FERRIER HODGSON

# Great Southern Limited
# ACN 052 046 536
# (Administrators Appointed)
# (Receivers and Managers Appointed)

# and subsidiaries as set down in Annexure 1

# Consolidated Group Report by Administrators Pursuant to Section 439A(4)(a) of the Corporations Act 2001

GREAT SOUTHERN
LIMITED

**Martin Jones, Andrew Saker**
**Darren Weaver and James Stewart**

9 November 2009

# Contents

# Abbreviations

| Abbreviation | Description |
| --- | --- |
| ABL | ABL Nominees Pty Ltd |
| ACF | Australian Cotton Fund |
| ACT | Corporations Act 2001 |
| ADE | Adelaide Bank Limited |
| AIT | Agricultural Income Trust Fund |
| Almondco | Almondco Australia Limited |
| ANZ | Australian and New Zealand Bank Ltd |
| APEC | Albany Plantation Export Company Pty Ltd |
| Argonaut | Argonaut Capital Limited |
| ASIC | Australian Securities and Investments Commission |
| ASX | Australian Securities Exchange |
| ATO | Australian Taxation Office |
| BankWest | The Bank of Western Australia Limited |
| BBSY | Bank Bill Swap Bid Rate |
| BDMT | Bone Dry Metric Tonnes |
| BEN | Bendigo and Adelaide Bank Limited |
| BHPL | Beagle Holdings Pty Ltd |
| BML | B.M. Pty Limited |
| BMPL | Beagle Management Pty Ltd |
| CBA | Commonwealth Bank of Australia Ltd |
| CIF | Chicken Income Fund |
| Club Banks | ANZ, Mizuho, BankWest and CBA |
| Consulting Firm | Deloitte Touche Tohmatsu |
| COPP | Code of Professional Practice |
| COGS | Cost of Goods Sold |
| DCF | Discounted Cash Flow model |
| DOCA | Deed of Company Arrangement |
| ERV | Estimated Realisable Value |
| FH | Ferrier Hodgson |
| FY09 | Eight and half months to 16 May 2009 |
| FY08 | Twelve months to 30 September 2008 |
| FY07 | Twelve months to 30 September 2007 |
| FY06 | Twelve months to 30 September 2006 |
| GEERS | General Employee Entitlements Redundancy Scheme |
| GPCON | Pensyl Constructions Pty Ltd |
| GPEN | Pensyl Pty Ltd |
| GSL | Great Southern Ltd |
| GS Group Companies | Great Southern Ltd and subsidiaries as referred to in Annexure 1 |
| GS Group Company | Relevant Great Southern entity with the GS Group Companies |
| GS Group/the Group | Great Southern Ltd and subsidiaries as referred to in Annexure 1 |
| GS Pine | Great Southern Pine Pty Ltd |
| GSAH | Great Southern Almond Holdings Pty Ltd |
| GSBGT | Great Southern Blue Gum Trust |
| GSCH | Great Southern Cattle Holdings Pty Ltd |
| GSCM | Great Southern Cattle Managers Pty Ltd |
| GSCOT | COT Trust No. 1 |
| GSDH | Great Southern Property Trust Debenture Holdings Limited |
| GSEC | Great Southern Export Company Pty Ltd |
| GSF | Great Southern Finance Pty Ltd |
| GSFMF | Great Southern Farming Management Fund |
| GSFML | Great Southern Funds Management Limited |
| GSFNT | Great Southern Forestry NT Pty Ltd |
| GSHVT | Great Southern HVT Holdings Pty Ltd |
| GSIPL | Great Southern Infrastructure Pty Ltd |
| GSL | Great Southern Limited |
| GSLH | Great Southern Land Holdings Pty Ltd |
| GSMAL | Great Southern Managers Australia Limited |

# Abbreviations

| Abbreviation | Description |
|---|---|
| GSMPL | Great Southern Managers Pty Limited |
| GSOH | Great Southern Olive Holdings Pty Ltd |
| GSOL | Great Southern Olives Company Limited |
| GSOP | Great Southern Olive Processing Pty Ltd |
| GSPH | Great Southern Plantations Holdings Pty Ltd |
| GSPHL | Great Southern Property Holdings Limited |
| GSPL | Great Southern Plantations Limited |
| GSPLT | Great Southern Plantations Trust |
| GSPML | Great Southern Property Managers Limited |
| GSPPL | Great Southern Plantations Pty Ltd |
| GSPT | Great Southern Property Trust |
| GSSPL | Great Southern Securities Pty Limited |
| GST | Goods and Services Tax |
| GSTH | Great Southern Timber Holdings Pty Ltd |
| GSTPL | Great Southern Timber Pty Ltd |
| GSVHPL | Great Southern Vineyard Holdings Pty Ltd |
| GSYL | Sylvatech Limited |
| GSYLFIN | Sylvatech Finance Pty Ltd |
| GSYLSEC | Sylvatech Securities Limited |
| HPE | High Productivity Equivalent |
| HPI | Hansol PI Pty Ltd |
| HR | Human Resources |
| HSAPL | Hampton Securities Australia Pty Limited |
| HSL | Hampton Securities Limited |
| HSPL | Hampton Securities Pty Limited |
| HVT | High Value Timber |
| IE | Independent Experts Reports |
| IPA | Insolvency Practitioners Association |
| IRR | Internal Rate of Return |
| JAM | Javelin Asset Management Pty Ltd |
| JPPL | Javelin Partners Pty Ltd |
| Leichardt | Leichardt Pastoral Pty Ltd |
| LFL | Lachlan Farming Limited |
| LMA | Land and Management Agreement |
| MCE | Main Camp Enterprises Pty Ltd |
| MGN | McGrathNicol in their capacity as Receivers and Managers |
| MIS | Managed Investment Scheme |
| Mizuho | Mizuho Corporate Bank Limited |
| NAB | National Australia Bank Limited |
| Och-Ziff | Och-Ziff Capital Management Hong Kong Limited |
| NBV | Net Book Value |
| NPA | Net Plantable Area |
| NDC | National Data Centre |
| NPV | Net Present Value |
| P&E | Plant and Equipment |
| P&L | Profit and Loss |
| PAYG | Pay as you go |
| PDS | Product Disclosure Statement |
| Pentarch | Pentarch Holdings Pty Ltd |
| PI | Principal and interest |
| PIPL | Pulpwood International Pty Ltd |
| PPE | Property Plant and Equipment |
| PWC | PricewaterhouseCoopers |
| R&M | Receivers and Managers or Receivers as the context determines |
| RAPT | Rural Agricultural Property Trust |
| RATA | Report as to Affairs |
| RBK | RFM Riverbank Fund |

