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17<sup>th</sup> November 2014

The Manager  
Company Announcements Office  
NSX  
Level 2, 117 Scott Street  
Newcastle NSW 2300

Dear Sir/Madam,

**Hamilton Securities Limited (NSX: HSE)**  
**RE: Timbercorp Orchard Trust Debenture Update- Distribution**

Please find attached a copy of a letter received from The Trust Company (Nominees) Limited as Trustee for the Debenture Holders.

The letter provides the effect of its final distribution to debenture holders and an update to debenture holders with regard to debenture holders' security.

We today have received a cheque for the amount of \$2,731,421.54.

Yours faithfully



Steven Pritchard  
Director

November 2014

Dear Debenture Holder

### **Timbercorp Orchard Trust Debentures**

The Trust Company (Nominees) Limited (**Trustee**) is the trustee for the holders of debentures (**Debenture Holders**) issued by Align Funds Management Limited in its capacity as the responsibility entity of the Timbercorp Orchard Trust (Receivers and Managers Appointed) (**Align**) pursuant to the Timbercorp Orchard Trust Debenture Trust Deed dated 17 October 2003 (**Trust Deed**).

### **Background**

As you are aware, the two conditions precedent to the deeds of compromise executed in respect of the Kangara and Bella Vista Rights Proceedings were satisfied by:

- the passing of the special resolutions at the meeting of debenture holders held on 28 February 2014; and
- the Court's approval of the compromises in accordance with rule 16.01(4) of the Supreme Court Rules on 19 May 2014.

As foreshadowed, the Receiver has now made the following payments out of the Funds:

- first, to the solicitors of the Trustee and the representative growers for their legal costs incurred in the proceedings, in accordance with the Court's orders;
- secondly, to the Receiver for his unpaid remuneration and expenses (the quantum of which was approved by the Trustee);
- thirdly, to TSL, the settlement sums payable to the growers under the deeds of compromise; and
- fourthly, to the Trustee, the balance of the Funds (following the resolution of the outstanding taxation issues reported to debenture holders in the Trustee's updates of 14 August 2014 and 1 October 2014, and the payment of the Receiver's remaining unpaid remuneration and expenses).

Following receipt of the balance of the Funds and in accordance with clause 10(a) of the Trust Deed, the Trustee has deducted its own costs, charges, expenses and remuneration.

The enclosed schedule includes details of all of the above payments and deductions.



## **Distribution**

The Trustee is now in a position to effect its final distribution to debenture holders in accordance with clause 10(b) of the Trust Deed. The distribution totals **\$22,824,979**. This amount will be distributed pari passu and rateably in respect of all Outstanding Debentures.

This distribution represents a return of approximately **\$40.20** per Outstanding Debenture (being a return of approximately **40 cents** in the dollar). You will note that this amount is higher than the estimated return of \$37.92 per Outstanding Debenture (being a return of approximately 38 cents in the dollar) previously communicated to debenture holders on 6 February 2014.

The Trustee encloses for your attention:

- a final distribution payment remittance (attaching a non-negotiable cheque); and
- a schedule setting out the calculation of the return to debenture holders, including details of deductions made from the proceeds of the realisation of the Scheme Assets prior to this final distribution.

**Please note that debenture holders should obtain advice from their own tax or financial advisor regarding the tax treatment of the distribution, based on their personal circumstances**

## **Termination of the Trust**

Once this final distribution has been made, all Scheme Assets will have been distributed. It is expected that the Receiver will retire shortly after 30 June 2015.

Following the retirement of the Receiver:

- the Debentures will be cancelled in accordance with clause 5.7 of Schedule 2 of the Trust Deed; and
- the Trust constituted by the Trust Deed will terminate.

Yours sincerely



**Rupert Smoker**  
Head of Responsible Entity Services  
The Trust Company (Nominees) Limited

**Final distribution  
Summary of deductions from the Funds**

	Kangara Rights Proceedings (\$)	Bella Vista Rights Proceeding (\$)	Timbercorp Orchard Trust (\$) <sup>1</sup>	Total (\$) (cumulative)
Net proceeds of sale of Kangara Assets and Bella Vista Assets	18,129,304 <sup>2</sup>	5,301,884 <sup>3</sup>		23,431,188
Pre-appointment cash at bank			1,560	
Interest accrued to 22 October	2,833,325	876,566		27,142,639
Less payments of legal costs pursuant to Pre-emptive Costs Order <sup>4</sup>	(554,376)	(424,266)		26,163,997
<b>Deductions made by the Receiver under the deeds of compromise</b>				
Less payment of the Receiver's Unpaid Costs <sup>5</sup>	(681,485)	(234,470)	(234,696)	25,013,346
Less sum paid to Growers <sup>6</sup>	(1,043,321)	(385,000)		23,585,025
<b>Balance paid to the Trustee</b>				<b>23,585,025</b>
<b>Deductions made by the Trustee prior to distribution to Debenture Holders</b>				
Less the Trustee's remuneration <sup>7</sup>			(348,755)	23,236,270
Less legal expenses incurred by the Trustee <sup>8</sup>	(152,727)	(150,355)		22,933,188
Less non-legal expenses incurred by the Trustee <sup>9</sup>			(54,575)	22,878,613
Less estimate of future remuneration and expenses to end of receivership and termination the Trust <sup>10</sup>			(53,634)	22,824,979
Total amount available for distribution <sup>11</sup>				22,824,979
Return per Outstanding Debenture <sup>12</sup>			\$	40.20
c/\$ return			\$	0.40

## Final distribution Summary of deductions from the Funds

### Notes

1. These are amounts incurred by the Receiver and the Trustee in relation to the trust constituted by the Timbercorp Orchard Trust Debenture Trust Deed (**Trust Deed**) and are not specifically referable to either the Kangara Rights Proceeding or the Bella Vista Rights Proceeding.
2. This amount comprises the relevant gross sale proceeds of the Kangara Assets (being \$20.86 million), less amounts approved for deduction by order of the Court dated 15 March 2011 in proceeding No. 888 of 2011 (including the Receivers' selling costs and expenses, the costs and expenses of the Receivers referable to the preservation and realisation of the Kangara Assets and the costs and expenses of the liquidators of TSL).
3. This amount comprises the relevant gross sale proceeds of the Bella Vista Assets (being \$7.7 million), less amounts approved for deduction by order of the Court dated 7 Feb 2011 in proceeding No. 7029 of 2010 (including the Receivers' selling costs and expenses, the costs and expenses of the Receivers referable to the preservation and realisation of the Bella Vista Assets and the costs and expenses of the liquidators of TSL).
4. Pursuant to the orders of the Court made on 19 July 2013 in each proceeding, the Trustee's and representative growers' legal costs and disbursements incurred in the proceedings on an indemnity basis were payable out of the Funds (**Pre-emptive Costs Order**). The parties' legal costs and disbursements were assessed by an independent costs consultant agreed by the parties, who prepared a 'bill of costs' for the relevant period. The bills of costs were subsequently submitted to the Receiver for payment in accordance with the court order.
5. In accordance with clause 4(a) of the deeds of compromise, the Receiver's unpaid remuneration and expenses were paid out of the Funds. The amounts were approved by the Trustee for deduction from the Funds. A breakdown of the Receiver's remuneration and expenses is provided in the table below (based on information provided to the Trustee by the Receiver).

Item	Description	Amount
Remuneration from appointment (22 October 2009) to 30 June 2013	Relates to general receivership tasks undertaken over the 3 years and 7 months from the commencement of the receivership including: communications with the Trustee in relation to its strategy in respect of the Proceedings and preparing correspondence to the debenture holders regarding the same; preparing audited reports for Align Funds for each half and full financial year since the half year ended 31 December 2009 until the full year ended June 2013; responding to queries from stakeholders of the TOT; applying for ASIC relief from reporting obligations; completing general statutory reporting and administrative duties which are required in a receivership.	\$590,835
Expenses from appointment (22 October 2009) to 30 June 2013	Includes management costs incurred on behalf of Align in respect of maintenance of Computershare debenture holder register, travel costs, advertising expenses and postage	\$90,913
Remuneration from 1 July 2013 - 19 May 2014	Includes managing debenture holder queries, correspondence and tasks relating to Proceedings, ASIC and ATO liaison, approval of off-market transfers via Computershare, completing general statutory reporting and administrative duties, liaising with Align.	\$46,853
Expenses from 1 July 2013 to 19 May 2014	Includes management costs incurred on behalf of Align in respect of maintenance of Computershare debenture holder register.	\$24,373
Remuneration from 20 May 2014 to 21 October 2014	Includes managing debenture holder queries, correspondence and tasks relating to Proceedings, ASIC and ATO liaison, approval of off-market transfers via Computershare, completing general statutory reporting and administrative duties, liaising with Align, income taxation review, liaising with stakeholders regarding final distribution matters	\$65,468
Expenses from 20 May 2014 to 21 October 2014	Includes management costs incurred on behalf of Align in respect of maintenance of Computershare debenture holder register.	\$8,102
Legal expenses	Legal expenses incurred as a result of role as stakeholder in Kangara and Bella Vista Rights Proceedings, and assistance with finalisation matters	\$55,516
Taxation consultant fees	Taxation consultant expenses incurred as a result of detailed income taxation review.	\$123,319
Grant Thornton expenses	Includes preparation of audits and other statutory requirements on behalf of Align.	\$124,000
	<b>Sub-total</b>	<b>\$1,129,379</b>
	<b>GST*</b>	<b>\$21,272</b>
	<b>Total</b>	<b>\$1,150,651</b>

\*All GST paid prior to 20 May 2014 has already been claimed via the ATO. The only remaining GST to be paid and claimed is in respect of remuneration and expenses post 20 May 2014.

6. Payments made by the Receiver to TSL on behalf of the growers on 30 June 2014 in accordance with clause 4(b) of the deeds of compromise executed in respect of the Kangara and Bella Vista Rights Proceedings.

7. The Trustee is entitled to an annual fee of \$20,000 for its services (CPI adjusted) as well as time based fees and other expenses reasonably and properly incurred in relation to post-enforcement activities in accordance with clauses 16(a) and 16(b) of the Trust Deed. A breakdown of the Trustee's remuneration and expenses is set out in the table below. Clause 10 of the Trust Deed provides that the Trustee may deduct these amounts prior to any distribution to debenture holders.

**Final distribution  
Summary of deductions from the Funds**

Item	Description	Amount (incl GST)
Remuneration from 1 July 2009 to 22 October 2014	Remuneration for the Trustee's services - being an annual fee of \$20,000 (CPI Adjusted) payable in accordance with clause 16(a) of the Trust Deed.	\$175,013
Additional time based fees from 1 July 2009 to 22 October 2014	Includes communications with debenture holders and various stakeholders of the TOT, appointing receivers, dealing with and providing guidance on asset sales process, working through recapitalisation proposal, reviewing legal documentation and providing approvals, convening and attending meeting of debenture holders, executing the deeds of compromise, effecting the final distribution and general statutory and administrative duties.	\$173,742
<b>Total</b>		<b>\$348,755</b>

8. Includes legal expenses incurred in the Proceedings which are not covered by the Pre-emptive Costs Order and legal expenses incurred in relation to providing general advice to the Trustee, including in relation to obtaining Debenture Holder approval of the Compromises and the final distribution to debenture holders.

9. Includes Computershare's costs associated with the debenture holder meeting to vote on the special resolutions, travel expenses associated with the debenture holder meeting, statutory lodgement fees and document management expenses.

10. The Trustee has deducted its estimated future remuneration, costs and expenses until the retirement of the receiver shortly after 30 June 2015 (at which time the trusts constituted by the Trust Deed will terminate). A breakdown of the amounts deducted are set out in the below table. The Receiver has informed the Trustee that his estimated expenses and remuneration until the end of the receivership are \$21,332. The Trustee has approved the Receiver retaining the anticipated GST refund of \$21,272 (see the GST payable in the table in note 5 above) in payment of his estimated future expenses and remuneration. The Receiver has confirmed that the Trustee would not be liable to pay any further amounts to the Receiver in the event that his future costs and remuneration exceed the estimated amount.

Item	Description	Amount (incl GST)
<i>Estimated</i> trustee remuneration from 22 October 2014 to the end of the receivership (shortly after 30 June 2015)	Remuneration for the Trustee's services - being an annual fee of \$20,000 (CPI Adjusted) payable in accordance with clause 16(a) of the Trust Deed.	\$21,002
<i>Estimated</i> future expenses from 22 October 2014 to the end of the receivership (shortly after 30 June 2015)	Computershare's costs associated with the final distribution and legal expenses associated with the final distribution and termination of the trust	\$32,632
<b>Total</b>		<b>\$53,634</b>

11. Debenture Holders should obtain their own advice regarding any tax consequences of the payment they will receive.

12. Total available for distribution divided by 567,737 Outstanding Debentures (as defined in the Trust Deed).

