 1 August 2005 and 31 August 2005.
- 39 Upon application for grovelots, each Grower (or its associate, as defined), will be issued with options to take up shares in the capital of Land And Water equal to the number of grovelots in the Project that the Grower subscribes for. The options to subscribe for shares are exercisable between 1 July 2005 and 31 July 2005. A Grower or its associate may exercise the option by serving an exercise notice of the option on Land And Water and paying the subscription price of \$800 per share. The exercise of options will only be effective if at least 30% of all options issued are exercised.
- 40 Land And Water will exercise its option over the land under the Option Agreement, so long as it is in the best interest of Growers to do so, at a price which is the lesser of:
- (a) the amount calculated by multiplying \$1,560,000 by the proportionate interest to be acquired in the land; and
 - (b) an independent valuation of the land multiplied by the proportionate interest to be acquired in the land.
- 41 Through its holding of shares, a Grower (or its associate) will receive dividends paid from income derived by Land And Water from licence fees payable by Growers during the life of the Project for the use and occupation of the grovelots. Growers or their associates may also benefit from any net increase in the value of land (which will be wholly reflected in the value of the shares in Land And Water) on disposal of the share.

Finance

- 42 Growers can either fund their investment in the Project themselves, borrow from an independent lender, or may elect to use proposed financing packages through Timbercorp Finance Pty Ltd or its subsidiary Timbercorp Finance (Vic) Pty Ltd. All interest payments will be made in arrears.
- 43 The provision of finance involves full recourse loans and the finance provider will pursue legal action against defaulting borrowers.
- 44 This Ruling does not apply if a Grower enters into a finance agreement that includes any of the following features:
- there are split loan features of a type referred to in Taxation Ruling TR 98/22;
 - entities associated with the Project are involved in the provision of finance for the Project;
 - there are indemnity arrangements or other collateral agreements in relation to the loan designed to limit the borrower's risk;
 - additional benefits will be granted to the borrowers for the purpose of section 82KL or the funding arrangements transform the Project into a 'scheme' to which Part IVA may apply;

- the loan or rate of interest is non-arm's length;
- repayments of the principal and interest are linked to the derivation of income from the Project;
- the funds borrowed, or any part of them, will not be available for the conduct of the Project but will be transferred (by any mechanism) back to the lender or any associate; or
- lenders do not have the capacity under the loan agreement, or a genuine intention, to take legal action against defaulting borrowers.

Ruling

Assessable Income

- 45 A Grower's share of the gross sale proceeds from the Project less any GST payable on these proceeds, will be assessable income of the Growers under section 6-5 of the ITAA 1997. Section 17-5 ITAA 1997 excludes from assessable income an amount relating to GST payable on a taxable supply.

Section 8-1 – Allowable Deductions

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

- 46 A Grower may claim the deductions in the following Table, where the Grower:
- participates in the project by 30 June 2001 to carry on the business of growing olives and producing olive oil;
 - incurs the fees shown in paragraph 33; and
 - is not registered nor required to be registered for GST.

| Fee Type | ITAA 1997 Section | Year 1 Year ended 30/6/2001 | Year 2 Year ended 30/6/2002 | Year 3 Year ended 30/6/2003 |
|-----------------|-------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Application Fee | 8-1 | \$6,600 See note (i) below | | |
| Licence Fee | 8-1 | \$440 | \$440 (indexed) | \$440 (indexed) |
| Management Fees | 8-1 | | \$1,870 See note (i) below | \$1,870 See note (i) below |
| Interest | 8-1 | See note (ii) below | See note (ii) below | See note (ii) below |

Notes:

- (i) Where a Grower incurs the application, management and licence fees as required by the Grovelot Management Agreement and the Licence and Joint Venture Agreement those fees are deductible in full in the year incurred. However, if a Grower chooses to prepay fees for the doing of things (e.g., the provision of management services or the leasing of land) that will not be wholly done in the same income year as the fees are incurred, then the prepayments rules of the ITAA may apply to apportion those fees. In such cases, the tax deduction for the prepaid fee MUST be determined using the formula shown in paragraphs 66 to 70 unless the expenditure is 'excluded expenditure'. 'Excluded expenditure', being expenditure of less than \$1,000, is an 'exception' to any prepayment rules that apply and is deductible in full in the year in which it is incurred.
- (ii) The deductibility or otherwise of interest arising from agreements entered into with financiers other than Timbercorp Finance Pty Ltd is outside the scope of this Ruling. However, Growers should read carefully the discussion of the prepayment rules in paragraphs 75 to 77 below, as those rules may be applicable if interest is prepaid.

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

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

- participates in the project by 30 June 2001 to carry on the business of growing olives and producing olive oil;
- incurs the fees shown in paragraph 33; and
- is entitled to an input tax credit for the fees,

then the deductions shown in the Table above will exclude any amounts of input tax credit (Division 27 of the ITAA). See Example 1 at paragraph 96.

Section 35-55 – losses from non-commercial business activities

48 For a Grower who is an individual and who enters the Project during the year ended 30 June 2001 the rule in section 35-10 may apply to the business activity comprised by their involvement in this Project. Under paragraph 35-55(1)(b) the Commissioner will decide for the income years ending 30 June 2001 to 30 June 2004 that the rule in section 35-10 does not apply to this activity provided that the Project is carried out in the manner described in this Ruling.

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

- a Grower's business activity satisfies one of the objective tests in sections 35-30, 35-35, 35-40 or 35-45; or
- the 'Exception' in subsection 35-10(4) applies (see paragraph 84 in the Explanations part of this Ruling, below).

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

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

51 For a Grower who invests in the Project the following provisions of the ITAA 1936 have application as indicated:

- (i) section 82KL does not apply to deny the deductions otherwise allowable;
- (ii) expenditure by the Grower does not fall within the scope of section 82KZM (but see paragraphs 63 to 70);
- (iii) expenditure by the Grower does not fall within the scope of sections 82KZMB-82KZMD (but see paragraphs 63 to 70);
- (iv) expenditure by the Grower does not fall within the scope of sections 82KZME-82KZMF (but see paragraphs 63 to 70); and
- (v) the relevant provisions in Part IVA will not be applied to cancel a tax benefit obtained under a tax law dealt with in this Ruling.

Explanations

Section 6-5

52 For a Grower who invests in the Project, all income received or receivable by them from the sale of their olive oil will be assessable income to them under section 6-5 of the ITAA 1997.

Section 8-1

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

- the outgoings in question must have a sufficient connection with the operations or activities that directly gain or produce the taxpayer's assessable income;

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

Is the Grower carrying on a business?

54 Olive growing activities can constitute the carrying on of a business. Where there is a business, or a future business, the gross sale proceeds from the sale of olive oil from the scheme will constitute gross assessable income. The generation of 'business income' from such a business, or future business, provides the backdrop against which to judge whether the outgoings in question have the requisite connection with the operations that more directly gain or produce this income. These operations will be the planting, tending, maintaining and harvesting of the olive trees, processing of the olives into oil and marketing the olive oil.

55 Generally, a Grower will be carrying on a business of growing olives where:

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

56 Under the Licence and Joint Venture Agreement, Growers have rights in the form of a licence to use and occupy an identifiable area of land ('grovelot') consistent with the intention to carry on a business of a commercial olive grower. Growers have a continuing interest in the grovelots from the commencement of the Project until the end of the Project.

57 Under the Grovelot Management Agreement, Growers appoint the Responsible Entity, as manager, to provide services such as cultivating and harvesting the olives, procuring the processing of olives into oil and marketing the olive oil. The Growers will have full right, title and interest in the olives and olive oil produced.

58 Under the Licence and Joint Venture Agreement, Growers have an obligation to use the land in question for the cultivation of olives for the purpose of olive oil production. The activities described in the Grovelot Management Agreement are carried out on the Growers' behalf. The Grower's degree of control over the Manager, as evidenced by the Grovelot Management Agreement and supplemented by the Corporations Law, is sufficient. Under the Corporations Law, the Responsible Entity is required to prepare annual reports and send them to Growers within 3 months after the end of the financial year. Growers are able to terminate their agreement with the Manager in specified circumstances, such as a substantial breach by the Manager of a material obligation under the Agreement which is not remedied within 3 months after the Grower serves a notice requiring it to be remedied.

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

60 Growers will engage the professional services of a manager with appropriate credentials. These services are based on accepted horticultural practices and are of the type ordinarily found in horticultural ventures that would commonly be said to be businesses.

- 61 Growers have a continuing interest in their grovelots from the commencement of the arrangements and may assign or deal with that interest. All olives grown on the grove will be the property of the Growers until sold. There is a means to identify the grovelots in which Growers have an interest. The Growers' activities will constitute the carrying on of a business.
- 62 The fees associated with the horticultural activities will relate to the gaining of income from this business, and hence have a sufficient connection to the operations by which this income (from the sale of olive oil) is to be gained from the business. They will thus be deductible under the first limb of section 8-1.

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

- 63 The prepayments provisions of the ITAA operate to spread over more than one income year, a deduction for prepaid expenditure that would otherwise be immediately deductible, in full, under section 8-1. These provisions apply to certain expenditure incurred under an agreement in return for the doing of a thing under the agreement (e.g., the performance of management services) that is not wholly done within the same year of income as the year in which the expenditure is incurred.
- 64 In this Project, the Application Fee of \$6,600 per Grovelot will be incurred on execution of the Grovelot Management Agreement and the Licence and Joint Venture Agreement. The fees are charged for providing services to a Grower by 30 June of the year of execution of the Agreements. In particular, the Application Fee is expressly stated to be for a number of specified services. No explicit conclusion can be drawn from the description of the arrangement that the Application Fee has been inflated to result in reduced fees being payable for subsequent years.
- 65 There is also no evidence that might suggest the services covered by the fee could not be provided within the same year of income as the expenditure in question is incurred. Thus, for the purposes of this Ruling, it can be accepted that no part of the initial fee is for the Manager doing 'things' that are not to be wholly done within the year of income of the fee being incurred. On this basis, provided a Grower incurs expenditure as required by the agreements as set out in paragraph 33, then the basic precondition for the operation of the prepayment provisions is not satisfied and fees will be deductible in the year in which they are incurred.