# Abbreviations

| Abbreviation | Description |
|---|---|
| RE | Responsible Entity |
| Receivership companies | As per section 2.1 of the main report |
| RFM | Rural Funds Management Limited |
| ROF | Rural Opportunities Fund (formerly Diversified Agricultural Fund) |
| ROT | Retention of Title |
| SPV | Special Purpose Vehicle |
| TBD | To Be Determined |
| Schemes | Refers to multiple Managed Investment Schemes |
| Sylvatech Group | Sylvatech Limited and its subsidiaries |
| TREES | Transferable Reset Exchangeable Securities |
| TREES2 | Transferable Reset Exchangeable Securities Series 2 |
| TREES3 | Transferable Reset Exchangeable Securities Series 3 |
| UPVF | Ultra Premium Vineyard Fund |
| VDM | Van Der Meer & Associates |

# Glossary of Terms

| Term | Explanation |
|---|---|
| Impairment of Assets and Impairment adjustments | Non financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. These assets are carried at their Fair Value.<br><br>An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets, "fair value" less costs to sell and value in use.<br><br>For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (Cash Generating Units). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.<br><br>This adjustment at each balance date/reporting date is referred to in our report as "Impairment or Fair Value adjustments" |
| Fair value (FV) | Fair value represents value of asset at the reporting date based on quoted market prices. Alternatively for those assets that are not actively traded, this relates to the use of a method such as the Discounted Cashflow method to determine the fair value.<br><br>A Discounted Cashflow Model (DCF) effectively estimates the present day value (NPV) of an asset from the assets estimated future cashflow after applying an appropriate risk adjusted discounted rate. |
| Biological Assets | Biological assets comprise of eucalypt and pine trees (standing timber), grape vines, olive trees, almond trees and beef cattle.<br><br>Timber and horticulture biological assets are measured on initial recognition and each reporting date at fair value less estimated point of sale costs except when the fair value cannot be measured reliably. In this instance the biological asset is measured at its cost less any accumulated depreciation and any accumulated impairment losses until such time as its fair value can be reliably measured.<br><br>Cattle are carried at fair value less point-of-sale costs, which is determined after assessing a number of key market indicators to ensure the values determined are representative of the herd. Trading cattle prices reflect the shorter term spot prices available in the market place. Fair value for the breeding herd reflects a longer term view of the cattle market relevant to the breeding cattle held. |
| First and second rotation | After the completion of the first rotation of plantation which occurs upon harvest of the scheme products, the schemes complete the full economic benefit for the current scheme and the land reverts to the relevant GS Group Company (subject to any investor rights to apply to extend their lease) for redevelopment of future rotations through replanting or regeneration via coppicing.<br><br>Second rotation refers to the use of coppicing, the process in which new shoots from the stumps of harvest trees are culled and the retained shoots are managed to produce a new tree crop, after the completion of first rotation. |
| Revenue recognition | Revenue is recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. |

# Glossary of Terms

| Term | Explanation |
|---|---|
| | MIS revenue for any one year will consist of MIS sales in the current period and MIS sales recognised from prior period (i.e. deferred revenue). |
| Related Parties | Includes a company Director, spouse of Director that controls GSL and any related entities of the Director and includes any entities within the GS Group Companies. |
| Related Entity | Has the meaning given by section 9 of the Act, and includes but is not limited to a director or member of the body or related body corporate, and a related body corporate. |
| Receiver and Manager (R&M) | A R&M is often responsible for the following:<br>• Takes possession of the assets which are covered by the registered security under which the R&M is appointed. This may be single nominated assets such as debtors or stock, or, as is often the case, it may be the whole of the assets of a company or group of companies;.<br>• Analyses the company's position with a view to adopting the best course of action to enable repayment of the secured creditor's debt. In some instances, this may involve trading on the business of the company with a view to repaying the secured creditor without major asset sales. In other instances, it will involve realising some, or even all, of the assets of the company to repay the secured creditor's debt.<br>• Repays the secured creditor, either in full, or to the extent of assets available, and retires. |
| Voluntary Administrator | An Administrator’s objective is to manage the business, property and affairs of an insolvent company in a way that:<br>• Maximises the chances of the company, or as much as possible of its business to continue in existence; or<br>• If the business cannot be saved, realise a better return to the company’s creditors than would result from an immediate liquidation |

# 1 Executive Summary

## 1.1 Appointments

The Directors of the respective GS Group Companies appointed Martin Jones, Andrew Saker, Darren Weaver and James Stewart as the GS Group Companies Administrators on 16 May 2009 pursuant to section 436A of the Act. Creditors ratified our appointment as Administrators at the first meeting of creditors held on 27 May 2009. A Committee of Creditors was formed for each of GSL, GSMAL and GSDH.

The Committees of Creditors of GSL and GSMAL have met on nine occasions from the date of the first meeting of creditors until the date of this report.

On the 18 May 2009 Simon Read, James Thackray, Anthony McGrath and Colin Nicol of MGN were appointed as R&M over the entities listed in section 2.1 of this report. As a consequence of the appointment of the R&M and pursuant to section 442D of the Act, the Administrators' powers are limited and subject to the powers of the R&M. The R&M assumed control over the majority of the operating entities of the GS Group Companies, including GSMAL, being the RE.

## 1.2 Meetings of Creditors

It is at the second meetings of creditors that the GS Group Companies future will be determined. In this regard concurrent meetings have been convened for 19 November 2009, being consistent with the terms of the Court's orders made on 3 September 2009, which extended the Convening Period.

The concurrent meetings will be held in the **Melbourne Park Function Centre, Batman Avenue, Melbourne Park (adjacent to Rod Laver and Hisense Arena's)** at **12.00 noon on 19 November 2009.** Notices of the concurrent second meetings of creditors accompany this report.

Only creditors of the GS Group Companies are entitled to attend and vote at the concurrent meetings of creditors. It is important to note that members of GS Group Companies MIS projects are not automatically creditors of any GS Group Company simply by reason of that investment. As such, in order to be recognised as a creditor of a GS Group company, a MIS member must provide adequate particulars of their claim as a creditor to the Administrators and have that claim accepted by the Administrators. Details of the matters that are required to be addressed by the MIS member are set out in the accompanying circular to this report.

Further details as to the Administrators' recommendations regarding the future of the GS Companies are provided below.

## 1.3 GS Group Companies Background

The GS Group Companies have developed from small scale forestry operation in the late 1980's, to a listed consolidated group in July 1999 with a significant market presence in the MIS agricultural sector. At the date of our appointment, the GS Group Companies:

- Comprised a parent company, GSL, with 34 subsidiaries;
- Employed over 400 employees across all states and the Northern Territory;
- Raised over $2.2bn in MIS sales;
- Developed and managed MIS assets for over 52,000 investors (growers);
- Raised over $260m in equity from shareholders, obtained over $200m in unsecured convertible notes (TREES), and raised over $600m in secured funding (Club Banks & RAPT Banks);
- Owned approximately 180,000 hectares of freehold forestry land;
- Leased approximately 64,000 hectares of forestry land;

- Managed approximately 174,000 hectares of NPA of forestry plantations;
- Owned and managed a horticulture estate of approximately 6,700 hectares across olives vineyards and almonds;
- Owned approximately 1,400,000 hectares of pastoral freehold cattle land which included 9 cattle properties;
- Leased approximately 2,400,000 hectares of cattle land across 22 properties; and
- Managed approximately 217,000 head of cattle.

