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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 – 23 December 2015

This update relates to Gunns Plantations Woodlot Schemes 2002 to 2006, 2008 and 2009 (the Schemes)

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

This communication updates you on:

1. Main issues impacting the progress of distribution
2. Other matters
3. Next steps

In conjunction with this update please refer to the update to Growers dated 26 November 2015 available at:

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

1. Main issues impacting progress of distribution

We wrote to Growers on 26 November advising of the main issues requiring resolution prior to any distribution occurring (discussed below) and that we would provide a further update during this month.

These issues need to be resolved in order for a distribution to occur, which we remain hopeful will occur on or around March 2016. Below is an update as to progress.

i) Taxation compliance

Growers will recall from prior updates that we have been seeking ATO determination on the taxation treatment of scheme funds realised as to whether these funds:

Taxation Treatment - Income Tax

- are taxable in the hands of the Responsible Entity (**RE**)
- are taxable in the hands of Growers and if so, in what financial year is it assessable.

Taxation Treatment - GST

- attract GST and if so, how it will be paid.

In order to progress this, we engaged taxation experts PricewaterhouseCoopers (**PwC**).

In relation to the Income Tax treatment, we are pleased to advise that the ATO has issued a letter providing the following guidance:

- proceeds received by the RE will not be taxed in the hands of the RE

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.

- all Growers may elect to adopt the ATO's administrative approach and declare the "net distribution amount" (ie the proceeds received) as assessable income in the year in which the funds are received or
- Growers, may elect to include an amount in an earlier taxation period, without penalty but interest will apply. Further details on this approach will be provided by the ATO in a Class Ruling to be issued in the New Year.

The ATO guidance is available on the following website:

- www.ppbadvisory.com/creditor-information

The ATO guidance is important, as it means:

- the RE is not required to deduct income tax from the scheme funds before distributions are made to Growers
- Growers can choose to include the "net distribution amount" (ie the proceeds received) in their assessable income in the year received
- Growers can still have flexibility to choose the taxation year in which to include amounts in assessable income (ie when received or in an earlier year).

The ATO has taken into account the complexities of the liquidation process and the difficulties of Growers to meet their income tax obligations in allowing an administrative approach and providing this guidance. In addition, the ATO also plan to issue a Class Ruling in the New Year confirming the income tax treatment for Growers.

A more detailed explanation of the Income Tax treatment, together with a copy of the ATO Class Ruling will be provided to Growers as part of a more substantive update, as we move closer to the time when we expect to make a distribution (ie on or around March 2016).

In relation to the GST treatment, we are yet to receive formal guidance from the ATO. We are in regular communication with PwC and the ATO and hope to progress this matter early in the New Year. We will naturally update Growers as to progress.

ii) Competing claims determination

Growers will recall from prior updates the competing claims, largely comprised landowners claims for unpaid past and future rent (**Landowners Claims**).

Moreover, landowners assert the Landowner Claims are a liability of the schemes that needs to be met before a distribution can be made to Growers. If the Landowner Claims are valid, then funds available to Growers will be materially diluted.

On 18 December 2015 we wrote to landowners informing them of Liquidators' decision to distribute funds to Growers, without any deduction for outstanding liabilities for past and future rent. A copy of this correspondence to landowners, which sets out the basis for this determination, is available on the following websites:

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

Landowners may object to the Liquidators' determination, via court application. If no appeal has been lodged by 28 February 2016, we will commence the process of distributing funds to Grower, subject to finalising the taxation matters noted at section 1 i) above.

2. Other matters

We continue to progress resolution of the other matters as described in our update to Growers on 26 November 2015 including:

- i. GPL 2002 to 2004, 2006 and 2008 Schemes: determining the beneficiaries of custodian account funds – we are close to a resolution (refer to section 7 of the Explanatory Notice dated 15 May 2015).

- ii. GPL 2002 to 2006, 2008 and 2009 Schemes: confiscation of Scheme trees by Forestry Tasmania (FT) without compensation. We have not received an acceptable resolution proposal by FT and are therefore considering legal remedies.
- iii. All Schemes: cost application for Liquidation costs, including future costs to finalisation – we are close to submitting this application to Court. This will not hold up a distribution to Growers.

In the event the Other Matters are not resolved prior to resolution of the Taxation Treatment and Landowner Claims, we plan to progress with an interim distribution, with a final distribution at a later stage.

3. Next steps

We will write to Growers during February 2016, providing an update on:

- progress regarding taxation treatment (refer 1.i above)
- status of Landowner Claims (refer 1.ii above)
- progress of other matters (refer 2 above)
- likely return range.

We will also provide details of the distribution process and request bank nomination forms to aide in an efficient process.

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
PPB Advisory	(03) 9269 4160	gunns@ppbadvisory.com

Please note: Ordinarily, we aim to respond within 48 hours of contact. During the festive season our hotlines will not be monitored from 24 December 2015 to 6 January 2016. You may still make contact during this period and leave messages, but response times will be delayed.