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

- 66 Although not required under either the Grovelot Management Agreement or the Licence and Joint Venture Agreement, a Grower participating in the Project may choose to prepay fees for a number of years. Where this occurs, contrary to the conclusion reached in paragraph 65 above, the prepayments provisions of the ITAA will operate to apportion the expenditure and allow an income tax deduction over the period that the prepaid benefits are provided.
- 67 The amount and timing of tax deductions for any prepaid fees otherwise deductible under section 8-1 will depend upon when the respective amounts are incurred and what the 'eligible service period' is, as defined in subsection 82KZL(1), in relation to these amounts. The 'eligible service period' means generally, the period over which the services are to be provided. The relevant provision of the ITAA will depend on a number of factors including the amount and timing of the prepayment and whether the Grower is a 'small business taxpayer'.
- 68 Where a Grower participating in this Project incurs expenditure in respect of an eligible service period that ends 13 months or less from the time the expenditure was incurred, but also in respect of the doing of a thing not to be wholly done within the income year in which that expenditure has been incurred, and the other tests in section 82KZME are met, then section 82KZMF will apply in the manner set out in the formula below.

| | |
|---------------|---|
| | Number of days of eligible service period in the year of income |
| Expenditure x | <hr/> |
| | Total number of days of eligible service period |

- 69 Where a Grower participating in this Project incurs expenditure in respect of a period that ends more than 13 months after that expenditure has been incurred, then section 82KZM will apply if the Grower is a 'small business taxpayer' or section 82KZMD if the Grower is not a 'small business taxpayer'. For a 'small business taxpayer' (see paragraphs 78 to 80) the amount and timing of the allowable deductions will then be calculated using the formula in subsection 82KZM(1) and for non-small business taxpayers using the formula in subsection 82KZMD(2). Both formulae are the same or effectively the same as that shown in paragraph 68 above, concerning section 82KZMF.
- 70 A prepaid fee of less than \$1,000 incurred in an expenditure year is 'excluded expenditure' as defined in subsection 82KZL(1). Subsections 82KZM(1), 82KZME(7) and 82KZMA(4) all provide that 'excluded expenditure' is an exception to the prepayment rules discussed above. Therefore, a prepaid fee of less than \$1,000 is deductible in full in the year in which it is incurred. However, where a Grower acquires more than one interest in the Project and the quantum of a prepaid fee is \$1,000 or more, then the amount and timing of the deduction allowable must be determined using the formula shown above.

Interest Deductibility

- (i) Growers who use Timbercorp Finance Pty Ltd as the finance provider
- 71 Growers may finance their participation in the Project through a loan facility with Timbercorp Finance Pty Ltd.
- 72 The interest incurred for the year ended 30 June 2001 and in subsequent years of income will be in respect of a loan to finance the Project business operations of cultivating and managing olive groves for the production of olive oil and is therefore, directly connected with the gaining of 'business income' from the Project. Such interest will, therefore, have a sufficient connection with the gaining of assessable income to be deductible under section 8-1. As the loan facility offered by Timbercorp Finance Pty Ltd does not require a Grower to prepay interest, section 82KZME or 82KZMF will not apply. The interest will be deductible in full in the year in which it is incurred.
- 73 However, a Grower who, contrary to the requirements of the loan contracts offered by Timbercorp Finance Pty Ltd, chooses to prepay interest will be required to determine any tax deduction under the prepayment provisions of the ITAA.
- 74 Therefore, unless the prepaid interest is 'excluded expenditure', where a Grower chooses to prepay interest and the requirements of section 82KZME are met, relevant Growers will be required to determine any tax deduction using the formula in subsection 82KZMF(1). Where a prepayment is for more than 13 months, any tax deduction must be determined under section 82KZM (for a 'small business taxpayer') or section 82KZMD (for a taxpayer who is not a 'small business taxpayer'). The relevant formula is the same or effectively the same as that shown above in paragraph 68 above.
- (ii) Growers who DO NOT use Timbercorp Finance Pty Ltd as the finance provider
- 75 The deductibility of interest incurred by Growers who finance their participation in the Project through a loan facility with a bank or financier other than Timbercorp Finance Pty Ltd is outside the scope of this Ruling. Product Rulings only deal with arrangements where all details and documentation have been provided to, and examined by, the Tax Office.
- 76 While the terms of any finance agreement entered into between relevant Growers and such financiers are subject to commercial negotiation, those agreements may require interest to be prepaid or a Grower may choose to prepay interest. Under the prepayment rules contained in section 82KZME, 'agreement' (defined in subsection 82KZME(4)) is a broad concept and will encompass activities, such as a loan to finance

participation in the Project, not described in the Arrangement or otherwise dealt with in the Product Ruling.

- 77 As in paragraph 74 above, unless the prepaid interest is 'excluded expenditure', where such a loan facility requires interest to be prepaid or a Grower chooses to prepay interest and the requirements of section 82KZME are met, relevant Growers will be required to determine any tax deduction using the formula in subsection 82KZMF(1). Where a prepayment is for a more than 13 months, any tax deduction must be determined under section 82KZM (for a 'small business taxpayer') or section 82KZMD (for a taxpayer who is not a 'small business taxpayer'). The relevant formula is the same or effectively the same as that shown above in paragraph 68 above.

Small business taxpayers

- 78 Whether a Grower is a 'small business taxpayer' depends upon the individual circumstances of each Grower and is beyond the scope of this Product Ruling. It is the individual responsibility of each Grower to determine whether or not they are within the definition of a 'small business taxpayer'.
- 79 A 'small business taxpayer' is defined in section 960-335 of the ITAA 1997 as a taxpayer who is carrying on a business and either their 'average turnover' for the year is less than \$1,000,000 or their turnover recalculated under section 960-350 is less than \$1,000,000.
- 80 'Average turnover' is determined under section 960-340 by reference to the average of the taxpayer's 'group turnover'. The group turnover is the sum of the 'value of business supplies' made by the taxpayer and entities connected with the taxpayer during the year (section 960-345).

Division 35 - Losses from non-commercial business activities

- 81 Under the rule in subsection 35-10(2), a deduction for a loss incurred by an individual (including an individual in a general law partnership) from certain business activities will not be allowable in an income year unless:
- the 'Exception' in subsection 35-10(4) applies;
 - one of four objective tests in sections 35-30, 35-35, 35-40 or 35-45 is met; or
 - if one of the objective tests is not satisfied, the Commissioner exercises the discretion in section 35-55.
- 82 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.
- 83 Losses that cannot be claimed as a tax deduction because of the rule in subsection 35-10(2) are able to be offset to the extent of future profits from the business activity, or are quarantined until one of the objective tests is passed.
- 84 For the purposes of applying the objective tests, subsection 35-10(3) allows taxpayers to group business activities 'of a similar kind'. Under subsection 35-10(4), there is an 'Exception' to the general rule in subsection 35-10(2) where the loss is from a primary production business activity and the individual taxpayer has other assessable income for the income year from sources not related to that activity of less than \$40,000 (excluding any net capital gain). As both subsections relate to the individual circumstances of Growers who participate in the Project they are beyond the scope of this Product Ruling and are not considered further.
- 85 In broad terms, the objective tests require:
- (a) at least \$20,000 of assessable income in that year from the business activity (section 35-30);
 - (b) the business activity results in a taxation profit in 3 of the past 5 income years (including the current year) (section 35-35);
 - (c) at least \$500,000 of real property is used on a continuing basis in carrying on the business activity in that year (section 35-40); or

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

- 86 A Grower who participates in the Project will be carrying on a business activity that is subject to these provisions. Information provided with the application for this Product Ruling indicates that a Grower who acquires the minimum investment of one interest in the Project is unlikely to pass one of the objective tests or produce a taxation profit until the income year ended 30 June 2005. Growers who acquire more than one interest in the Project may however, pass one of the tests in an earlier income year.
- 87 Therefore, prior to this time, unless the Commissioner exercises an arm of the discretion under paragraphs 35-55(1)(a) or (b), the rule in subsection 35-10(2) will apply to defer to a future income year any loss that arises from the Grower's participation in the Project.
- 88 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, for an individual Grower who acquires an interest(s) in the Project, the Commissioner will decide that it would be unreasonable not to exercise the second arm of the discretion in paragraph 35-55(1)(b) for the term of this Product Ruling.
- 89 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; and
 - (ii) there is an objective expectation that the business activity of an individual taxpayer will either pass one of the objective tests or produce a taxation profit within a period that is commercially viable for the industry concerned.
- 90 This Product Ruling is issued on a prospective basis (i.e., before an individual Grower's business activity starts to be carried on). Therefore, if the Project fails to be carried on during the income years specified above (see paragraph 48), in the manner described in the Arrangement (see paragraphs 15 to 44), the Commissioner's discretion will not have been exercised, because one of the key conditions in paragraph 35-55(1)(b) will not have been satisfied.
- 91 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 olive grove expert provided with the application by the Responsible Entity.
 - the Put Option Agreement with Costa d'Oro srl for the sale of the olive oil setting out prices that realistically reflect the existing market at the time of sale; and
 - independent, objective, and generally available information relating to the olive 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

- 92 The operation of section 82KL depends, among other things, on the identification of a certain quantum of 'additional benefits'. In the project, insufficient 'additional benefits' will be provided to trigger the application of section 82KL. It will not apply to deny the deductions otherwise allowable under section 8-1.

Part IVA

- 93 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).
- 94 The Project will be a 'scheme' commencing generally on the date when the Prospectus was issued. The Growers will obtain a 'tax benefit' from entering into the scheme in the form of the deduction for the initial fee, allowable under section 8-1, that would not have been obtained but for the scheme. However, it is not possible to conclude that the scheme will be

- entered into or carried out with the dominant purpose of obtaining this tax benefit.
- 95 Growers to whom this Ruling applies intend to stay in the scheme for its full term and derive assessable income from the sale of the olive fruit from the olive trees. Further, there are no features of the Project, such as the payment of excessive management fees and non-recourse loan financing by any entity associated with the Project, that might suggest the Project was so 'tax driven', and so designed to produce a tax deduction of a certain magnitude, that it would attract the operation of Part IVA. No ruling is given on the application of Part IVA to financing arrangements entered into between investors and other financiers in respect of lending arrangements to invest in the Project.