An overview of the consolidated business and operations has been presented in section 3 of this report (the GS Group Companies report). An overview of each individual GS Group Company has been provided at Annexures 3 to 37 of this report. Creditors that are concerned with the affairs of specific entities should refer to those relevant entity Annexures, an index of which is set out before Annexure 1.

## 1.4 Investigations

We have undertaken a preliminary investigation into the affairs of the GS Group Companies pursuant to our statutory obligations and in order to assist in formulating our opinion as to, amongst other things, what course of action is in the best interests of the creditors of each GS Company. Whilst we have set out our preliminary conclusions in this report arising from those investigations conducted to date, we note that the conclusions are only preliminary and that a liquidator (if appointed) would undertake further detailed investigations before forming any final opinions on these matters. We have noted in section 8 of this report some of the limitations in respect of the investigations undertaken to date.

A summary of our preliminary conclusions with respect to potential recoveries by a liquidator, in the event that all of the GS Group Companies were wound up, is presented below. The annexures to this report dealing with each individual GS Group Company set out the potential recoveries relevant to each entity in isolation:

| Potential Recovery Item | Transactions of Interest ($) |
|---|---|
| Unfair preferences | 1,093,993 |
| Uncommercial transactions | TBD |
| Unfair loans | - |
| Unreasonable Director related transactions | TBD |
| Transactions undertaken to obstruct creditors' rights | - |
| Compensation from Director for insolvent trading | TBD |
| Compensation from holding company for insolvent trading | - |
| Breaches of Directors duties | TBD |
| Avoidance of employee entitlements | - |
| Debts incurred by Company as trustee | - |
| **Total** | **$TBD** |

Our investigations indicate that GSL, GSMAL and predominantly all of their subsidiaries were insolvent as at 15 May 2009, and immediate steps were taken by the Directors to appoint a voluntary administrator to each entity. At this time, and given our limited review, the summary of events set out in this report are not conclusive of an earlier date of insolvency for the relevant GS Group Companies other than 15 May 2009. However, as our investigations are preliminary in nature, the relevant date may be found to be earlier and will be determined when we, or an alternative liquidator, is appointed and a further review and investigation is completed.

Ultimately the determination of the likely date of insolvency will impact potential recoveries available to a liquidator of the GS Group Companies. You will note from our report we recommend that further investigations be conducted into several transactions and events including Project Transform, the acquisition of the loan book by JAM, source and application of MIS funds, disclosures in respect to MIS project harvests and other matters.

# 1 Executive Summary

There have been a number of factors that have been cited by the Directors as reasons for failure of the GS Group Companies including, but not limited to, the impact of the global financial crisis, reduced investor confidence in MIS generally, the lack of MIS securitisation funding facilities, the appointment of voluntary administrators to one of the GS Group Companies major competitors causing further erosion of market confidence and the inability to raise further debt facilities. Based upon our limited review, the causes of failure also extended to the following:

- Inherent risks within agricultural businesses that were susceptible to fluctuating commodity prices and the limited ability to increase application fees to adequately fund future costs;
- The rapid pace of growth and asset acquisitions within the business model;
- Availability of adequate funding to meet the rising cost of land, together with the significant impact on financing costs;
- Failure of some agriculture projects and investments to deliver adequate returns (for various reasons) which ultimately required funding support from GSL;
- The compounding impact of significant loan write offs as a result of increasing borrower defaults; and
- Management of the risk associated with the GS Group Companies' heavy reliance on MIS sales as a predominant source of cash inflows and the consequential vulnerability to regulatory changes that impact on such sales.

## 1.5 MIS Viability Assessments

As at the date of this report we are yet to receive a substantial majority of the MIS viability assessments that have been conducted by the R&M in respect of the MIS projects. We are therefore unable to comment on those projects and how the members of those MIS projects are affected at this point in time.

Generally, the members (i.e. investors/growers) of GS Group Companies MIS projects are owners of property, usually trees. As noted above, it is important to understand that members of GS Group Companies MIS projects are not automatically creditors of any GS Group Company simply by reason of that investment.

The distinction between being an owner of property and a creditor of a company is important in an insolvency context. Firstly, an owner of property will have their own proprietary rights that they can exercise in relation to their property. Secondly, administrators and liquidators act in the interests of creditors and shareholders as a whole. Thirdly, only admitted creditors are able to vote at meetings of creditors.

In their capacity as creditors, an investor/grower will be entitled to vote at meetings of creditors of the relevant GS Group company if, as explained in our report, they provide adequate particulars about their claim before the meetings and the claim is accepted by the Administrators.

An outline in respect of the requirements to establish any such claims has been set out in this report and the accompanying circular.

## 1.6 Restructuring & Divestment Proposals

Whilst the R&M are in control of GSMAL and are in control of the affairs of the RE, we have been in control of certain other GS Group Companies which hold certain underlying assets relevant to the MIS. In light of the uncertainty surrounding the future of the MIS, and in order to maximise the potential for a restructure of the MIS, aside from the restructuring efforts outlined below, we have not actively begun a realisation process for the individual underlying assets. The R&M have pursued a realisation process inclusive of those assets, not withstanding that no security is registered over the land under our supervision.

We have focussed our attention on soliciting parties interested in restructuring the GS Group Companies as a whole through a DOCA process.

We commenced our solicitation process shortly following our appointment, and engaged the services of Argonaut on the 29 May 2009 to assist us in process. Together with Argonaut, we undertook the following steps:

- Identified a number of potential candidates for the restructuring of the GS Group Companies;
- Established a virtual data room for the conduct of preliminary due diligence; and
- Conducted briefings with senior executives of the GS Group Companies and interested parties.

Several expressions of interest were received by us through this process, culminating in one specific proposal being presented and recommended to the R&M, Club Banks and RAPT facility banks on 23 June 2009 for consideration. The proposal, together with its subsequent iterations, was rejected and was not able to be advanced.

Subsequently the R&M has sought and received several indicative offers from various interested parties in their marketing campaign for the sale of the GS Group Companies' assets, which is currently in progress. That process is in the control of the R&M and is commercially sensitive, and therefore cannot be outlined in this public document. Upon completion of any receivership it is usual to receive a full accounting for activities, realisations and costs from the R&M.

To date we have not received any DOCA proposal capable of being presented to creditors for consideration.

## 1.7 Options Available to Creditors

Pursuant to section 439A(4)(b) of the Act, we are required to provide creditors with a statement setting out our opinion separately for each GS Group Company on whether it is in the creditors' interests for the:

- Administration to end;
- Company to be wound up; or
- Company to execute a DOCA.

