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GUNNS PLANTATIONS LIMITED
ABN 36 091 232 209
AFSL NO. 238701
(Receivers & Managers Appointed) (In Liquidation)

A WHOLLY OWNED SUBSIDIARY OF GUNNS LIMITED
ABN 29 09 478 148
(Receivers & Managers Appointed) (In Liquidation)(Gunns)

Grower update – 15 April 2016

This update relates to Great Southern Plantations Scheme 1998 (the Scheme)

(Excludes the GPL Woodlot Schemes and all other Great Southern Plantation Schemes)

This communication updates you on:

1. Estimated Grower return
2. Distribution update
3. Details of Grower return
4. Source of funds
5. Application of funds
6. Timing of Grower payments
7. Grower loans
8. Next steps

In conjunction with this update please refer to the updates to Growers dated 29 February 2016 and 23 December 2015 available at:

- www.ppbadvisory.com/creditor-information
- <http://www.abl.com.au/gunns/gunns.htm>

We are writing to you to provide an update on the estimated returns expected for this Scheme. This update provides detail on the various proceeds and costs applicable to this Scheme.

1. Estimated Grower return

Table 1: Estimated returns

| GSP 1998 Scheme | \$ |
|--|---------------|
| Surplus funds after costs | 59,144 |
| No. of woodlots in Scheme | 10,204 |
| Estimated return per woodlot (\$) | 5.80 |

Note this return is calculated on the basis of the current estimate of funds available and the costs summarised herein. These assumptions may change over time and accordingly the final return to Growers may alter from the above estimate. We have assumed the ATO's treatment of GST will allow for an efficient payment and distribution process. Should the ATO require a different treatment of GST, this may also alter the estimated return.

Disclaimer

Growers are encouraged to read this update in its entirety before making any decisions concerning their investment. Growers should make their own independent evaluation of the relevance and adequacy of the information contained herein.

PPB Advisory has not considered the investment objectives, financial situation or particular needs of individual Growers or any other person. Accordingly, this update should not be relied upon as the sole basis for any decision in relation to your investment. Growers should obtain and rely on professional advice from their own tax, legal, accounting and other professional advisers in respect of the Growers' investment objectives, financial position or particular needs.

2. Distribution update

We wrote to Growers on 29 February 2016 outlining the main issues requiring resolution prior to any distribution occurring. Although the treatment of GST is yet to be finalised, based on progress to date we are satisfied that we remain on track for distributions to commence prior to 30 June 2016.

i) Taxation compliance

Growers will recall from the 29 February 2016 update that we have been seeking ATO determination on the taxation treatment of Scheme funds realised.

We have received the finalised ATO Income Tax class ruling (CR 2016/9) which is now available on the following websites:

- <http://law.ato.gov.au/pdf/pbr/cr2016-019.pdf>
- www.ppbadvisory.com/creditor-information

We are yet to receive formal guidance from the ATO in relation to the GST treatment. We maintain regular communication with PwC and the ATO and expect to provide an update to Growers shortly.

We will notify Growers with any material updates on this issue.

ii) Other Matters

We continue to progress resolution of the Other Matters as described in our update to Growers on 29 February 2016. These Other Matters now only include cost applications for Liquidation costs, including future costs to finalisation.

3. Details of Grower return

Table 2: Estimated return

| GSP 1998 Scheme | Section Reference | (\$) |
|--|-------------------|----------------|
| Source of Funds | 4 | |
| Sale Proceeds | | - |
| Post-app custodial account (incl.int) | | - |
| Pre-app custodial account | | 176,150 |
| Total distributable funds | | 176,150 |
| Application of Funds | 5 | |
| PPBA costs | | (36,847) |
| Legal costs | | (6,311) |
| Receivers Lien | | - |
| GPL Indemnity costs | | (1,327) |
| Maintenance and other costs | | (5,806) |
| Surplus before distribution | | 125,860 |
| Distribution costs | | (66,716) |
| Surplus funds after costs | | 59,144 |
| No. of woodlots in Scheme | | 10,204 |
| Estimated return per woodlot (\$) | | 5.80 |
| June 2014 grower update estimated return (URS) | | - |
| Change in return | | 5.80 |

Note, the estimated net return:

- is calculated on the basis of estimated costs, including costs which are yet to be approved by the Court and future costs. Those costs may vary. If the actual costs are more than the estimated costs, the net return to Growers will reduce. If the actual costs are less than the estimated costs, the net return to Growers will increase.
- assumes that no liabilities, other than Scheme Costs, are payable from the Sale Proceeds. If there are other liabilities payable, the net return to Growers may reduce.
- assumes that the guidance received from the ATO on the GST treatment will allow for an efficient GST payment process and simplified Grower return distribution process. In the event that GST needs to be individually remitted to Growers for remittance to the ATO, distribution costs are likely to rise and the net return to Growers may reduce.

Changes in estimated returns

The Scheme received funds in addition to those previously forecast. These additional Scheme proceeds arose from amounts held in Scheme custodian accounts.

Costs increased predominately due to the longer than anticipated time until distribution. The delay was due to the unanticipated extended time to resolve tax determinations.

We entered into detailed discussions with the ATO and PwC on the treatment of Scheme and RE income tax and GST positions in relation to distributions. The ATO took into account the complexities of the liquidation process and the difficulty of Growers to meet their tax obligations. In respect of income tax, the ATO has adopted an administrative approach which will allow for an efficient distribution and tax reporting process, therefore lowering overall costs required to distribute proceeds to Growers. We are hoping for a position on the GST treatment soon and will update Growers with any material developments.

4. Source of funds

The Scheme is a pooled scheme. Accordingly, proceeds received from the sale or harvest of Scheme Assets will benefit the pool of Growers in the Scheme. These proceeds are summarised above in Table 2 (**Distributable Funds**).

Growers that had an insurance claim resolved that impacts their entire holding will not be have a claim to the pool of General scheme funds outlined as per the Scheme documents. Separate communications have been sent to these Growers.

i) Pre-Appointment funds

Growers will recall from the Scheme PDS that the RE set up a trust account for the Scheme to hold Grower funds (**Pre-Appointment Funds**). For example, gross harvest proceeds were deposited into this account and any fees due by Growers, for example RE fees, were then paid directly from this account.

The account required a trustee, separate to the RE. Gunns was the trustee of this account. On the appointment of an Administrator to both Gunns and GPL this account was frozen and therefore outside the direct control of the GPL Administrators.

A process to determine the beneficiaries of the funds in this account has been undertaken as there were competing claims made to some of the funds in the account (e.g. RE fees, interest entitlements). The beneficiaries of these funds have been determined and these Scheme funds are in control of the GPL Liquidators (on trust).

The nature of the pre-appointment proceeds received for the Scheme is predominately made up of refunded GST that was paid on past Receivers' Lien payments (relating to the receivership of Great Southern Managers Australia Limited (In Liquidation)). It was later determined that GST was not payable on the Receiver's Lien payments, and therefore this GST was refunded to the Scheme.

5. Application of funds

There are a number of costs that, subject to an order of the Court, will be deducted from the Gross Proceeds (**Approved Scheme Costs**).

These Approved Scheme Costs include:

- (a) Liquidators' and legal costs*
- (b) GPL Indemnity (detailed below)
- (c) Costs for winding-up of the scheme once distributions have been completed*.

**Note a portion of these costs have been estimated and may vary*

These Approved Scheme Costs are payable in priority to any payment to Growers. Scheme Costs which relate to more than one GSP Scheme have been allocated between the GSP Schemes in accordance with the allocation approved by Court.

All Approved Scheme Costs are subject to the review and approval of the Court. All relevant documents in relation to the approval of costs and Court rulings are available on our website:

- www.ppbadvisory.com/creditor-information

For context on the Approved Scheme Costs, Growers will recall that the following key steps have been undertaken to realise Scheme assets and resolve competing claims that may have reduced this pool of funds:

| Date | Event |
|-------------------------------------|---|
| September 2012 to March 2013 | Court protection measures obtained to prevent the termination of Scheme leases whilst the future of the Schemes was investigated following the collapse of the Schemes responsible entity (RE), GPL. |
| March – April 2013 | An expression of interest campaign to find a new RE for the Scheme. During this time, significant costs were incurred in relation to the ongoing maintenance of Scheme Assets, administration costs, staff wages and the legal, liquidation and other costs of the RE. These costs have been reviewed by the Court and allowed in full. |
| May 2013 to September 2013 | A sale process for the Scheme Assets given a new RE was not found. |
| October 2014 to March 2016 | Detailed discussions with the ATO and PwC on the treatment of Scheme and RE income tax and GST positions. |
| March 2013 to March 2016 | Four Court proceedings for the review and approval of the GPL Liquidators' costs of managing the Schemes. |

Additionally, Growers should recall that prior to the collapse of GPL, there were costs that were determined to be payable from proceeds of Scheme assets related to the collapse of previous Scheme RE, Great Southern Managers Australia Limited (in Liquidation) (**Great Southern**). These are still payable despite the subsequent collapse of GPL.

One of the abovementioned costs includes an indemnity payable to GPL from Scheme Assets for certain costs when it took over as RE (**GPL Indemnity**). This is recoverable by the GPL Receivers.

6. Timing of payments

Please refer to the below timetable for key dates.

| Date | Event |
|--|--|
| 15 May 2016 | Cut-off date for Growers to update details by completing the Link forms. |
| From 15 June 2016 | Distributions to commence. |
| Six months from distribution date | Funds distributed to Australian Securities and Investments Commission as unclaimed monies if no contact by Growers is made in the interim. |

7. Grower loans

Some Growers in the Scheme entered into loan agreements to fund their initial investment. While some Growers may have repaid their loans in full, other Growers have outstanding loans (**Grower Loans**).

A number of financiers of Grower Loans (**Financiers**) may assert a proprietary interest in and/or security claim over the Grower's distribution proceeds which would otherwise be payable to a Grower, if that Grower has an outstanding Grower Loan.

If there are competing claims by a Grower and their Financier, the Grower's distribution proceeds will be held pending resolution, either by agreement or court order.

Any queries relating to the repayment of Grower loans should be directed to a Growers' Financier.

8. Next steps

As outlined in our update dated 29 February 2016, we will be using an external third party, Link Market Services Limited (**Link**), to assist in an efficient distribution process given approximately 35,000 Growers across the GSP Schemes. Link will shortly be sending further correspondence to Growers requesting details in preparation for the upcoming distribution.

Please complete and return the forms that will be provided by Link by **15 May 2016** in order for us to update your details and distribute the funds accordingly to your current details.

Further questions?

If you have any further questions please address them to the following contacts:

| Contact | Contact Phone Number | Contact Email Address |
|---------------------|----------------------|--|
| GPL Client Services | (03) 6364 3180 | gunns@gunnsplantation.com |
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