Examples

Example 1 – entitlement to input tax credit

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

$$1/11 \times \$5,500 = \$500.$$

Commissioner of Taxation

13 September 2000

Previous draft

Not previously issued in draft form

Related Rulings/Determinations

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

Subject references

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

Legislative references

- ITAA 1936 82KL
- ITAA 1936 82KZL
- ITAA 1936 82KZL(1)
- ITAA 1936 82KZM
- ITAA 1936 82KZM(1)
- ITAA 1936 82 KZMA(4)

- ITAA 1936 82KZMB
- ITAA 1936 82KZMC
- ITAA 1936 82KZMD
- ITAA 1936 82KZMD(2)
- ITAA 1936 82KZME
- ITAA 1936 82KZME(4)
- ITAA 1936 82KZME(7)
- ITAA 1936 82KZMF
- ITAA 1936 82KZMF(1)
- ITAA 1936 Pt IVA

- ITAA 1936 177A
- ITAA 1936 177C
- ITAA 1936 177D
- ITAA 1936 318
- ITAA 1997 6-5
- ITAA 1997 8-1
- ITAA 1997 17-5
- ITAA 1997 Div 27
- ITAA 1997 27-5
- ITAA 1997 27-30
- ITAA 1997 Div 35
- ITAA 1997 35-10
- ITAA 1997 35-10(2)
- ITAA 1997 35-10(3)
- ITAA 1997 35-10(4)
- ITAA 1997 35-30
- ITAA 1997 35-35
- ITAA 1997 35-40
- ITAA 1997 35-45
- ITAA 1997 35-55
- ITAA 1997 35-55(1)
- ITAA 1997 35-55(1)(a)
- ITAA 1997 35-55(1)(b)
- ITAA 1997 960-335
- ITAA 1997 960-340
- ITAA 1997 960-345
- ITAA 1997 960-350

ATO references:

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Independent Olive Grove Expert's Report

Independent Expert Report for the 2001 Timbercorp

Olive Project at Boort, Victoria.

Shimon Lavee, Professor Emeritus of the Volcani Center, ARO Bet Dagan, and
The Faculty of Agriculture, The Hebrew University of Jerusalem, Rehovot, Israel.

Introduction

This independent horticultural evaluation report on the 2001 Timbercorp Olive Project at Boort, Victoria, was prepared upon the request of Mr. Darren Lipton for the Directors of Timbercorp Securities Limited, Melbourne, Victoria, Australia.

My involvement with olive research and development covers a continuous period of about 45 years during which I was actively engaged in Horticultural Physiologic and Genetic research for the development of the olive industry in Israel and had a worldwide international involvement in R & D of the olive commodity. I served for about 25 years as head of the Olive and Viticulture Department at the Volcani Center in Israel and as Professor of Horticulture at the Hebrew University. I am presently involved in numerous international research and development projects and act as Israel's representative to the International Olive Oil Council (IOOC), of which I serve as president for the current crop year (2000).

This report is based on information and reports supplied to me by Timbercorp as well as a visit to the site of the project.

The information used for my evaluation included:

- 1 Maps of the property with sub-divisions and indications of the proposed planting sequence.
- 2 Soil surveys of the property by J.R.'s Soil Management Services.
- 3 Consulting report by Price Merrett Consulting Ltd.
- 4 A farm layout including the previously Autumn planted grove adjacent to the present planned project.
- 5 Climatic data from the Boort Postal agency.
- 6 Water quality data.
- 7 Water requirements determined by Agri-Hort Development Pty Ltd.
- 8 Suggested cultivars, planting system and horticultural maintenance.
- 9 Estimated yields of olives and oil during the development and at full production of the grove.
- 10 A cash flow projection of the operation.

This report is the result of my independent evaluation of the records supplied to me and my overall impression of the site. I have no personal interest nor involvement with the project. I have agreed to consult to the project if required. A fixed fee for the preparation of this independent report was agreed upon in advance.

General description of the proposal

The development of an olive grove for premium oil extraction is proposed. The present stage of the project is to include 500 hectares although, the project may be expanded by additional 500 ha in the event of over subscriptions. The proposed grove is a continuation of a previous planting of 362 ha at an adjacent site last April.

The property suggested near Boort consists of moderate rolling hills with a water supply channel flowing through the property. The morphology of the terrain appears to be very suitable for olive grove development.

The proposed grove is of a large size and in agreement with the modern concept for an intensive maximally mechanized olive industry. The future development of an on site or near site oil-processing plant is highly recommended to allow immediate utilization of the fruit and secure the production of a high quality oil. The timing and conditions for the development of such olive orchard and oil extraction industry at present time is sound and justified.

Environmental suitability

Climate evaluation

The latitude of the property around 36° S is within the major olive region of the similar latitude in the Northern hemisphere. There, it represents the moderate maritime climate leaning towards the warmer olive growing regions. This seems also the case in Boort, although not maritime, with mean minimum winter temperatures around 4°C. The mean maximal winter temperature is in a moderate range creating a day night temperature cycle favorable for the winter development of olive fruit buds. The amount of frost days and its severity is small during the critical periods in the late fall and spring. The maximal temperatures reach rather high levels in summer and start sometimes early in the spring. This might endanger and reduce fruit set. However, according to the records of the Bureau of Meteorology the incidence of such days with high temperatures in the spring is rather small thus it should not produce a limiting factor for fruit set in most years.

The number of days with strong winds is small but should be considered in the grove layout. The summer rains might enhance some leaf diseases of the olive particularly *Spilocaea* but the relative humidity is moderate, which would enable keeping it under control on the cultivars suggested for the project. In general the climatic data of the region are very favorable for olive tree development and fruiting.

The pan evaporation and the evapotranspiration values of a grass covered area (ETO) are favorable and are moderate even during the peak evaporation summer months. The annual water requirement indicated based on 70% of the ETO is reasonable (a mean 0.7 crop factor). In practice however, a variable factor will probably have to be used in accordance with specific physiological stages of tree and fruit development. A somewhat higher factor would be advisable during the second half of the summer while a lower one could be used earlier.

Soils type distribution and suitability

The soil survey report by John Rasic indicates the presence of five major soil types which in part are merging one into the other. As indicated in the soil report the preparation of the soil for planting will have to be adjusted to each type. The top layer, in most of the soil types found, varies in depth and the sub-soil is very different in accordance with its type. In general most of the soils are of a relative heavy nature but with a good drainage potential providing good aeration. While surveying the pits dug across the property I found a considerable amount of roots in the second and some cases even in a third distinct layer. Thus, the layering did not create a barrier for root development. The red brown earth type in a great part of the property is deep and shows little layering. The gradual change with depth of these soils and some of the others on the property are very favorable for olive tree development.

As indicated in the soil report, there are some areas with a shallow and rather sandy top soil which would benefit from a ripping and mixing with the sub-layer to a depth of about 70 cm. According to the physical nature, most of the soil on the property could be designated as very suitable for intensive olive tree development under irrigation. Due to the different soil types it will be important to design the plots in accordance with these various types to enable separate irrigation schemes accordingly.

Although only partial chemical analysis of the soil were available to me, according to the soil type and the presently available chemical information major problems which can not be controlled by suitable fertigation schedules are not anticipated. The pH of the soils are in a reasonable range and the high sodium in some cases is bound and can be controlled by fertigation. Those rather high sodium levels are usually not related to salinity and high conductivity values. Within the effective depth of the roots, to be controlled by the irrigation scheme, no salinity problems are anticipated. For good controlling of the irrigation depth and adequate root distribution in the relevant soils the suggested two dripper lines per each row of trees is sound and justified.

Water availability

The source of irrigation water for the project originates from a channel with good quality water passing through the property. The water rights secured for the project seem sufficient (5.5 - 6 megaliter per hectare per year) for the requirements of the project based on the evaporation data of the region. However, higher demand for water might arise in extreme years. It was stated that additional water could be purchased if needed.

Plot size

The whole project is large and well subdivided by wide service roads for efficient operations. The plot size chosen (about 4.3 ha) is well adapted for monitoring operations and irrigation on one hand as well as production, harvest efficiency and timing on the other. The size of the operation has a magnitude to allow a self contained operation plan and enough fruit supply for independent processing.

Plantation design and establishment

Cultivars:

The cultivars chosen for the project are leading oil cultivars both in the Mediterranean olive growing countries and in modern intensive newly developing olive industries in other parts of the world, particularly in the southern hemisphere.

The main cultivar "Barnea" is a relative new variety developed specifically for the intensive mechanized orchard. It is the first to get into commercial production with both high quality and quantity of oil. Its choice as major cultivar for the project justifies the relative early return schedules indicated. The other cultivars needed both for pollination and diversification were all found in various studies to respond reasonably to intensification and their oil characteristics are well known and defined. Their potential yield and initial fruiting time is soundly assumed. The "Picual", which is the major cultivar in southern Spain, has a relatively large fruit and can be used also for pickling particularly during the first years of fruiting when due to massive growth the oil content does not reach its maximum. The "Picholine", which was found to be the best pollinator for the major cultivar "Barnea", produces both a high quality oil and also good table olives. The two Italian cultivars "Frantoio" and "Leccino" are an important addition both as pollinators and modifiers of the oil taste if required. The "Leccino" is a rather high producer under irrigated conditions which ripens early and thus reduces the pressure during the harvest period by prolonging it. The oil of "Frantoio" is particularly appreciated in Italy.

In summary, the cultivars are well chosen. It might however, be beneficial to test on site the performance of some other cultivars and new varieties as well as growing systems for future development of the project.

Planting density and cultivar distribution

The grove design and planting distances are well adapted to the cultivars chosen keeping a constant distance between the rows and changing the in-row planting distances in accordance with the cultivars growing habits. The development of the grove is planned based on modern up to date technology and judging from the previous established orchard a good development can be anticipated. The distribution of pollinator plots has been designed to ensure a good pollination potential. The plot size is rather large and thus the distance of some "Barnea" rows to a nearest pollinator is of some concern. However, the plot design is needed for efficient operation irrigation and monitoring management. It seems to be a reasonable compromise between theory and practice. The introduction of four different pollinators in the orchard is promising to maintain a continuous pollen availability for cross pollination of the major "Barnea" cultivar even throughout an occasional prolonged flowering period.