In regard to these options, it is evident that each of the GS Group Companies are insolvent and predominantly all of the Directors have resigned. Further, there has been no DOCA proposal made available for consideration by creditors. In the circumstances it is not appropriate for creditors to consider ending the administration and handing back control of the companies' affairs back to their Directors or in the absence of any proposal, that the companies execute a DOCA. We have therefore not been able to recommend those options.

# 1 Executive Summary

In the absence of a DOCA proposal, the winding up of each of the GS Group Companies should be considered by creditors. Given the nature, size and costs involved in determining the assets and potential recoveries in a liquidation scenario it is difficult to determine with any degree of certainty the likely level of return to unsecured creditors that would arise from liquidation.

Based on the above it is therefore our opinion and recommendation that creditors should resolve that each of the GS Group Companies be wound up.

If new and further information becomes available after the issue of this report, and creditors wish to allow further time to consider that information, then an alternative for creditors to consider is an adjournment of the concurrent second meetings of creditors. Such an adjournment may be for a period of up to 45 business days, which is the maximum period under the Act. This would be relevant where it is conceivable that a DOCA proposal was likely to be forthcoming.

## 1.8 Disclaimer

The information contained in this report has been obtained from a wide range of sources and knowledge obtained by us during the course of the Administration, including management. Given the complexity of the business and affairs, we have been reliant on information and representations provided to us.

This report does not guarantee or warrant the current or future position of the GS Group Companies. A significant amount of the information provided in the report is based on assumptions that we consider to be valid at the time of writing, but which may not ultimately prove to be valid.

An audit has not been performed by us, nor, except where otherwise indicated, has any test or verification work been carried out.

**This report may not be referred to, reproduced or quoted from in whole or in part or used for any other purpose whatsoever without the Administrators' express written consent.**

Pursuant to section 442E of the Act, we as the Administrators have qualified privilege in respect of a statement that we make, whether orally or in writing, (including this report) in the course of performing or exercising any of our functions and powers of Administrators of the companies.

# 2 Introduction

## 2.1 Purpose of appointment and this report

On 16 May 2009 Martin Jones, Andrew Saker, Darren Weaver and James Stewart were appointed Administrators of each of the GS Group Companies, pursuant to section 436A of the Act. Immediately following our appointment, we took control of the GS Group Companies assets and continued to carry on the GS Group Companies business.

On 18 May 2009 Simon Read, James Thackray, Anthony McGrath and Colin Nicol of McGrathNicol were appointed as R&M over the following entities:

| Company | ACN |
|---|---|
| GSL | 052 046 536 |
| GSMAL | 083 825 405 |
| GSLH | 087 074 093 |
| GSVHPL | 107 020 191 |
| GSCH | 113 922 642 |
| GSPML | 108 409 641 |
| GSEC | 113 408 549 |
| GSPHL | 121 245 047 |
| GSCM | 113 922 660 |
| GSYL | 073 019 093 |
| GSFNT | 084 646 435 |

Accordingly, control of the assets and the trading activities of the Receivership Companies transferred to the R&M upon their appointment.

Pursuant to section 435A of the Act, the objective of the appointment of Administrators to a company is to maximise the chances of the company, or as much of its business as may be possible, continuing in existence, or if not possible, to seek a better return to creditors and members than would result from an immediate winding up of the company.

During the administration period, creditors' claims and legal actions are put on hold and we are required to provide creditors with information and recommendations to assist creditors to decide upon each company's future.

Section 439A(4) of the Act explains the purpose of an Administrator's report in providing that the notice (of the second meeting) must be accompanied by a copy of:

*(a)* *A report by the Administrator about the company's business, property, affairs and financial circumstances;*

*(b)* *A statement setting out the Administrator's opinion about each of the following matters;*

- *Whether it would be in the creditors' interests for the company to execute a Deed of Company Arrangement;*
- *Whether it would be in the creditors' interest for the administration to end;*
- *Whether it would be in the creditors' interest for the company to be wound up; and*
- *His or her reasons for those opinions.*

*(c)* *If a Deed of Company Arrangement is proposed – a statement setting out details of the proposed deed.*

In the available time, we have undertaken the preliminary investigations detailed in section 8 of this report. These investigations have assisted in forming an opinion about the companies' future. Our opinions are set out in section 11 of this report.

# 2 Introduction

## 2.2 First meeting of creditors

Creditors attended concurrent meetings of creditors held at the Melbourne Exhibition Centre on Wednesday, 27 May 2009 and ratified our appointment as Administrators of the GS Group Companies.

## 2.3 Committees of Creditors

At the first concurrent meetings of creditors the following Committees of Creditors were established:

| GSMAL Representative | Creditor/Investor name |
|---|---|
| Peter Burke | Abbey Lea Investments (Investor) |
| Michael Butler | Australian Financial Services Limited (Investment Advisor) |
| Neil White | 33rd JAF Pty Ltd (Investor) |
| Tim O'Malley/Gary Tucker | BEN (Creditor) |
| Paul Sweeney | Tarello Pty Ltd ATF Blasi Family Super Fund (Investor) |
| Robert Quenby | Quenby Viticulture Services (Investment Advisor) |
| Mark Kailis | Kailis Olive Processing Pty Ltd (Creditor) |
| Peter Young | Complete Investments (Investment Advisor) |
| John Dehne | John Dehne (Investor) |
| Phillip Capicchiano | Phillip Capicchiano (Investor) |

| GSL Representative | Creditor/Investor name |
|---|---|
| Mark Sheldon-Stemm | CRC Forestry Limited (Creditor) |
| Phillip Joseph | Australian Executor Trustee Ltd ATF TREES Notes |
| Sandra Gibson | GSL Employee Representative |
| Tim O'Malley/Gary Tucker | BEN (Creditor) |

| GSDH Representative | Creditor/Investor name |
|---|---|
| James Thackray | McGrathNicol as representative for ANZ |

To date, the following meetings of the Committees of Creditors have been convened:

| GSMAL and GSL Date | Agenda Items |
|---|---|
| 9 June 2009 | • To approve the extension of the convening period for the second creditors meeting for 3 months<br>• To approve the Administrators' remuneration |
| 21 July 2009 | • Update on the progress of the Administration |
| 28 August 2009 | • To approve the extension of the convening period for the second creditors meeting for 60 days |
| 18 September 2009 | • Update on progress of receivership by MGN and resolutions as addressed in Notices of meeting |
| 29 September 2009 | • Update on progress of Receivership and Administration |
| 6 October 2009 | • Update on progress of Receivership and Administration |
| 9 October 2009 | • Update on progress of Receivership and Administration |
| 29 October 2009 | • Update on progress of Administration and resolutions addressed in Notices of Meeting |

# 2 Introduction

| GSDH Date | Agenda Items |
|---|---|
| 9 Jun 2009 | • To approve the extension of the convening period for the second creditors meeting for 3 months |

## 2.4 Extensions of Convening Period

On 9 June 2009 the Committees of Creditors endorsed an application by the Administrators to extend the convening period for a period of three months. This application was approved by the Supreme Court of Western Australia on 11 June 2009 and extended the date by which the Administrators were required to convene the second creditors meetings to 14 September 2009. Subsequently on the 3 September 2009, a second application by the Administrators to extend the convening period to 13 November 2009 was approved by the Supreme Court of Western Australia.

Due to the size and complex nature of the GS Group Companies structure and affairs, the extended period of time was intended to enable us to:

a) Review the viability of all forty-five MIS projects;

b) Conduct our preliminary investigations into the GS Group Companies;

c) Attempt to raise the required funding for the operations of certain trading entities;

d) Consider and evaluate potential DOCA proposals from interested parties;

e) Report to the secured creditors and the Committees of Creditors on potential DOCA proposals; and

f) Present DOCA alternatives (and restructuring proposals) to meetings of creditors.

We are now in a position to convene the second meetings of creditors of the GS Group Companies.

## 2.5 Second Meeting of Creditors

Pursuant to section 439A of the Act, the second meetings of creditors of the GS Group Companies are convened for **19 November 2009** to be held at the **Melbourne Park Function Centre, Batman Avenue, Melbourne Park** (adjacent to Rod Laver and Hisense Arena's) **at 12.00pm**. At the second meetings, creditors will decide each company's future in voting on one of the following options:

a) That the administration should end and control of the Company revert to its Directors;

b) That the company should be wound up; or

c) That the company execute a DOCA.

It is also possible to adjourn the meetings for a period not exceeding 45 business days if creditors so desire in order to provide further time to address any outstanding issues or uncertainties.

**On 21 July 2009 the Supreme Court of Western Australia made orders on our application confirming that the section 439A report to creditors be prepared on a consolidated basis, and for the report to be posted to the FH website rather than sent by postal delivery to all creditors. The Administrators believe that this was in the best interests of creditors, given the large cost involved in distributing the report to all creditors due to its size and the multi-jurisdictional location of creditors.**

# 2 Introduction

## 2.6 Non Disclosure of Certain Information

There are sections of this report wherein we considered it inappropriate to disclose certain information to creditors. Such information included:

a) Valuations of specific assets;

b) Valuation of the business; and

c) Commercially sensitive prospective financial information (for example, projections/forecasts).

We appreciate the need to provide creditors with complete disclosure of all necessary information relating to the GS Group Companies in order to make decisions. However, as this information is commercially sensitive, it is not in creditors' interests for us to disclose the information publicly at this stage.

The Committees of Creditors are privy to a greater level of information. The members of the Committee of Creditors have all signed and are bound by confidentiality agreements with the Administrators.

## 2.7 Declaration of Independence, Relevant Relationships and Indemnities

The Administrators provided a Declaration of Independence, Relevant Relationships and Indemnities to creditors with their first circular to creditors and also tabled the declaration at the first concurrent meetings of creditors.

We note that from time to time the Administrators and the partners of FH provide professional advice, either formally or informally to ANZ, BankWest, CBA, Mizuho and the other secured creditors of the GS Group Companies; however we have had no such involvement with those secured creditors in direct relation to the GS Group Companies.

Three of the Administrators of the GS Group Companies, Darren Weaver, Andrew Saker and Martin Jones were appointed Joint and Several Deed Administrators of Matilda Minerals Limited on 8 May 2009. Matilda Minerals Limited is a former mineral sand miner on the Tiwi Islands, in the Northern Territory. Matilda Minerals Limited was a debtor to GPEN at the date of our appointment for an amount of $42,110 which was subsequently paid in full on 21 August 2009. The Administrators do not consider this is a conflict of interest.

Apart from the above, there has been no changes in the declaration since that time.

Martin Jones, Andrew Saker, Darren Weaver and James Stewart are partners of FH. FH is one of Australia's and the Asia-Pacific's largest independent corporate restructuring practice with 47 partners and over 440 staff throughout Australia and Asia. FH does not provide accounting, audit, legal or taxation services.

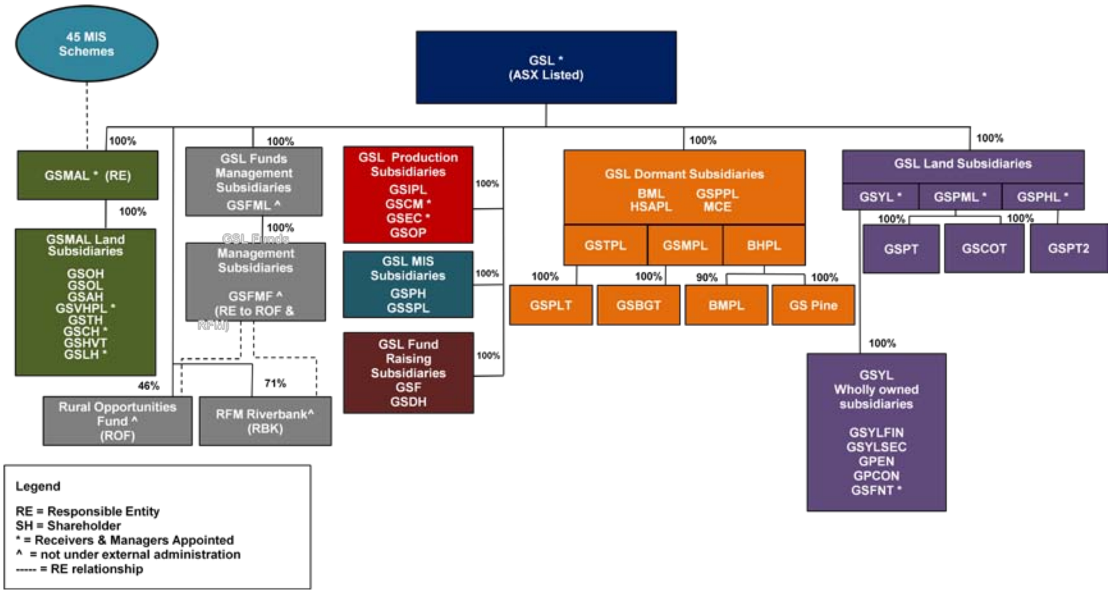
Martin Jones, Andrew Saker, Darren Weaver and James Stewart are Chartered Accountants, Registered Liquidators and members of the IPA with collectively over 71 years experience in corporate insolvency.

Further information regarding FH and the Administrators can be obtained from FH's website at www.ferrierhodgson.com.

# 3 Company information

## 3.1 GS Group Companies Structure

Set out below is a diagram of the GS Group Companies corporate structure as at the date of our appointment.




## 3.2 Statutory Information

We have set out various statutory information in the Annexures to this report. Specifically, we refer you to the following:

- Annexure 2 schedule of Directors of the GS Group Companies; and
- Annexure 2 schedule of charges held in against the GS Group Companies.

