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

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

Grower update – 24 May 2016

This update relates to Gunns Plantations Woodlot Schemes 2006, Option 1 (the Scheme)

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

This communication updates you on:

1. No distribution to Growers
2. Next steps
3. Application of funds
4. Source of funds

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. No distribution to Growers

We estimate that there will be no distributable funds to Growers as advised in the Explanatory Notice (EN) dated 15 May 2015.

GPL as Responsible Entity (RE) of the Scheme has realised the majority of the Gunns Plantations Woodlot Scheme 2006, Option 1 Trees (Scheme Assets). Even though the Scheme received additional funds to those previously forecasted (outlined in section 4) (Gross proceeds), the costs involved in realising Scheme Assets outweigh the proceeds received. Therefore we estimate that no distributable funds will be available to Growers.

A breakdown of the Scheme proceeds and costs is included in Table 1 and further details are provided in sections 3 and 4.

Note, the below 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.

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.

Table 1: Estimated return

GPL 2006 - Option 1	Section Reference	(\$)
Source of Funds	4	
Sale Proceeds		2,044,757
Other post-appointment realisations (incl.int)		11,031
Pre-appointment custodial account (incl.int)		3,663
Total distributable funds		2,059,450
Application of Funds	3	
PPBA costs		(1,361,488)
Legal costs		(428,637)
Maintenance and other costs		(806,744)
Surplus / (deficit) funds after costs		(537,419)
No. of woodlots in Scheme		17,740
Estimated return per woodlot (\$)		-
Grower update (17 Sep 15) estimated return		-
Change in return		-

2. Next steps

We will now complete the winding up of the Scheme. Communications will be sent to Growers initiating the winding up of the Scheme in the near future.

At this point in time, as we anticipate there will be no distribution for this Scheme, Link Market Services Limited **won't** be sending out correspondence to you.

We recommend that you seek independent advice in relation to the taxation effect of this outcome.

3. 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) Costs for winding-up of the scheme*.

**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 GPL Scheme Option have been allocated between the GPL Scheme Options 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 the pool of funds from the sale of 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 RE, GPL.
March 2013 to September 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 (circa \$4.4m). These costs have been reviewed by the Court and allowed in full.
October 2013 to December 2013	A sale process for the Scheme Assets given a new RE was not found.
April 2013 to October 2013	AFPT surrender compensation negotiations.
November 2013 to May 2014	AFPT surrender approval and compensation allocation process.
January 2014 to September 2014	TFE Sale approval and completion process.
October 2014 to August 2015	TFE allocation approval process.
July 2014 to March 2016	Conducted lengthy but successful negotiations with landowners to remove claims against the Scheme Assets during which we reduced potential claims by 63%.
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	Court applications for the review and approval of the GPL Liquidator's costs of managing the Schemes.

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 1 (**Distributable Funds**).

However, as the Approved Scheme Costs are greater than the proceeds received from the Scheme Assets, we have estimated that there will be no funds available to distribute to Growers.

These Scheme proceeds arose from:

- i) sale of Scheme Assets located on land owned by the Gunns Group of companies
- ii) compensation for the surrender of Scheme leases held with Australian Forestry Plantations Trust (Receivers and Manager Appointed) and Australian Forestry Plantations Trust Number 2 (Receivers and Managers Appointed)
- iii) third party landowners acquiring the Scheme trees on their land
- iv) amounts held in pre-appointment Scheme custodian accounts
- v) interest paid on Scheme proceeds.

Details of the above Scheme proceeds are outlined in prior Grower Updates dated 15 July 2014, 15 May 2015 and 17 September 2015.

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