Irrigation system design

A drip irrigation system was chosen for this project. An individual operation control for each block is designed to ensure an efficient and suitable irrigation scheme in accordance with the different soil type and cultivar on the property. Due to the light sandy soil and soil profile in some plots a micro-jet irrigation might be advisable, however due to operation problems which might arise the approach of using two dripper lines per tree rows is a good solution and well justified. Widening the distance between the dripper lines with the development of the trees would compensate for the limiting lateral distribution of the water in those soil types.

Based on the evapotranspiration data the irrigation system is capable to supply the amount of water required at peak consumption. The total of 6 meg- lit per hectare per year for the mature orchard would be generally satisfactory. The availability of an excess of 10% should be ensured for extreme situations. The water rights ensured for the project should be able to fulfil this requirement.

Fertilization

Continuous fertigation might be needed in some of the plots. The level of fertilizers to be applied will have to be monitored by annual leaf analysis performed separately for plots in each soil type and cultivars.

A pre planting application of single super phosphate might be beneficial particularly in the plots established on the Gilgi soil types.

Estimated fruit and oil yields

The estimated long term production figures for the different cultivars (14 t/ha for "Barnea" and 11-12 t/ha for the pollinators) are achievable with good management. The development of production during the first 3 years is also carefully assumed. The oil yields during the first two production years might be somewhat lower than the final one estimate for each cultivar. However, the figures of total production might be accepted based on possible higher fruit production. It should be kept in mind that the production figures refer to long term averages and an annual fluctuation will occur due to the alternate fruiting characteristic of the olive tree. The estimated oil prices are well within a realistic range and thus the average return figures within an achievable range.

Management and operating

The management, and the manpower to run the operation is basically qualified and demonstrated its ability in establishing the previous stage of the project. The contractors involved in performing the various stages of the project development have shown their qualification and experience in the previous phase of this project. The manpower structure to be employed for the future operation of the grove will have to be trained progressively. In addition to the 'in house' expertise outside professional know how for staff training and ad hoc consultancy will probably be needed to ensure a high standard of operation performance of the project.

Market assurance, insurance and business conditions

The marketing policy for ensuring an outlet for the future oil production of the project is well established by the sale arrangements described in the prospectus. The insurance policy and business conditions are described in detail in the prospectus for individual consideration.

Risks

The horticultural risk of developing an intensive olive orchard in north Victoria is relatively small. The climatic and soil conditions are good as various small olive groves are growing well in the area. Unforeseen problems can of course arise as in any agricultural or horticultural operation. However, extreme unforeseen developmental problems are not likely.

The oil prices cited in the project are realistic and a marked drop in those is rather unlikely. I don't see any specific risk once enough trained local labor, adapted machinery and oil mill capacity will be ensured for the project.

Report conclusions

Based on the information provided and my review of the site, the 2001 Timbercorp Olive Project at Boort reveals a good potential for an intensive olive industry. The soil, water availability, water quality, climatic data and site topography are most favorable for the development of a modern intensive mechanized olive industry. The choice of cultivars is quite balanced and the layout a good compromise between required condition and operation ability. Plot adapted fertigation will be needed for favorable tree development and fruit production can be expected. With proper management one can anticipate high production of a quality product and thus a good potential for success of the project can be anticipated.

28 June, 2000

Prof. Shimon Lavee

Lawyers' Report



29 September 2000

The Directors
Timbercorp Securities Limited
Level 5, 95 Queen Street
Melbourne Victoria 3000

AND

The Directors
Land And Water Holdings Limited
Level 5, 95 Queen Street
Melbourne Victoria 3000

Level 7
350 Collins Street
Melbourne 3000 Victoria

Telephone (INT613) 03 9600 3525
Facsimile (INT613) 03 9600 3527
EMAIL office@nmtaylor.com.au

Dear Sirs,

2001 Timbercorp Olive Project

This letter has been prepared for inclusion in a prospectus to be issued by Timbercorp Securities Limited and Land and Water Holdings Limited for the offer to cultivate and manage up to 500 hectares of olive groves, with an option to accept oversubscriptions, and an offer to issue options to acquire ordinary shares in the capital of Land and Water Holdings Limited ("Options").

In our opinion:

- the summaries of the Constitution and agreements contained in the section of the prospectus titled "Summary of Significant Documents";
- the summary contained in the section of the prospectus titled "Rights Attaching to Shares in Land And Water Holdings Limited"; and
- the summary of the terms and conditions of the Options contained in the section of the prospectus titled "How the Project Works",

are not false or misleading, do not have a material omission and contain a representation of the Constitution, the other agreements, the rights, terms and conditions that is fair and accurate.

Yours faithfully

Norm Taylor
N M Taylor Lawyers

Summary of Significant Documents

Introduction

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

Summary of the Constitution

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

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

1 Appointment of Responsible Entity as agent, attorney and representative

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

- 1.1 to receive and hold the Application Moneys;
- 1.2 to invest the moneys in the Agency Account in any Authorised Investment;
- 1.3 to use the Application Moneys of a Grower in discharging the Grower's obligations under the Agreements or under the Constitution;
- 1.4 to prepare reports and accounts in relation to the Grove Services and in relation to the crushing of Olives and the sale of Product;
- 1.5 to exercise all rights and powers of the Grower under any Agreement;
- 1.6 to execute any deed, agreement, certificate or other document and to do all other things necessary or desirable in furtherance of the powers granted to the Responsible Entity;
- 1.7 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 Grove Services on behalf of a Grower;
- 1.8 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 Olives and Product from the Project; and
- 1.9 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.

In particular, the Grower authorises the Responsible Entity:

- to store its Participating Interest in the Crop;
- to procure the processing of its Participating Interest in the Crop, or so much of it as the Responsible Entity in its absolute discretion considers desirable;
- to enter into any crushing or processing agreement as agent and attorney for the Grower;
- as its agent and attorney, to sell that part of the Crop that it determines should not be processed using its best endeavours to obtain the best price possible; and
- as its agent and attorney, to sell its Participating Interest in the Product and the Crop using its best endeavours to obtain the best price possible. [13.3 and 13.4]

2 Rights of Growers

2.1 Limitation of Liability

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

2.2 Information

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

2.3 Opinions

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

2.4 Right to Remove Responsible Entity and Auditors

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

2.5 Right to Extend Project

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

2.6 Right to Terminate Project

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

3 Grovelots

3.1 Rights of Growers Differ

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

3.2 Grovelot Statements

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

3.3 Transfer or Assignment

No Grower may transfer or otherwise dispose of its Grovelots unless the Grower transfers or disposes of the Grovelots individually to the one legal person (including joint owners), except where the Grower disposes of no less than three Grovelots and continues to hold no less than three Grovelots after the disposal. Otherwise, Growers may assign their Grovelots subject to a deed of assignment (set out in the Constitution) being delivered to the Responsible Entity [20.1, 21.1]. No assignment of a Grovelot may be made unless there is at the same time an assignment of the Options held by the Grower or the

Grower's Associate to the same assignee (or an Associate of the assignee) in accordance with the terms and conditions of the Fourth Schedule.

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

4.1 Application Moneys and Interest on those Moneys

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

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

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

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

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

4.2 Application Procedure

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

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

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

On an Application being accepted in whole or in part, and Minimum Application being reached, the Applicant will become a Grower and the Grower or the Associate of the Grower will be deemed to have been granted the Call Options. [8.1] An Application received and not refused is deemed to be accepted immediately on receipt, subject to the Application Moneys being paid and Minimum Application being reached. [8.4]

On acceptance of an Application, the Responsible Entity will prepare the Licence and Joint Venture Agreement and Grovelot 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]

4.3 Allotment of Grovelots and Entry into Agreements

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

- a) immediately allocate Grovelots to the Grower and within 21 days thereafter enter the Grower's details in the Register; and
- b) either itself or procure the Custodian to enter into the Licence and Joint Venture Agreement and Grovelot Management Agreement and any other ancillary or related documents. [8.7]

4.4 Release of Application Moneys

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

- a) the Licence and Joint Venture Agreement and Grovelot Management Agreement are in the form required by the Constitution and have been duly entered into by all parties;
- b) the Landowner has the capacity to grant the Licence and that all necessary consents to the grant of the Licence and Joint Venture Agreement and entry into the Licence and Joint Venture Agreement and Grovelot Management Agreement have been obtained or will be obtained;
- c) the property the subject of the Licence is not subject to any encumbrance or restriction which detrimentally affects the interests of the Applicant and which is not disclosed in the Prospectus;
- d) any other matter required to be attended to, which is necessary for the creation of the Licence and Joint Venture Agreement and the effective vesting in the Grower of his Licence and Joint Venture Agreement and Grovelot Management Agreement, whether by reason of the Constitution or otherwise, has been attended to; and
- e) there are no outstanding material breaches of any of the provisions of the Constitution which are detrimental to the interests of the Growers whose Application Money is to be allocated. [9.2]

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

4.5 Contribution of Further Moneys

Each Grower is required to contribute further moneys to the Responsible Entity on the dates, in the amounts and in the manner set out in the Licence and Joint Venture Agreement and the Grovelot 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]

4.6 Payment of Expenses

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 (ie. excluding the further amounts payable by the Growers under the Agreements). [14.3]

4.7 Agency Account

The Responsible Entity must keep one or more Agency Accounts for the purpose of recording Proceeds and other moneys held for a Grower, other than Application Moneys 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 any Project Document. [15.1] Expenditure will be shared between all of the Growers such that each Grower pays the Participating Share (ie. its pro rata share) of the aggregate expenditure. [15.2]

4.8 Authorised Investments

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

4.9 Payment into Agency Account

The Responsible Entity must pay into the Agency Account proceeds from the sale of Crop attributable to the Growers' Grovelots, proceeds from the sale of Product produced from the Growers' Grovelots, 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' Grovelots. [13.6]

4.10 Grower's Entitlement

A Grower is entitled to the money in the Agency Account which represents his 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 Grovelot Management Agreement;
- any fees payable under the Grower's Licence and Joint Venture Agreement; and
- any other amounts payable by the Grower under the Constitution, the Grower's Grovelot Management Agreement and the Grower's Licence and Joint Venture Agreement.

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. [13.7]

5 Meetings

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

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

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

- in relation to section 252R of the Corporations Law, no business will be transacted at any meetings of Growers unless a quorum is present when the meeting proceeds to business. The quorum necessary for a meeting at which an Ordinary Resolution is to be proposed is five persons holding or representing by proxy at least ten per cent of the aggregate number of Grovelots 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 Grovelots issued to the Growers concerned,
- in relation to section 252R(3) of the Corporations Law, if an individual is attending a meeting both as a Grower and as a proxy or body corporate representative, the Responsible Entity may, in determining whether a quorum is present, count the individual more than once,
- in relation to section 252R(3) of the Corporations Law, a proxy is entitled to speak and vote for a Grower (to the extent allowed by the appointment) even if the Grower is present at the meeting (but only so long as the Grower does not speak or vote, as the case may be),
- in relation to section 252Z(5) of the Corporations Law, the Responsible Entity may determine, in relation to a particular meeting or generally, that proxy documents may be received up to any shorter period before the meeting,
- in relation to section 253K(2) of the Corporations Law, a poll cannot be demanded on any resolution concerning the election of the chair of a meeting or the adjournment of a meeting,
- in relation to section 253L(2) of the Corporations Law, at a meeting of Growers, a poll may be demanded by at least one Grower concerned holding or representing by proxy at least ten per cent of the aggregate number of Grovelots for the time being on issue to the Growers concerned and entitling the holders to vote on the resolution or the chair. [22.2]

6 Liabilities and Indemnities

6.1 Liability of the Responsible Entity

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.

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

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

6.2 Indemnity of Responsible Entity

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

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

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

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

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

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

7 Termination of Agreements

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

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

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

8 Accounts and Audit

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

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

9 Complaints Procedure

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

- a) make readily available to Growers information on how, when, where and to whom to make complaints and any documented policies and procedures for the resolution of complaints;
- b) periodically develop and review the Responsible Entity's policies and procedures for the resolution of complaints, in accordance with Australian Standard AS 4269:1995, Complaints Handling; and
- c) provide information relating to the Responsible Entity's complaints handling procedures to employees of the Responsible Entity. [25.2]

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

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

10 Termination of the Project

Unless previously terminated under the provisions of the Constitution or Agreements, the Project terminates on the completion by the parties of their obligations under the Constitution and the Agreements. [26.1]

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

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

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

11 Modification of the Constitution

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

12 Options

The terms and conditions governing the issue and exercise of the Options are set out in the Fourth Schedule to the Constitution. They are summarised in the section of this Prospectus titled How the Project Works.

Summary of the Custody Agreement

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

Important features of the Custody Agreement follow.

1 Appointment as Custodian

Timbercorp Securities appoints Permanent as custodian to:

- a) receive and hold the Scheme Assets and all income accruing in respect of them and any document of title to them in safe custody;
- b) if directed by Timbercorp Securities and if duly appointed as attorney for and on behalf of the Growers, execute as attorney for and on behalf of the Growers, such of the Scheme Agreements as are entered into by the Growers; and
- c) retain in safe custody executed copies of the Scheme Agreements.

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

2 Powers of the Custodian

The Custodian's powers include the following powers:

- a) to establish bank accounts in Timbercorp Securities' name designating the Scheme Assets and operate on the account in accordance with instructions from Timbercorp Securities;
- b) to execute or make on behalf of Responsible Entity any certificates, declarations or affidavits which are required to receive into or transfer out of its custody any Scheme Assets;
- c) to appoint or engage at Timbercorp Securities' expense professional advisors; or
- d) to comply with any obligations imposed on it by law or do any other things which it considers necessary, desirable, incidental to or in furtherance of the above matters.

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

3 Duties of the Custodian

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

To the extent required by the Corporations Law, as modified by any relief granted by ASIC, the Custodian must ensure that the Scheme Assets are clearly identified as property of the Project and held separately from the Custodian's

own assets, the assets of any other scheme or any other assets held by the Custodian in any other capacity whatsoever. The Custodian must notify Timbercorp Securities in writing immediately if the Custodian becomes aware that it no longer satisfies the requirements of ASIC Policy Statement 133.

4 Acting on Instructions

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

5 Books and Records

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

6 Fees and Expenses

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

7 Termination

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

- a) a receiver or a receiver and manager is appointed to the undertaking of the other party either in relation to the capacity in which it acts under the agreement or where such receiver or receiver and manager is reasonably likely to affect materially such other party's performance under the agreement;
- b) the other party goes into liquidation, is subject to a scheme of compromise or arrangement with its creditors or has an administrator appointed to its affairs;
- c) the other party ceases to carry on business in relation to the Project in the case of Timbercorp Securities and in relation to custodial services in the case of the Custodian;
- d) the other party materially breaches any provision of the agreement or fails to observe or perform any representation, warranty, indemnity or undertaking pursuant to the agreement in a material respect, subject to a 14 day period to remedy the default; or
- e) the other party sells or transfers or makes any agreement for the sale or transfer of its principal business and undertaking.

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

Summary of the Licence and Joint Venture Agreement

1 Parties

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

2 Joint Venture

Under this Agreement, the Grower and the Landowner associate themselves as joint venturers for the purposes of carrying on the cultivation of Olives on, and management of, the JV Grovelots for the production of olive oil for commercial gain. The Grower is entitled to a Prescribed Proportion of the Joint Venture Assets of 90% and the Landowner is entitled to a Prescribed Proportion of the Joint Venture Assets of 10%.

3 Grant of Licence

Under the Agreement, the Landowner grants to the Grower a licence to use and occupy the JV Grovelots (in joint venture with the Landowner) for the purpose of cultivating and harvesting Olives and producing olive oil for the term of the Agreement.

4 Establishment of Grove

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

- prepare that part of the Land and each Grovelot which can be used to grow olive trees satisfactorily;
- install appropriate irrigation equipment and carry out the necessary irrigation works to ensure proper reticulation of water to the Olive Trees on each Grovelot;
- carry out drainage work and work to help prevent soil erosion on all Land;
- eradicate as far as reasonably possible any pests and competitive weeds which may affect the growth or yield of the Olive Trees;
- plant Olive Trees on each Grovelot, stake, survey and erect stakes approximately 2.3 metres in height and where applicable, construct trellising in accordance with good horticultural practices so that the Olive Trees can be harvested commercially; and
- provide any other capital works, services or things which, in the reasonable opinion of the Landowner, are incidental or ancillary to the effective establishment and provision of the works referred to above.

The Landowner will use its best endeavours to complete the Capital Works in full as to one half of the Grovelots by 30 November 2000 and as to one half of the Grovelots by 30 April 2001 or such later date as may be agreed between the Landowner and the Grower. The Landowner will not be liable for any loss or damage incurred by the Grower arising from any delay in so doing caused for any reason other than the negligence of the Landowner, its officers, employees or agents.

The Grower acknowledges that the Capital Works on, and the Water Rights attaching to, the Grower's Grovelot, are and will at all times remain the property of the Landowner.

5 Water Rights

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

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

6 Term

Unless terminated earlier by the Grower or the Landowner (see below), the term of the Agreement will be from the Commencement Date until the earlier of 30 June 2024 or the termination of the Joint Venturer's Participating Interest in the Project. At the expiration of the term, the Grower must return the JV Grovelots to the Landowner in good condition, but the Grower is not required to remove Olive Trees or restore the JV Grovelots to their original condition.

Any structures or plant and equipment of any description which belong to the Joint Venture must be removed from the JV Grovelots within 30 days after the end of the Agreement and if the parties do not comply with this requirement, all structures and plant and equipment remaining on the JV Grovelots at the time will become the absolute property of the Landowner. The Landowner has no obligation to pay the Grower any compensation.

The Grower may terminate the Agreement:

- if the Landowner commits a material breach of the Agreement and fails to remedy the breach or pay reasonable monetary compensation to the Grower within 30 days of receiving a written notice from the Grower;
- by giving four months' written notice to the Landowner, if the whole or a substantial part of the JV Grovelots is damaged or destroyed whether by fire or any other cause whatsoever, or if an independent horticultural consultant commissioned by the Grower reasonably determines that the whole or a substantial part of the JV Grovelots is no longer commercially viable (termination in these cases taking effect on and from the 30 June next following the expiration of the notice period);
- in relation to only part of the JV Grovelots, by giving four months' written notice to the Landowner, if that part of the JV Grovelots is damaged or destroyed whether by fire or any other cause whatsoever, or an independent horticultural consultant commissioned by the Grower reasonably determines that part of the JV Grovelots is no longer commercially viable. Termination in these circumstances takes effect on and from the 30 June next following the expiration of the notice period.

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

If the Agreement is terminated in the circumstances described in the first and second bullet points above, the Responsible Entity may terminate the JV Grovelot Management Agreement and the Grower loses all rights and interests in the Project including the call options to acquire shares in Land and Water Holdings Limited.

7 Government Approvals

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

8 Grovelot Management Agreement

The Agreement is subject to and conditional on the Joint Venturers entering into the Grovelot Management Agreement with the Responsible Entity prior to or on the Commencement Date.

9 Licence Fees and Expenses

The initial licence fee payable to the Landowner for the period from the Commencement Date until 30 June 2001 is \$400 per JV Grovelot.

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

The licence fee will be reviewed on 30 June 2001 and each anniversary thereafter during the term. The licence fee payable on and from the review date is the greater of:

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

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

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

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

10 The Grower's Obligations

The Grower agrees at the Grower's expense to:

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

11 The Landowner's Obligations

The Landowner must:

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

12 Terms of Joint Venture

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

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

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

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

13 Assignment

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

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

14 Limitation of Liability of Grower

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

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.

Summary of the Grovelot Management Agreement

1 Parties

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

2 Appointment of Project Manager

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

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

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

3 Grove Services

The Responsible Entity must cultivate and manage the Grove in accordance with the Management Plan (annexed to the Agreement) and good horticultural and environmental practices.

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

- pruning the Olive Trees by mechanical or other methods;
- as permitted by law, eradicating vermin which has caused or may cause damage to the Olive Trees or the Grower's Grovelots and putting in place measures to control such vermin;

- operating the irrigation system licensed to Growers on the Grower's Grovelots at various times in order to irrigate the Grower's Grovelots;
- at the Responsible Entity's discretion, conducting tests to ascertain the availability of nutrients in the soil on the Grower's Grovelots and, based on the results, taking whatever action is required to maintain the growth rate and productivity of the Olive Trees;
- fertilising the Grower's Grovelots as required, in accordance with good horticultural practices, to maintain satisfactory rates of growth and productivity of the Olive Trees;
- in the Responsible Entity's absolute discretion and without need for the Grower's consent, destroying any of the Olive Trees or Olives which have contracted an exotic, noxious or incurable disease;
- keeping the improvements on the Grower's Grovelots in good and substantial repair;
- maintaining fire breaks in accordance with regulatory and insurance requirements and good horticultural practices;
- maintaining the Grower's Grovelots in accordance with good horticultural practices including using soil management technique methods to reduce erosion and maintain soil quality;
- protecting the Olive Trees from insect infestation and competition from competing growth using good horticultural practices, including applying herbicides or pesticides to the Grower's Grovelots and spraying under the Olive Trees as permitted by law;
- regularly inspecting and repairing all stakes, fences and irrigation equipment on the Grower's Grovelots;
- tying and staking all Olive Trees on the Grower's Grovelots or (where applicable) attaching Olive Trees to trellising in accordance with good horticultural practices;
- replanting any of the Olive Trees in need of replacement in accordance with the terms of any agreement made with suppliers of the Olive Trees;
- on behalf of the Grower, overseeing the establishment of the Grower's Grovelots and construction of capital works by the Landowner in accordance with good horticultural and environmental practices and in accordance with the Landowner's obligations under the Licence and Joint Venture Agreement;
- complying with the Grower's licence obligations under the Licence and Joint Venture Agreement (except for those relating to payment of fees);
- doing all things necessary to ensure that all Water Rights are fully exploited to maximise the use and enjoyment of them by the Grower;
- taking all steps to avoid interfering with the supply of water to the Grower's Grovelots and to avoid any actions that would prejudice the Grower's rights under the Agreement;
- not discriminating between Growers in the supply of water under the Water Rights;
- if additional water is required from time to time to irrigate the Grove, and such water can be reasonably procured by way of temporary or permanent water rights, procuring additional temporary or permanent water rights and making them available to Growers, at a cost to Growers calculated as the Responsible Entity's reasonable costs in operating the Grove;
- providing any other service or thing which, in the reasonable opinion of the Responsible Entity, is incidental or ancillary to the ongoing management of the Grower's Grovelots;
- complying with all laws and regulations relating to the use and occupancy of the Grower's Grovelots; and
- every year, in accordance with good horticultural practices, determining the maturity of the Olives to ascertain when they will be ready for harvesting and, having done so, harvesting the mature Olives (in the manner set out below).

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

4 Harvesting

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

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

5 Processing and Sale

The Responsible Entity will procure the processing of the Crop (or so much of the Crop as it considers desirable) into Product and will enter into a crushing or processing agreement in relation to the Crop as agent and attorney for the Grower.

The Responsible Entity will:

- sell that part of the Crop that it determines should not be processed into Product, using its best endeavours to obtain the best price possible, on such terms and conditions as the Responsible Entity determines in its absolute discretion and, for this purpose, will enter into an agreement for sale of the Crop as agent and attorney for the Grower; and
- sell the Product, using its best endeavours to obtain the best price possible, and on such terms and conditions as the Responsible Entity in its absolute discretion determines and, for this purpose, will enter into an agreement for the sale of the Product as agent and attorney for the Grower.

The Responsible Entity acknowledges that the Project Manager, as agent for and on behalf of the Growers, has entered into a put option agreement with Costa d'Oro srl of Spoleto Loc. Madonna di Lugo (PG) Italy, a major Italian olive oil distributor, under which it is entitled to require that company to purchase up to 4,500 metric tonnes of Olive Oil in each year of production.

6 Access to Grove

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

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

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

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

7 Responsible Entity's Fee

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

- in respect of the services to be provided in the period commencing on the Commencement Date and ending on 30 June 2001, an amount of \$6,222 per Grovelot payable in advance on or before the Commencement Date;
- in respect of the services to be provided in the period commencing on 1 July 2001 and ending on 30 June 2002, \$1,889 per Grovelot payable on 30 November 2001;
- in respect of the services to be provided in the period commencing on 1 July 2001 and ending on 30 June 2003, \$1,889 per Grovelot payable on 30 November 2002; and

- thereafter, in respect of the services to be provided in each subsequent Financial Year during the term of the Agreement, an amount per Grovelot calculated by the Responsible Entity as the reasonable costs of managing the Grovelot, payable on 30 September during that Financial Year.

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

- a) from 30 September 2003, the estimated costs of operating the Grovelots (which will include an allocation of overhead costs incurred by the Responsible Entity or its contractors that will not exceed \$70 per Grovelot indexed to CPI (adopting year 2001 as the base year)) together with 7.5% of the Gross Proceeds in that Financial Year; and
- b) 25% of so much of the annual Net Proceeds payable to the Grower in a Financial Year in excess of the annual Net Proceeds estimated in the Prospectus to be received by the Grower in that Financial Year, less any allowance for inflation made in the Prospectus in arriving at such estimate, but indexed to CPI from the date of the Agreement (the "Incentive Fee Threshold"). But, if in the immediately preceding Financial Year, the Proceeds were less than the Incentive Fee Threshold, the sum of the deficit must be deducted from the Proceeds when calculating the fee payable to the Responsible Entity under this paragraph in respect of the Financial Year to which reference is first made.

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

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

8 Insurance

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

9 Management Plan and Reports

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

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

Within four months after the end of each Financial Year, the Responsible Entity will send an annual report to the Grower that addresses and contains information concerning matters such as the results of the harvest of Olives, the condition of the Grove, the Grovelots and the Olive Trees, any other matters which the Responsible Entity considers material and which ought reasonably to be made known to the Grower or any other matter reasonably requested by the Grower. Once the olive trees start producing olives, the Responsible Entity will also send to Growers annual statements of income and expenses.

10 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.

11 Termination and Default

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

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

The Responsible Entity may terminate the Agreement if the Grower fails to make a payment within the required time under the Agreement, but only after giving the Grower 30 days' notice to make the payment. If the Responsible Entity exercises its right to terminate the Agreement, then:

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

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

12 Excuses for Non-Performance

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

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

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

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

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

13 Limitation of Grower's Liability

The Grower is not obliged to contribute any money in respect of the Project Operations beyond the Licence Fee and the fees payable to the Responsible Entity under the Constitution, the Licence and Joint Venture Agreement and the Grovelot Management Agreement.

The liability of the Grower is absolutely limited to the Licence Fees, the fees and costs paid or payable to the Responsible Entity under the Licence and Joint Venture Agreement and the Grovelot Management Agreement and to any Proceeds of the Grower.

14 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 Grovelot Management Agreement permits the Responsible Entity to delegate any of its obligations under that Agreement to its contractors. Accordingly, under a Management Agreement between the Responsible Entity and Olivecorp Management Limited ("Olivecorp"), the Responsible Entity has engaged Olivecorp as an independent contractor to carry out the Grove Services set out in the Grovelot Management Agreement and to market and sell the olive oil and olives. This delegation does not release the Responsible Entity from liability under the Grovelot Management Agreement.

Under the Management Agreement, Olivecorp agrees to:

- cultivate and manage the Grove;
- procure the harvesting of the mature Olives;
- procure the processing of the Olives into Olive Oil;
- if necessary, sell the Crop as agent for the Growers; and
- sell the Olive Oil as agent for the Growers at the best price it can reasonably obtain.

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

Put Option Agreement

Olivecorp Management Limited ("Olivecorp") has secured a put option to sell up to 4,500 metric tonnes of olive oil each year to Costa d'Oro srl of Spoleto Loc. Madonna di Lugo (PG), Italy, a major Italian distributor of olive oil. The Put Option Agreement provides for the olive oil to be sold at prevailing market prices. The price will be quoted in Australian dollars and will be based on the average price of equivalent quality olive oil produced from olives grown in Italy as quoted by the Associazione Granaria di Milano which is an integrated part of the Borsa di Milano (Milan Stock Exchange).

Olivecorp is not compelled to sell the olive oil to Costa d'Oro and if a higher price can be obtained from another purchaser, then it will endeavour to sell the olive oil for that higher price.

Option Agreement

Olivecorp Land Pty Ltd ("the Landowner") is or is entitled to be registered as proprietor of the land on which the Grove for the Project will be established. Under an Option Agreement between Olivecorp Land and Land And Water Holdings Limited ("LWH"), the Landowner has granted an option to LWH to purchase an interest of up to 24.9% of the Land (including the Water Rights and Capital Works) in August 2005 at a purchase price (based on 500 hectares of Land) being the lesser of:

- the amount calculated by multiplying \$1,560,000 by the proportionate interest to be acquired in the Grove; and
- an independent valuation of the Grove multiplied by the proportionate interest to be acquired in the Grove.

To the extent that we accept oversubscriptions, in which case the Grove will comprise an area greater than 500 hectares, the purchase price will be increased by an amount agreed between the Land Owner and LWH Limited.

Rights Attaching to Shares in Land And Water Holdings Limited

The following is a summary of the rights attaching to ordinary shares in LWH Limited. A more detailed description of those rights is contained in the constitution of LWH Limited.

| | |
|--|--|
| Voting | Each ordinary share confers the right to vote at all general meetings of LWH Limited at one vote per ordinary share. |
| General Meetings | Each holder of ordinary shares has the right to receive notice of, and to attend and vote at, all general meetings of LWH Limited. Each shareholder is also entitled to receive all notices, accounts and other documents required to be furnished to shareholders under the constitution or the Corporations Law. |
| Buy Back Authorisation | LWH Limited may buy back ordinary shares in itself in accordance with the Corporations Law. |
| Variation of Class Rights | LWH Limited may only vary the rights attaching to a class of shares with the prior approval of at least 75% of shareholders of that class. |
| Dividends | All holders of ordinary shares have the right to receive dividends. Dividends are payable in proportion to the amounts paid or credited as paid on the shares. The directors may, before declaring any dividend, set aside out of the profits of the company such sums as they think proper as reserves or provisions to be applied, at their discretion, for any purpose for which the profits of the company may be properly applied. |
| Winding Up | <p>If LWH Limited is wound up and the property of LWH Limited is more than sufficient to pay all of the debts and liabilities of LWH Limited and the costs, charges and expenses of the winding up, the excess must be divided among the shareholders of LWH Limited in proportion to the number of shares held by them, irrespective of the amounts paid or credited as paid on the shares. If LWH Limited is wound up, the liquidator may, with the sanction of a special resolution of shareholders:</p> <ul style="list-style-type: none"> • divide among the shareholders the whole or any part of the property of LWH Limited; and • determine how the division is to be carried out as between the shareholders or different classes of shareholders. |
| Transfer of Shares | Generally, ordinary shares are freely transferable. However LWH Limited may decline to register a transfer of shares in certain circumstances specified in the constitution. If you wish to sell your shares in LWH Limited during the life of the Project, you should seek independent professional advice, as there may be legal and taxation implications. |
| Shareholder Liability for Calls | <p>Subject to compliance with any regulatory and legal requirements, the directors may make calls on the shareholders in respect of any money unpaid on their shares.</p> <p>The ordinary shares issued on the exercise of an Option will be fully paid and not subject to any calls for money by the directors and, therefore, will not become liable for forfeiture.</p> |
| Forfeiture of Shares | <p>If a shareholder fails to pay any call or instalment of a call on the day appointed for payment of the call or instalment, the directors may serve a notice on the shareholder requiring payment of so much of the call or instalment as is unpaid and any interest and expenses which may have accrued or been incurred. If the requirements of such notice are not complied with by the shareholder his or her shares may be forfeited.</p> <p>A person whose shares are forfeited will remain liable to pay immediately to LWH Limited all amounts payable in respect of the shares, interest and expenses owing.</p> |
| Lien | LWH Limited has a first and paramount lien on every share for any amount due and unpaid in respect of the share which has been called or is payable at a fixed time and for other amounts that it may be called upon by law to pay in respect of the shares of a shareholder or deceased person. LWH Limited may sell any such share as if the share were forfeited. The proceeds of sale will be applied in payment of such part of the amount in respect of which the lien exists and any residue must be paid to the person entitled to the shares at the date of the sale. |
| Issue of Further Shares | The directors of LWH Limited may allot or dispose of further shares on such terms and conditions as they see fit. |
| Preference Shares | LWH Limited is entitled to create and issue preference shares. The rights which attach to preference shares include a preferential right to dividends and certain priorities on redemption of shares and in a winding up of LWH Limited. Holders of preference shares are entitled to vote at general meeting on only a limited range of questions and proposals. |
| Directors | <p>The number of directors must be not less than three nor more than twelve, or such lesser number as the directors determine, provided that the number so determined must not be less than the number of directors when the determination takes effect.</p> <p>The directors, other than a managing director or an executive director, may be paid as remuneration for their services an aggregate maximum of such amount per annum as is determined from time to time by the company in general meeting, such amount to be divided among the directors in such proportion and manner as the directors agree and, in default of agreement, equally. The remuneration of a managing director or of an executive director may from time to time be fixed by the directors.</p> |

Additional Information

1 Registers

We will maintain the principal registers of Growers and Option Holders at our registered office at Level 5, 95 Queen Street, Melbourne, Victoria. The registers may be inspected by any member of the public between the hours of 9.00 am and 5.00 pm on Monday to Friday inclusive, excluding public holidays.

2 Our allocation and issue policy

Unless we agree otherwise with any particular Grower or financial intermediary, we will allocate GroveLots and LWH Limited will issue Options in order of receipt of completed applications. We reserve the right, in our absolute discretion, to accept an application for less than 3 Grovelots.

3 Repurchase and secondary market

We are not obliged to purchase from any Grower any GroveLots issued pursuant to this prospectus and LWH Limited is not obliged to buy back any shares issued to a Grower or a Grower's Associate as a result of the exercise of Options. However, we will assist to create a secondary market for GroveLots, subject to the provisions of the Corporations Law, by:

- maintaining a register of interested buyers and sellers; and
- making that register available for inspection by Growers and shareholders respectively at no charge.

You should note that a Grower may only sell his or her GroveLots if there is a contemporaneous transfer of Options held by the Grower or the Grower's Associate to the same assignee or an Associate of the Assignee.

4 Commissions

We may pay commissions or brokerage of up to 5% of the funds subscribed in relation to GroveLots for which you apply to those persons authorised by the Corporations Law to receive such commissions or brokerage. In addition, we may reimburse those persons at standard rates of up to 3% of the funds subscribed for reasonable marketing and other administrative costs incurred in relation to GroveLots sold.

5 Interests of directors

Directors' Fees – Timbercorp Limited

Our directors and the directors of LWH Limited, in their capacity as directors of Timbercorp (our parent company) are entitled to be paid an aggregate sum to be fixed by the directors, which sum will not exceed \$100,000 per annum or such sum as the members may at general meeting from time to time determine.

The only directors' fees paid in the past 2 years were amounts of \$20,000 and \$30,000 to each of J M Vaughan and G W Liddell in each of the financial years ended 30 June 1999 and 30 June 2000. For the financial year ending 30 June 2001, the Directors' fees will total \$70,000 plus out of pocket expenses. D W A Muir and G W Liddell will receive directors' fees of \$40,000 and \$30,000 respectively. No fees are otherwise payable to our directors.

Directors' interests in shares and options

Our directors and the directors of LWH Limited hold the following interests in Timbercorp:

| Director | Number of Shares | Options |
|----------------|------------------|-----------|
| D W A Muir* | 34,107,519 | 1,575,000 |
| R J Hance* | 34,567,519 | 1,575,000 |
| G W Liddell** | 184,712 | 484,000 |
| J M Vaughan | 140,866 | 680,000 |
| S C Rabinowicz | 370,078 | 1,048,000 |

*The majority of shares are held by virtue of a beneficial interest in Braidon Pty Ltd, Timbercorp's ultimate parent entity.

**G W Liddell is a partner with the chartered accounting firm, Liddell Weight & Co, which derives fees for professional services provided to Timbercorp.

Service agreements and other benefits

As at the date of this prospectus, no director is party to an executive agreement and no amount has been agreed to be paid as a bonus in respect of this Project.

Gary Liddell is a partner of the firm Liddell Weight & Co, Chartered Accountants, which provides accounting services to the Timbercorp group of companies. During the financial year ended 30 June 1999 Timbercorp paid an amount of \$52,500 to Liddell Weight & Co and during the year ended 30 June 2000, Timbercorp paid an amount of \$83,350 to Liddell Weight & Co at normal commercial rates. Liddell Weight & Co will not receive any fees in respect of this issue.

6 Minimum subscription

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

7 Inspection of documents

Copies of the Constitution, Custody Agreement, Licence and Joint Venture Agreement, Grovelot Management Agreement, Option Agreement and the constitution of LWH Limited may be inspected or obtained, free of charge, during normal business hours at our registered office at 95 Queen Street, Melbourne, Victoria.

8 Experts and advisors

Other than as set out below or elsewhere in this prospectus, no expert or any person named in this prospectus as performing any functions nor any firm in which any expert or such person is a partner or employee has, or has had within the two years before lodgement of this prospectus, any interest in the promotion of, or in any property proposed to be acquired by us, the Land Owner or LWH Limited in connection with its promotion or formation.

Interests and Fees

Professor Shimon Lavee has received or is entitled to receive fees of \$18,100 for the preparation of the Independent Olive Grove Expert's Report.

N M Taylor, Lawyers have acted, and continue to act, as our lawyers and lawyers for LWH Limited and performed work in respect of this prospectus, the due diligence enquiries, and other aspects of the Project. They have received or are entitled to receive fees of \$86,000 (plus disbursements) for these services and further amounts for any future services in accordance with their usual time-based charges.

J W de Wijn of Queen's Counsel has provided tax consultancy services to us and provided the Taxation Advisor's Report. He has received or is entitled to receive fees of \$14,000 for those services.

Deloitte Touche Tohmatsu has been paid a fee of \$71,350 (plus disbursements) for the audit of Timbercorp's financial statements for the year ended 30 June 1999 and a fee of \$93,650 (plus disbursements) for the review of Timbercorp's financial statements for the year ended 30 June 2000.

Consents

Professor Shimon Lavee, J W de Wijn of Queen's Counsel and N M Taylor Lawyers have given their written consents to the inclusion in this prospectus of their respective reports in the form and context in which they appear and have not withdrawn such consents prior to lodgement of this prospectus with the ASIC.

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

John Rasic has given his written consent to the inclusion of references to a soil report prepared by him in the form and context in which they appear in the Independent Olive Grove Expert's Report.

Disclaimers

Professor Shimon Lavee has acted as independent olive grove expert and has authorised the issue only of the Independent Olive Grove Expert's Report. Professor Shimon Lavee expressly disclaims and takes no responsibility for any other part of this prospectus.

N M Taylor, Lawyers have assisted in preparing the Constitution, the Project Agreements, our Compliance Plan and in undertaking due diligence enquiries in relation to this prospectus. They have reviewed this prospectus to ensure that its contents are consistent with the Constitution and the Project Agreements and they have authorised the issue of the Lawyers' Report only. N M Taylor, Lawyers expressly disclaim and take no responsibility for any other matter referred to in this prospectus.

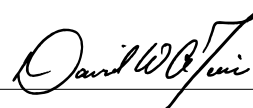
J W de Wijn of Queen's Counsel has acted as independent tax advisor and has authorised the issue only of the Taxation Advisor's Report. He expressly disclaims and takes no responsibility for any other matter referred to in this prospectus.

Deloitte Touche Tohmatsu and John Rasic have not been involved in any aspect of this prospectus. They expressly disclaim and take no responsibility for any part of this prospectus.

9 Directors' consents and signing of prospectus

As required by law, each of the Directors of Timbercorp Securities Limited and LWH Limited has given his written consent to the issue of this prospectus. Further, this prospectus has been signed by each of those directors or his agent authorised in writing.

David W A Muir



Robert J Hance

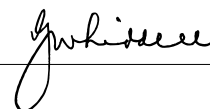


John M Vaughan



By his duly authorised agent Sol C Rabinowicz

Gary W Liddell



Sol C Rabinowicz



How to Apply

- Before signing the Application and Power of Attorney Form, you should read the whole of the prospectus relating to the 2001 Timbercorp Olive Project.
- You should then carefully read the declarations relating to the Application and Power of Attorney Form and then complete the form in full.
- The form must be signed and dated by individuals in the presence of an adult witness who must also sign as witness.
- Please lodge your completed Application and Power of Attorney Form together with your cheque or bank draft made payable to "Timbercorp – 2001 Olive Project" and crossed "Not Negotiable" with your financial advisor or deliver it to:

Timbercorp Securities Limited

Level 5
95 Queen Street
Melbourne Victoria 3000

- It should be noted that no applications for GroveLots will be processed until after the expiry of the exposure period for this prospectus and no preference will be conferred on applications received during the exposure period. The purpose of the exposure period is to enable the prospectus to be examined by market participants prior to the raising of funds. That examination may result in the identification of deficiencies in the prospectus, in which case any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Law.

Your details

- Applicants must be one or more individuals or a company.
- Joint applicants will be deemed to be holding their GroveLots and Options 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 GroveLots and payment details

- You must apply for a minimum of 3 GroveLots. Thereafter, you may apply for any number of GroveLots.
- Complete the payment details in this section. Your Application Moneys per GroveLot payable on application is \$6,600 (including \$600 GST) made up of initial management fees of \$6,160 (including \$560 GST) and licence fees of \$440 (including \$40 GST).
- If you fill in the item "LESS amount subject to finance", your application will only be accepted on receipt of the whole of the Application Moneys in relation to your GroveLots. We do not warrant or undertake that such finance will be provided or procured.
- Please pay by cheque or bank draft made payable to "Timbercorp – 2001 Olive Project" and cross the cheque or bank draft "Not Negotiable".

Signature and declarations

Each application must be signed by the applicant personally. Joint applicants must each sign the Application Form. An application by a company does not require a company seal but must be signed in accordance with its constitution. The form should also be dated.

To be completed by the Advisor

| | |
|-----------------------|----------------|
| Dealer's Stamp | Dealer's Name |
| | Advisor's Name |
| | Telephone |
| | Facsimile |
| | Email |

Your Details

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| | |
|---|------------------|
| Number of GroveLots and Options applied for (minimum of 3) | GroveLots |
| Amount payable (@ \$6,600 per GroveLot which includes \$600 GST) | \$ |
| Less amount subject to finance | \$ |
| Balance enclosed with this application | \$ |

Person to whom Options are to be issued (you or your Associate):

| | | | | | | | | |
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Power of Attorney

- enter into and execute on my/our behalf a Licence and Joint Venture Agreement and GroveLot Management Agreement in respect of the GroveLots for which I/we have applied and which Timbercorp Securities Limited accepts pursuant to the Constitution ("the Project Agreements");
- vary, replace or cancel the Project Agreements and execute, vary, replace or cancel any other documents which are referred to in, or which are ancillary or related to, the Project Agreements;
- appoint one or more substitute attorneys to exercise the powers granted to the Attorney and to revoke any appointment of any substitute attorney or attorneys made under this document;

Date of Signing/...../.....

If Applicant is a company

Executed in accordance with its constitution by:

Director

Director/Secretary

Return this form to Timbercorp Securities Limited – Level 5, 95 Queen Street, Melbourne, Victoria 3000

ns

front of this application form you make the following

have read the prospectus dated 3 October 2000 to which this
on form relates.

acknowledge that Timbercorp Securities Limited has the right
t or reject your application.

agree to be bound by the Constitution. By signing the
on and Power of Attorney Form you irrevocably appoint
nt Trustee Company Limited and Timbercorp Securities Limited,
, as your agent and attorney to enter into the Licence and Joint
Agreement and the Grovelot Management Agreement.

understand that by becoming a party to the Constitution and the
Management Agreement you irrevocably appoint Timbercorp
s Limited as your attorney to enter into any agreement:

rocess the Olives into olive oil; and

he sale of olive oil.

Terms and Conditions of Power of Attorney

By granting the power of attorney to Permanent Trustee Company Limited and Timbercorp Securities Limited, severally, you do so on the following terms and conditions:

- 1 you will ratify and confirm whatever the Attorney does in the exercise of the power granted by you;
- 2 you will indemnify and keep indemnified the Attorney against all claims, demands, costs, damages, losses and expenses, however arising, consequent upon the exercise of the power granted by you except in the event of gross neglect, fraud or wilful default by the Attorney;
- 3 the Attorney may, and where required will, stamp and register this instrument at the cost of the Applicant;
- 4 any person or corporation dealing with the Attorney or any of them in good faith may accept a written statement signed by the Attorney to the effect that this Power of Attorney has not been revoked as conclusive evidence of that fact;
- 5 this Power of Attorney is irrevocable until the expiration of the Project under the Constitution;
- 6 the authorisation in writing of any variations, replacements or cancellations referred to above may be by facsimile or any other form of written confirmation;
- 7 this Power of Attorney will be governed by and construed in accordance with the laws of Victoria; and
- 8 words and expressions used in this Power of Attorney have the same meaning as in the Constitution unless the context requires otherwise.

Electronic Prospectus

This application relates to the issue of GroveLots and Options in the 2001 Timbercorp Olive Project which are offered under the prospectus dated 3 October 2000 and expiring on 2 November 2001. The Prospectus contains information about applying for GroveLots and Options. A person who gives another person access to this application form must, at the same time and by the same means, give the other person access to the Prospectus and any supplementary prospectus. While the Prospectus is current, Timbercorp Securities Limited and Land And Water Holdings Limited will send, to any person who so requests, a copy of the Prospectus and the application form, without charge.

Glossary

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

Agrolive

means Agrolive Pty Ltd (ACN 070 338 724) of 649 Portrush Road, Glen Osmond, South Australia, 5064.

Application Moneys

means the amount of \$6,600 per GroveLot payable by a Grower.

ASIC

means the Australian Securities and Investments Commission.

Associate

means a person who is associated with a Grower by virtue of section 318 of the Income Tax Assessment Act 1936 (Cth) (as amended).

Authorised Investments

has the meaning given to that term in the Constitution.

Constitution

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

Costa d'Oro

means Costa d'Oro S.r.l. of Loc. Madonna di Lugo 06049 Spoleto PG, Italy.

CPI

means the consumer price index (all groups), weighted average of eight capital cities as published from time to time by the Australian Bureau of Statistics.

Grove

means the olive grove being established on the Land and includes the Olive Trees, Water Rights and all associated capital works and infrastructure.

GroveLot

means a discrete area of the Grove of 0.25 plantable hectares that is licensed to a Grower under the Licence and Joint Venture Agreement. The expression "GroveLots" means all of the GroveLots to which a Grower is entitled.

Grovelot Management Agreement

means the agreement between us and each several Grower (including the Land Owner) by which the Grower engages us to cultivate and manage the Grower's GroveLots.

Grower or You

means a person (or in the case of joint applicants, those persons) who becomes a party to the Licence and Joint Venture Agreement and the Grovelot Management Agreement as a Grower as a result of either the allotment of GroveLots in the Project or a transmission, transfer, mortgage, assignment or other disposal of GroveLots.

GST

means GST as defined in the GST Law.

GST Law

means A New Tax System (Goods and Services Tax) Act 1999 (as amended).

Indexed

means adjusted by CPI increments, in relation to the most recently published 4 quarters adopting 30 June 2001 as the base year, unless another year is stipulated as the base year.

Land

means the land on which the Grove is established and the Project is conducted.

Land Owner

means Olivecorp Land Pty Ltd (ACN 090 141 512), being the registered proprietor of the Land and owner of the Grove.

Lease

means the lease of the Land between the Land Owner as lessor and us as lessee.

Licence and Joint Venture Agreement

means the agreement between the Land Owner, us and each several Grower by which the Land Owner grants to the Grower a licence in respect of the GroveLots and enters into a joint venture with the Grower to cultivate and manage the Olive Trees on those GroveLots.

LWH Limited

means Land And Water Holdings Limited (ACN 092 824 792).

Management Agreement

means the agreement between us and the Project Manager by which we appoint the Project Manager to manage the Grove, procure the processing of the olives into olive oil and market and sell the olive oil.

Marlborough Olive Nursery

means the Marlborough Olive Nursery of 20 Old Melbourne Road, Lara, Victoria, 3212.

Olivecorp Management

means Olivecorp Management Limited (ACN 089 542 343).

Olive Trees

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

Options

means options issued to a Grower or an Associate to subscribe for fully paid ordinary shares in the capital of LWH Limited.

Option Holder

means a person to whom Options have been issued.

Proceeds

means proceeds from the sale of olive oil or olives; any moneys payable to a Grower under any policy of insurance in relation to the Grower's Grovelots, the olives, the olive oil 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 **Gross Proceeds** means Proceeds less the cost and expenses of processing the olives into olive oil. The expression **Net Proceeds** means Proceeds to which a Grower is entitled under the Constitution, that is, after deducting all annual licence and management fees incurred by a Grower.

Project

means the 2001 Timbercorp Olive Project.

Project Agreements

means the Licence and Joint Venture Agreement, Grovelot Management Agreement, Custody Agreement, Lease and Sub-Lease.

Project Manager

means Olivecorp Management Limited (ACN 089 542 343).

Responsible Entity

means us as Responsible Entity under the Project.

Sub-Lease

means the sub-lease of the Land between us as lessor and the Land Owner as lessee.

Timbercorp or Timbercorp Limited

means Timbercorp Limited (ACN 055 185 067).

water

means water used in and allocated to the Project.

Water Rights

means permanent rights to draw water annually from the Pyramid Boort irrigation system administered by the Goulburn Murray Water Authority.

Melbourne Office

Level 5
95 Queen Street
Melbourne, Victoria 3000
Telephone 03 9670 4060
Facsimile 03 9670 4271
Email melb@timbercorp.com.au

Perth Office

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

Sydney Office

Level 10
17 Bridge Street
Sydney, NSW 2000
Telephone 02 9241 3633
Facsimile 02 9241 3866
Email syd@timbercorp.com.au

Brisbane Office

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

Adelaide Office

17 Bagot Street
North Adelaide
South Australia 5006
Telephone 08 8361 7841
Facsimile 08 8361 8373
Email adelaide@timbercorp.com.au

Launceston Office

62 Paterson Street
Launceston
Tasmania 7250
Telephone 03 6323 1222
Facsimile 03 6331 5606
Email davidgibson@patfin.com.au

www.timbercorp.com.au



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