A search of the ASIC database revealed the following information regarding the parent company, GSL.

## 3.3 Incorporation Date and Registered Office

GSL was incorporated as Templegate Services Pty Ltd on 27 May 1991. Templegate Services Pty Ltd became an unlisted public company on 20 May 1999 prior to changing its name to GSPL on 21 May 1999. On 5 July 1999 it listed on the ASX as GSPL and finally changed its name to GSL on 12 February 2007.

GSL is a publicly listed company on the ASX with 643,234,118 issued shares held by approximately 14,600 shareholders. We note that an ASIC search reveals 243,519,647 issued shares. A reconciliation of the latest Appendix 3B lodged with the ASX indicates that 643,234,118 has been issued.

GSL's registered office is located at 16 Parliament Place, West Perth, Western Australia.

# 3 Company information

## 3.4 Company Officers

The GSL's officers as at the date of our appointment were:

| Name | Position |
|---|---|
| David Charles Griffiths | Non-executive Chairman |
| John Carlton Young | Non-executive Director |
| Peter John Mansell | Non-executive Director |
| Alice McCleary | Non-executive Director & Chairperson of Audit Committee |
| Cameron Arthur Rhodes | Managing Director |
| Mervyn Leonard Peacock | Non-executive Director and Chairperson of Remuneration Committee |
| Phillip Charles Butlin | Executive Director & Deputy Managing Director |
| Neil John Hackett | Company Secretary |

Please refer to the individual entities Annexures' in this report for a full listing of the GS Group Companies Directors.

## 3.5 Shareholders

The ASIC database discloses the GSL's top 20 shareholders to be:

| Shareholder | Shares Held | % of Shares Held |
|---|---|---|
| Pirie Street Custodian Ltd | 90,743,296 | 14.11 |
| HSBC Custody Nominees (Australia) Ltd – A/c 3 | 64,547,340 | 10.03 |
| JSJA Holdings Pty Ltd | 27,356,049 | 4.25 |
| HSBC Custody Nominees (Australia) Ltd | 27,008,039 | 4.20 |
| West Star Holdings Pty Ltd | 13,231,650 | 2.06 |
| Latitude Holdings Pty Ltd | 8,291,196 | 1.29 |
| Pacific Custodians Pty Limited | 7,678,000 | 1.19 |
| Citicorp Nominees Pty Limited | 7,672,312 | 1.19 |
| National Nominees Limited | 6,727,530 | 1.05 |
| ANZ Nominees Limited | 6,453,904 | 1.00 |
| JP Morgan Nominees Australia Limited | 5,620,565 | 0.87 |
| Ace Property Holdings Pty Ltd | 3,000,000 | 0.47 |
| William Joseph & Marjorie Ellen Seeman | 2,364,000 | 0.37 |
| Baldy Bay Pty Ltd | 2,336,629 | 0.36 |
| Jimmy Thomas & Ivy Ruth Ponniah | 1,950,634 | 0.30 |
| Victor Fazioli & Lynette Fazioli | 1,400,500 | 0.22 |
| Underhill Holdings Pty Ltd | 1,300,000 | 0.20 |
| CS Fourth Nominees Pty Ltd | 1,236,973 | 0.19 |
| Cameron Arthur and Belinda Christine Rhodes | 1,233,333 | 0.19 |
| Gregory Levvy & Laurel Moulynox | 1,186,538 | 0.18 |
| **Top 20 Shareholders** | **281,338,488** | **43.74** |
| **Total Shares on Issue** | **643,234,118** | **100.00** |

# 3 Company information

## 3.6 Registered Chargeholders

Annexure 2 together with the individual company Annexures provide a full review of the charges registered against the entities in the GS Group Companies. However, we note that the key securities held against the GS Group Companies entities include (but are not limited to):

- The Club Bank's security by way of specific mortgages held over various cattle and pulpwood properties and fixed and floating charges over various entities. For further details refer to Annexure 2;

- The RAPT securities by way of specific mortgages held over certain properties held by GSPT and security over financial assets; and

- The BEN securities by way of charges held over GSF.

On 18 May 2009 the R&M were appointed by the secured creditors (i.e. Club Banks and RAPT lenders) over the Receivership Companies as outlined previously in section 2.1. The R&M's role is to:

- Collect and realise the charged assets to repay the debt owed to the secured creditors;

- Pay out the money collected in the order of priorities as required by law; and

- Report to the ASIC any possible offences or other irregular matters that they may identify.

Typically the R&M's primary duty is to the secured creditors. One of the primary obligations owed to the mortgagor company is an obligation to take reasonable care to sell charged property for not less than its market value or, if there is no market value, the best price reasonably obtainable (section 420A of the Act). A R&M is also defined as an officer of the company and is subject to the duties as set out in the Act.

The exception to the above statement is that the R&M have been appointed to GSMAL that acts as the RE of the various MIS projects. The RE is impressed with various duties and responsibilities to investors in the MIS projects pursuant to sections 601FD of the Act, the R&M as an officer of the RE is also impressed with various duties and obligations pursuant to section 601FE of the Act.

Otherwise the R&M have no obligations to report to unsecured creditors with respect to the conduct of the receivership. Further, certain information gathered by the R&M during their involvement may be confidential to their appointment and therefore not generally available to creditors.

The receivership will usually end when the R&M have collected and sold enough assets to repay the secured creditors, completed all their receivership duties and paid their receivership liabilities. If that were to occur, the R&M would then resign or be discharged by the secured creditor and the Administrators would resume control of the companies and any remaining assets.

## 3.7 Winding up Applications

There have been no winding-up applications against any of the GS Group Companies.

### 3.8 Chronology of Major Events

Summarised below the significant events of the GS Group Companies and the MIS industry from the date of its listing on the ASX to the date of our appointment:

| Date | Event |
|---|---|
| Late 1990's | Federal Government announces its 2020 Vision for the Forestry Plantation Industry in Australia. |
| 5 July 1999 | Listed on ASX which involved a $45m capital raising. |
| 1999/2000 | Federal Government announces a range of tax changes in response to the Ralph Review Report. These include changes to the prepayment rules which allowed up front deductions for qualifying expenditure. As a result of these changes, prepayments would only be deductible over the period during which services would be provided.<br><br>MIS sales significantly increased for the GS Group Companies as result of investors wanting to secure MIS investment before the tax changes took effect on 1st July. |
| 2000/2001 | ATO introduces new system of tax ruling which had a significant impact on the marketability of MIS products and the companies offering products with an ATO tax ruling. The competitive landscape changed and in August 2001, the ATO released a press statement supporting those companies with product rulings.<br><br>GSL was the first company to meet the criteria behind the ATO's product ruling requirements. |
| 2001/2002 | Federal Parliament introduces further tax changes, including the introduction of the 12-month prepayment rule which further boosts investment incentive into industries such as forestry plantations. GSL's share price receives a boost.<br><br>A special dividend was paid that year. |
| 2002/2003 | GSL announces MIS sales more than doubled during the financial year ending 2003 to $109m and profits of $41.4m.<br><br>A flow on effect of the 12-month rule which was effective from June 2002 and GSL's share price surges.<br><br>TREES Convertible Notes issued to raise $55m. |
| January 2004 | First Woodchip Sales contract executed. |
| March 2004 | Acquired 84,000 ha (55,000 ha plantable) of land from Challenger Financial Services group for $71m.<br><br>Funded by new equity raised of $50m. |
| 30 June 2004 highlights | GS Group Companies manages funds of $700m on behalf of 20,000 investors.<br><br>MIS sales for financial year ended of $243m being up 120% on previous year.<br><br>Net profit after tax up 125% to $93.2m.<br><br>First viticultural project raised $16m. |

# 3 Company information

| Date | Event |
|---|---|
| | Net assets of $448m ($1.84 per share).<br><br>In excess of $120m in capital raisings in financial year 2004.<br><br>Dividends totalling 10c per share paid.<br><br>Acquired 199 properties for plantations (104,532 ha at a cost of $127m). |
| September 2004 | Federal Government announces a compensation package to end old-growth logging in Tasmania. This opens up the market for new plantations, and GSL share price reacts positively. |
| October 2004 | Raised $80m through the issuance of second convertible notes issue (TREES 2). |
| November 2004 | First harvesting of company owned plantations commenced. |
| 17 February 2005 | Announced the intention to acquire the Sylvatech entities for an expected $50m.<br><br>Sylvatech involved with forestry projects on the Tiwi Islands and intention to expand into the cattle business.<br><br>Announced the intention to acquire certain cattle assets from Environinvest for an expected $60m. (actual approximately $55m).<br><br>Acquisition included 55,000 head of cattle under management and 3,600 ha of grazing land and assignment of 300,000 ha of leased land.<br><br>Institutional share placement of $140m occurred on 16 February 2005.<br><br>A related entity associated with the Managing Director, John Young, had sold $32.5m worth of shares during the institutional share placement price of $4.65 per share. |
| 30 June 2005 highlights | GS Group Companies manages funds of in excess $1bn on behalf of 27,000 investors.<br><br>MIS sales for financial year ended of $355m being up 46% on previous year (plantations $304m, Vineyards $32m, Olives $19m).<br><br>Net profit after tax up 33% to $124m.<br><br>Net assets of $762m ($2.57 per share).<br><br>In excess of $140m in capital raisings in financial year 2005.<br><br>Dividends totalling 14c per share paid.<br><br>Acquired 76 properties for plantations (25,657 ha at a cost of $79m).<br><br>Share price $4.21 as at 30 June 2005.<br><br>Appointment of two additional non-executive Directors. |
| 6 July 2005 | Mr David Griffiths appointed as the new chairman. |
| 28 October 2005 | Raised $124.7m through the issuance of securities known as “TREES 3”. |

# 3 Company information

| Date | Event |
| --- | --- |
| 30 June 2006 highlights | MIS sales for financial year ending $457m up 29% on previous year. (Plantations $314m, Vineyards $20m, Olives $48m and cattle $75m – best year of MIS sales raised).<br><br>Net profit after tax up 4.8% to $132.9m.<br><br>Net assets of $756m ($2.44 per share).<br><br>Dividends totalling 15c per share paid.<br><br>Acquired 35,000 ha of plantation land at a cost of $167m.<br><br>Acquire 1.4m ha of grazing land for use in the beef cattle projects at a cost of $119.2m (including $60m for cattle).<br><br>Share price $3.43 as at 30 June 2006. |
| 17 August 2006 | Entered into a structured finance facility with the ANZ bank that provided $212m after issue costs.<br><br>From these funds the GS Group Companies purchased a Yield Asset of $75m with $137m available to the GS Group to be drawn down. Referred to as RAPT. These borrowings were repayable in 2012. |
| 15 September 2006 | The GS Group Companies restructured its existing bank facilities into a 3 year unsecured facility repayable in 2009 with a total limit of $245million. |
| 30 September 2006 | Financial year end changed from June to September. Company share price 30 September 2006 was $2.49.<br><br>The bank facility restructured at 15 September was drawn to $200m. |
| Late 2006 | The Government and ATO commence a review of the upfront deductions utilised by the forestry and non forestry managed investment schemes. |
| 7 February 2007 | The Federal Government announces that the ATO has reconsidered its interpretation of current tax laws, with the impact being that investors in non forestry investments will no longer be allowed to claim up front deductions for their project fees (to be effective 30 June 2007).<br><br>GSL's share price drops significantly and the company reaffirms its commitment to forestry with the introduction of High Value Timber product. |
| 27 March 2007 | ATO announces transitional arrangements of 2 years for non-forestry MIS taxation implications will not commence until 1 July 2008. |
| 12 June 2007 | ASX announcement that GSL had received a preliminary, non-binding and incomplete expression of interest involving the future ownership of the company. |
| 3 August 2007 | Acquired agricultural fund manager RFM which had $180m in funds under management for approximately $35m. |
| 30 Sept 2007 highlights | GS Group Companies manages funds of in excess $1.9b.<br><br>MIS sales for the financial year ended of $412m down 10% on the previous year.<br><br>Net profit after tax reduced 46% to $71.5m. |

## 3 Company information

| Date | Event |
|---|---|
| | Net assets of $765m ($2.16 per share).<br><br>Dividends totalling 12c per share paid.<br><br>Impairment charge of $40.1m for non forestry products.<br><br>Banks facility of $350m fully drawn.<br><br>Acquired 20,418 plantable ha of plantation land.<br><br>Acquired 1.4m ha of grazing land for use in the beef cattle projects at a cost of $119.2m (including $60m for cattle).<br><br>Share price $2.32 as at 30 September 2007.<br><br>Change in substantial shareholdings from institutional investors selling out. |
| November 2007 | Acquired 14,700 ha of plantation hardwood and a 50% interest in a woodchip mill in Bunbury from "Hansol". Price expected to be $47.3m. The acquisition of olive assets was also announced. |
| Late 2007 | ATO announces results of their review of the upfront deductibility rules and their review on forestry and non-forestry MIS products indicating that they intend on phasing the 12 month rule out for these products. |
| February 2008 | Cameron Rhodes replaces founder John Young, as the Managing Director. John Young remains on the board as a non-executive director. |
| 1 July 2008 | GSL announces MIS Sales drop by 25% to $314m, significantly impacting the share price. |
| 26 August 2008 | ASX announcement outlining Project Transform and aim to create a more sustainable, transparent and valuable business that can become less susceptible to regulatory uncertainty. Value of 1998 to 2003 plantation projects and 2006 and 2007 cattle assessed at $438.1m.<br><br>Share price drops significantly and majority shareholder, Ospraie (19.9%) announces the closure of its flagship hedge fund and the selling down of its investment in GSL. |
| 24 September 2008 | GSL announces a review of the pricing structure of Project Transform in response to the economic volatility, changes in substantial shareholding and drop in GSL share price. |
| 9 October 2008 | GSL announced a revised offer for Project Transform with the issue price of shares to be the 5 day Volume Weighted Average Price of GSL (commencing prior to the investor vote). |
| 14 October 2008 | ASX announcement that the independent Directors of the RE unanimously recommend that in the absence of a superior offer that investors vote in favour of each scheme proposed under Project Transform. |
| 24 October 2008 | The Explanatory Memorandum and prospectus issued to relevant parties for Project Transform. |

# 3 Company information

| Date | Event |
|---|---|
| 25 November 2008 | GSL advised that the Volume Weighted Average Price of its shares was calculated to $0.2845, and being below the floor price of $0.50, project investors would be offered the maximum number of 816 million shares per Project Transform. |
| 27 November 2008 | GSL announced that the Independent Directors of the Responsible Entity had resolved to adjourn the meetings of investors scheduled for 1 December 2008 on the basis that supplementary information material to the Explanatory Memorandum was to be provided to project investors. |
| December 2008 | Club Banks give approval to Project Transform proposals in exchange for specific mortgages and additional security (across Receivership Companies). |
| 1 December 2008 | In respect of the Financial Year ended 30 September 2008, GSL announced:<br><br>A net loss after tax of $63.8m. This included an allowance for $56.9m in doubtful debts and write down of $30m in goodwill for the previous acquisitions of RFM and Sylvatech.<br><br>Net tangible assets of $1.90 per share.<br><br>GSL provides an update to the Project Transform proxy position.<br><br>Conditional sale of certain Queensland forestry land for $23m.<br><br>Appendix 4E Preliminary Financial Report released which included a disclosure on Going Concern emphasis, noting the reliance on MIS sales, Project Transform results, asset sales and support from Banks. |
| 16 December 2008 | Supplementary Explanatory Memorandum and Supplementary Prospectus for all eight Project Transform scheme proposals released. The “going concern” emphasis was mentioned on four separate occasions in each of the eight sets of documents.<br><br>Shareholder and grower meetings adjourned. |
| 19 December 2008 | The decision from the High Court challenge to the upfront deductibility rule for non forestry and forestry MIS products is handed down.<br><br>Upfront deductibility on non-forestry and forestry products to be maintained.<br>ATO announces commitment to honour existing taxation legislation and recommence product rulings, in particular for non-forestry MIS. |
| 29 December 2008 | Annual report of the 2008 financial year released. The “going concern” emphasis was raised, noting that the solvency was dependant on successful assets sales, ongoing support of the GS Group Companies’ bankers and alternative strategies to generate cashflow. |
| 13 January 2009 | Updated IE reports issued. Other than for the 1998 plantation project, the IE concluded that the various Scheme (Project Transform) terms remain fair and the Scheme is in the best interests of the Investors as a whole.<br><br>The report noted the “emphasis of matter” in relation to the inherent uncertainty regarding GSL’s ability to continue as a going concern. The report also noted the reasons why the Directors of GSL believed that the company in its current form was a going concern. |

# 3 Company information

| Date | Event |
|---|---|
| 20 January 2009 | GSL announced that the special resolutions had been accepted by the requisite majorities for both beef cattle projects and that $88m of cattle assets would be, subject to shareholder approval (which was later given), converted to 176m shares in GSL.<br><br>None of the plantation projects reached requisite majorities under Project Transform. |
| 2 February 2009 | GSL announced that $63.8m of individual offer acceptances would be converted to GSL shares. Including the results of the beef cattle scheme proposals, 308 million new shares would be issued. |
| March 2009 | McGrathNicol is appointed by the Club Banks as their advisor and engaged to conduct a report to the Club Banks covering GSL financial position and cashflows. |
| 8 April 2009 | GSL provided a market update that included:<br><br>Partial sale of the loan book at $0.38 in the dollar to realise $9m.<br><br>Macquarie Capital global forestry team appointed to explore alternative sources of capital and corporate structures.<br><br>Reducing operational and legacy costs.<br><br>Pursuing profitable MIS sales focused on forestry MIS products.<br><br>Losses for the six months to 31 March 2009 expected to be $120m to $130m before any further provisioning as asset impairment adjustments.<br><br>GSL announce that it met its operational cashflow banking covenant as at 31 March 2009, that the GS Group Companies was continuing to pursue asset sales in an orderly manner and is working with its banks in relation to its working capital requirements.<br><br>GSL suspends TREES 2 & 3 coupons and all dividends. |
| 14 April 2009 | GSL approached its bankers seeking a bridging loan of $65m.<br><br>Purpose was to provide $15m pending assets sales, $30m should MIS sales not eventuate and $20m to buy back TREES notes to prevent a potential TREES covenant breach. |
| 23 April 2009 | Timbercorp Limited and its subsidiaries appoints Voluntary Administrators. |
| 7 May 2009 | GSL sought and was granted an ASX “Trading Halt” that ultimately was extended through to 18 May 2009. |
| 11 May 2009 | GSL resubmits bridging finance application to the Club Banks following developments since 14 April 2009.<br><br>This new submission reduced application to $55m, $35m to bridge cashflow until asset settlements in September 2009 (on the assumption of zero MIS sales at June 09) and $20m buy back of TREES. |
| 15 May 2009 | Following advice on 15 May 2009 that its bankers were unwilling to provide the bridging loan facilities sought, the Board decided to appoint Voluntary Administrators. |

# 3 Company information

| Date | Event |
|---|---|
| 16 May 2009 | Martin Jones, Andrew Saker, Darren Weaver and James Stewart were appointed as Administrators over the entities as set out in Annexure 1. |
| 18 May 2009 | Secured creditor appoints R&M who takes control of the business, books and records over 11 entities within the GS Group Companies. |

# 4 Historical Financial Information

## 4.1 Preparation of Financial Statements

The GS Group Companies auditor, Ernst and Young audited the financial statements up to the year ended 30 September 2008 and was in the process of reviewing the half year results to 31 March 2009. The financial statements had not been issued prior to our appointment on the 16 May 2009.

The GS Group also prepared various management accounts (unaudited) and reports on a monthly basis, which have been provided up to the date of our appointment being 16 May 2009.

At section 8.7 of this report, we comment on the adequacy of the GS Group Companies books and records.

## 4.2 Historical Profit and Loss and Preliminary Analysis

Summarised below are the GS Group Companies consolidated profit and loss statements for the years ended 30 September 2007, 30 September 2008 and the period ending on the date of our appointment on 16 May 2009 together with our preliminary analysis:

| Consolidated Profit and Loss (unaudited) | