

Timbercorp Primary Infrastructure Fund

ARSN 116 024 830

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

The Timbercorp Primary Infrastructure Fund, formerly called Timbercorp Agribusiness Trust was established in September 2005 and was admitted to the Australian Stock Exchange Limited (ASX code TPF) on 14 December 2006.

Its purpose is to acquire and develop agricultural properties, including associated infrastructure and water rights, for use in agribusiness projects.

The investment strategy of the Fund is to provide an attractive yield and capital growth to investors, underpinned by long term leases to Timbercorp Limited, an S&P/ASX 200 Company and one of Australia's leading agribusiness and investment managers.

Property selection is limited to agricultural properties which have proven horticultural operations, permanent water rights, are located close to their water source and where best practice land and horticultural management are in place.

Responsible Entity

Orchard Investments Management Limited

(AFSL No 234554 ABN 34 105 684 231)

Registered Office

Level 8, 461 Bourke Street
Melbourne VIC 3000

Directors

Trevor Moyle (Chairman)
Sam Baillieu
Sol Rabinowicz
Alan Fisher
Jeff Clifton

Company Secretary

Andrew Ashbolt

Registrar

Orchard Investments Management Limited
Level 8, 461 Bourke Street
Melbourne VIC 3000

Custodian

Trust Company of Australia Limited
(AFSL No 235148 ABN 59 004 027 749)
151 Rathdowne Street
Carlton VIC 3053

Auditor

Horwath Melbourne
ABN 43 774 280 973
Level 30, 525 Collins Street
Melbourne VIC 3000

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TIMBERCORP PRIMARY INFRASTRUCTURE FUND
(Formerly called Timbercorp Agribusiness Trust)
AND CONTROLLED ENTITIES
ARSN 116 024 830

APPENDIX 4D (Rule 4.2A.3)
HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

RESULTS FOR ANNOUNCEMENT TO THE MARKET
(All comparisons to half-year ended 31 December 2005)

	\$	up/down	movement
Revenue	12,145,258	up	315%
Profit after tax attributable to unit holders	5,461,844	up	222%
Net profit for the period attributable to unit holders	5,461,844	up	222%
Distribution Information	\$	cents per unit	
- interim distribution (to be paid)	2,693,800	4.9	
Record date			22 December 2006
Distribution calculation date			31 December 2006
Payment date			28 February 2007

	Consolidated 31 December 2006	Consolidated 31 December 2005
Net tangible assets backing per unit	\$1.12	\$1.02

Controlled Entities

Nil acquired or disposed during the half-year ended 31 December 2006

Additional Appendix 4D disclosure requirements can be found in the notes to the half-year financial report.
This report is based on the consolidated half-year financial report which has been subject to a review.

TIMBERCORP PRIMARY INFRASTRUCTURE FUND
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DIRECTORS' REPORT

The directors of Orchard Investments Management Limited, the responsible entity of the Timbercorp Primary Infrastructure Fund ('the Fund') present their report for the Fund and its controlled entities ('the Consolidated Entity' or 'the Group') for the half-year ended 31 December 2006.

Directors

The names of the directors in office at any time during or since the end of the half-year:

Trevor Moyle – Chairman

Sam Baillieu

Sol Rabinowicz

Alan Fisher (appointed 23 November 2006)

Jeff Clifton (appointed 1 January 2007)

Michael Emery (resigned 23 November 2006)

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

Operating Results

The profit of the Fund for the half-year amounted to \$5,461,844 (2005: \$1,693,871) which includes unrealised gains in the fair value of investment properties of \$3,458,416 (2005: \$1,357,962).

Distributions paid or recommended

The directors have declared an interim distribution of 4.90 cents per unit (total \$2,693,800) which will be paid on 28 February 2007 to all unit holders on the register as at 31 December 2006.

	Half-year 31 December 2006	Half-year 31 December 2005
Operating profit	\$2,003,428	\$335,909
Unrealised gains in value of properties	\$3,458,416	\$1,357,962
Accounting profit	\$5,461,844	\$1,693,871
Interim distribution	\$2,693,800 (4.90 cents/unit)	\$292,585 (1.59 cents/unit)

Review of Operations

The Fund was launched on 30 September 2005, with a total of 18,401,600 units issued at \$1.00 each. On 26 May 2006 a second raising of 36,573,920 units in the Fund was made, at an acquisition price of \$1.08 each, and the Yungera property was added to the initial property portfolio of Solora South and Liparoo.

During the current half-year to 31 December 2006 the decision was made to list the Fund on the Australian Stock Exchange. An Information Memorandum was released on 1 December 2006 to support a compliance listing and on 14 December 2006 the Fund was officially listed on the Australian Stock Exchange Limited and commenced trading under the ASX code "TPF".

All three properties owned by the Fund are leased to Timbercorp Limited under long term leases. During the current half-year each of the properties has continued to be developed in accordance with fixed price contracts between the Fund and its property manager, Timbercorp Asset Management Pty Ltd. A total of \$15.012 million has been spent during the current half-year and lease rentals for each property have increased accordingly. The majority of this expenditure was for the acquisition of permanent water rights at the Yungera property by Timbercorp Asset Management Pty Ltd at a fixed price per megalitre on behalf of the Fund.

The planned acquisition of additional permanent water rights for the Yungera property, to irrigate the orchards once they reach maturity, has been accelerated by the property manager and it is now anticipated that the balance of permanent water rights under that fixed price contract will have been acquired by 30 June 2007.

During the current half-year the property manager commenced planting a new 150 hectare citrus orchard on the Solora South property. This development will be completed during the second half of this financial year.

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DIRECTORS' REPORT (continued)

Due to the current drought conditions the permanent water entitlements of each of the Fund's properties has temporarily been reduced by their respective water authority. In the event of continuing drought conditions it is not expected that the value of the Trust's properties will be materially affected as Timbercorp Limited is responsible, under contractual arrangements with its investors, to acquire any temporary water requirements above the predetermined and agreed volumes of permanent water licences which are leased by the Trust to Timbercorp Limited.

The directors have reviewed the fair value of the Fund's investment properties as at 31 December 2006, following consultation with independent valuers, and have determined to increase the carrying value of the Liparoo property by \$689,966 and the Yungera property by \$2,768,450.

The net tangible asset backing per unit in the Fund as at 31 December 2006 is \$1.12.

Likely Developments

On 6 February 2007 the Assistant Treasurer and Minister for Revenue, Peter Dutton, announced significant changes to the taxation arrangements for non-forestry managed investment schemes, effective 1 July 2007. This announcement and the proposed changes do not apply to existing managed investment schemes which have Australian Taxation Office product rulings, which is the case for all Timbercorp projects conducted on the Fund's properties and all Timbercorp projects that have or will be issued prior to 30 June 2007.

The Federal Government has been asked by the industry body representing non-forestry managed investment schemes to review Minister Dutton's announcement and consider a transition period for the phasing out of such schemes in the future. The Federal Government has indicated that cabinet will reconsider the decision however, at the date of this report, there has been no change indicated.

The above decision is unlikely to have an impact on the operation of the Fund in relation to its current properties.

Timbercorp Limited Group has a number of existing properties that it is considering offering to the Fund on a sale and lease back basis in the future, on which it operates existing managed investment schemes that carry ATO product rulings. The above decision is also unlikely to affect these schemes, and therefore the potential sale of these properties to the Fund.

The directors of the responsible entity are not aware of any other likely developments that are outside the normal operation of the Fund.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is enclosed.

Signed in accordance with a resolution of the Board of Directors:



Chairman
Trevor Moyle

Dated 23 February 2007

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INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Notes	Consolidated 31 December 2006 \$	Consolidated 31 December 2005 \$
Property income			
- rental revenue		8,291,997	1,492,776
- recovery of outgoings		73,339	8,944
- property expenses		<u>(644,304)</u>	<u>(118,932)</u>
Net property income		7,721,032	1,382,788
Interest income – other persons		321,506	66,800
Changes in fair value of investment properties		3,458,416	1,357,962
Responsible entity’s fee		(461,266)	(84,607)
Other expenses		(515,660)	(30,533)
Finance costs		<u>(5,062,184)</u>	<u>(998,539)</u>
Profit for the half-year		<u>5,461,844</u>	<u>1,693,871</u>
		Cents	Cents
Earnings per unit for profit attributable to the unit holders of the Fund			
Basic earnings per unit		9.94	9.21
Diluted earnings per unit		9.94	9.21

The accompanying notes form part of these financial statements.

TIMBERCORP PRIMARY INFRASTRUCTURE FUND
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BALANCE SHEET
AS AT 31 DECEMBER 2006

	Notes	Consolidated Entity 31 December 2006 \$	Consolidated Entity 30 June 2006 \$
ASSETS			
Current assets			
Cash and cash equivalents		8,303,932	17,702,933
Receivables		<u>36,814</u>	<u>56,693</u>
Total current assets		<u>8,340,746</u>	<u>17,759,626</u>
Non-current assets			
Investment Property		<u>184,710,000</u>	<u>166,240,000</u>
Total non-current assets		<u>184,710,000</u>	<u>166,240,000</u>
Total assets		<u>193,050,746</u>	<u>183,999,626</u>
LIABILITIES			
Current Liabilities			
Payables		7,186,860	6,410,055
Provisions		<u>2,693,800</u>	<u>1,272,227</u>
Total current liabilities		<u>9,880,660</u>	<u>7,682,282</u>
Non-current liabilities			
Interest-bearing liabilities		<u>121,650,634</u>	<u>117,531,494</u>
Total non-current liabilities		<u>121,650,634</u>	<u>117,531,494</u>
Total liabilities		<u>131,531,294</u>	<u>125,213,776</u>
Net assets		<u>61,519,452</u>	<u>58,785,850</u>
EQUITY			
Settlement capital		56,410,898	56,445,340
Retained profits		<u>5,108,554</u>	<u>2,340,510</u>
Total equity		<u>61,519,452</u>	<u>58,785,850</u>

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Notes	Consolidated Entity 31 December 2006 \$	Consolidated Entity 31 December 2005 \$
Total equity at the beginning of the half-year		58,785,850	-
Changes in fair value of derivative financial instruments		-	(495,236)
Profit for the half-year		5,461,844	1,693,871
Transactions with unit holders in their capacity as unit holders:			
- Contributions of equity, net of transaction costs		(34,442)	17,884,434
- Distributions provided for or paid	2	<u>(2,693,800)</u>	<u>(292,585)</u>
Total equity at the end of the half-year		<u>61,519,452</u>	<u>18,790,484</u>

The accompanying notes form part of these financial statements.

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CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Notes	Consolidated Entity 31 December 2006 \$	Consolidated Entity 31 December 2005 \$
Cash flow from operations			
Receipts from customers		8,784,740	3,124,095
Payments to suppliers and employees		(915,695)	(1,834)
Interest received		284,692	47,167
Finance costs paid		(4,564,030)	(722,572)
Net cash provided by operating activities		<u>3,589,707</u>	<u>2,446,856</u>
Cash flow from investing activities			
Payment for investment properties		(15,011,584)	(61,642,038)
Net cash used in investing activities		<u>(15,011,584)</u>	<u>(61,642,038)</u>
Cash flow from financing activities			
Proceeds from units issued		-	18,401,600
Units issue transaction costs		(28,604)	(517,166)
Proceeds from bonds issued		-	10,100,000
Bonds issue transaction costs		-	(203,060)
Proceeds from bank loans		4,000,000	36,998,000
Bank loan transaction costs		(676,293)	(569,378)
Distributions paid		(1,272,227)	-
Net cash provided by financing activities		<u>2,022,876</u>	<u>64,209,996</u>
Net (decrease) increase in cash and cash equivalents held		(9,399,001)	5,014,814
Cash and cash equivalents at the beginning of the half-year		<u>17,702,933</u>	<u>-</u>
Cash and cash equivalents at end of the half-year		<u><u>8,303,932</u></u>	<u><u>5,014,814</u></u>

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this financial report is to be read in conjunction with the annual financial report for the year ended 30 June 2006.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

	Consolidated Entity	Consolidated Entity
	31 December 2006	31 December 2005
NOTE 2: DISTRIBUTION TO UNIT HOLDERS		
Distributions declared or paid		
- interim distribution	\$2,693,800	\$292,585
- cents per unit	4.90	1.59
	31 December 2006	30 June 2006
NOTE 3: SETTLEMENT CAPITAL	\$	\$
Settlement capital consists of:		
54,975,520 fully paid ordinary units	57,901,600	57,901,600
Issue costs incurred	(1,490,702)	(1,456,260)
	<u>56,410,898</u>	<u>56,445,340</u>

Each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units in the Fund.

Units will not be redeemable, unless the responsible entity makes a redemption facility available or a withdrawal offer in the future, in accordance with the constitution.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 4: CONTROLLED ENTITIES

Subsidiary: Timbercorp Orchard Trust #2
Percentage owned: 100%

Subsidiary: Timbercorp Orchard Trust #3
Percentage owned: 100%

Subsidiary: Timbercorp Orchard Trust #5
Percentage owned: 100%

NOTE 5: SEGMENT REPORTING

The Fund operates solely in the business of investment property management within Australia.

NOTE 6: CONTINGENT LIABILITIES

The consolidated entity has no contingent liabilities at the date of signing this report.

NOTE 7: EVENTS OCCURRING AFTER BALANCE DATE

No events have occurred after reporting date requiring disclosure.

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DIRECTORS' DECLARATION

The directors of the responsible entity declare that:

- (a) the financial statements and notes for the half-year ended 31 December 2006 are in accordance with the Corporations Act 2001 including:
 - (i) section 304 (compliance with accounting standards); and
 - (ii) section 305 (true and fair view); and
- (b) in the directors' opinion there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- (c) the directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Chairman
Trevor Moyle

Dated 23 February 2007



23rd February 2007

The Board of Directors
Timbercorp Primary Infrastructure Fund
C/O Level 8
461 Bourke St
MELBOURNE VIC, 3000

Horwath Melbourne
ABN 43 774 280 973
Chartered Accountants
The Rialto, 525 Collins Street Melbourne 3000
GPO Box 4736 Melbourne 3001
Victoria Australia
Tel 03 8320 2222
Fax 03 8320 2200
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AUDITOR'S INDEPENDENCE DECLARATION

This declaration is made in connection with my review of the financial report of Timbercorp Primary Infrastructure Fund for the half-year ended 31st December 2006 and in accordance with the provisions of the Corporations Act 2001.

As lead auditor I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to this review;
- No contraventions of any applicable code of professional conduct in relation to this review.

Yours sincerely,

HORWATH MELBOURNE

A handwritten signature in blue ink, appearing to read "Paul Carr".

Paul Carr
Partner

HORWATH MELBOURNE*Chartered Accountants*

A member of Horwath International

Level 30, 525 Collins St, Melbourne, 3000

GPO Box 4736, Melbourne, 3001

Independent auditors' review report to unitholders of Timbercorp Primary Infrastructure Fund

We have reviewed the accompanying half-year financial report of Timbercorp Primary Infrastructure Fund, which comprises the balance sheet at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the responsible entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements (ASRE) 2410 *Review of an Interim Financial Report Performed by the Auditor of an Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not fairly presented, in all material respects, in accordance with the Corporations Act 2001, AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Timbercorp Primary Infrastructure Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Timbercorp Primary Infrastructure Fund is not in accordance with the Corporations Act 2001 including:

- a) Giving a true and fair view of the fund's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Dated the 23rd day of February of 2007.

HORWATH MELBOURNE

HORWATH MELBOURNE
Chartered Accountants



Paul Carr
Partner