



## **AACL Response to Timbercorp Ltd Voluntary Administration**

As you are probably aware, last week Timbercorp Ltd announced that voluntary administrators had been appointed. Timbercorp was operating various projects as Managed Investment Schemes (MIS), which the AACL Grain Co-Production Projects are; however there are considerable differences in the way in which the AACL Grain Co-Production Projects (Project) operates.

We feel it is important for you to understand how vastly different the AACL Project is compared to most other MIS products. It is important to note that AACL and Macro Funds Ltd have considerable strength and stability in our operating practices. The key strengths and benefits of the Project are highlighted below.

### **Short term investment timeframe**

Our Project is different to almost every other agribusiness investment opportunity in that it aims to provide investors with three annual revenues from crop sales (commencing year 1), whilst the investment period is for three seasons only.

### **Bi-annual cash-flow for the Project Manager**

AACL receives cash-flow from management fees at planting and harvesting each year. The short term nature of growing grain means that the cash-flow of the Projects are high and the Project Manager is not operating for long periods of time (often years with most MIS Projects) without income.

### **No capital expenditure or tied up capital**

Experienced farmers are sourced to provide the land, equipment, inputs and expertise to produce the crops in the Project and so there is no tie up of capital for either the investors or the Project Manager in capital items such as land, equipment etc. Also, Australia has an established grain handling, storage and transportation system which requires no tie up of capital from the investor or the Project Manager other than the normal operating expenses to utilise the facilities as outlined in the PDS.

### **Mature domestic and international markets for the sale of the Grain**

Mature and established domestic and international markets exist within the grain industry in order to sell wheat, barley and canola, giving investors a degree of certainty in regards to the processes surrounding the sale and payment for their Grain.

### **No market distortions by increasing the supply of grain**

The Australian Grain-belt is restricted to rainfall zones and as such, the majority of available land to produce grain is currently being utilised. The Project will only grow wheat, barley and canola on established properties with established farmers and is not expected to grow any more grain than is already currently grown by farmers.

### **No “tax advantage” over traditional farmers**

Investors receive exactly the same tax deduction for the costs of planting as the traditional farmer does. There is no “advantage” or prepayments and in fact, investors have less tax “advantages” under the Project than a traditional farmer because investors will not qualify for averaging concessions or farm management deposits unlike traditional farmers and are likely to pay a higher rate of tax on the annual grain sales than traditional farmers.

### **No reliance on water allocations or licenses**

The majority of wheat, barley and canola crops grown in Australia are grown on non-irrigated land. The majority of the Crops in the Project will be grown on non-irrigated land and as such will not have any reliance on water allocations or access to water entitlements.

### **Partnership with existing producers in a type of sharefarming structure**

Experienced professional farmers are sourced to provide the land, equipment, inputs and expertise to produce the crops in the Project. The farmers share in the upside returns of the crops with investors, thus all parties interests are aligned.

### **Low commissions to advisers**

Our commission payments to advisers are between 4 and 5% - industry best practice.

### **High utilisation of investors' capital in the Project**

In excess of 95% of the funds utilised in the Project are utilised for actual Project expenses to grow, harvest, deliver, store and sell the crops - industry best practice.

This is a brief overview of the strengths of the AACL Project. For more detailed information please consult the 2009 Grain Co-Production Product Disclosure Statement.

Yours sincerely

A handwritten signature in black ink, appearing to read 'AMCBAIN', with a long horizontal flourish extending to the right.

**ANDREW MCBAIN**

**Managing Director**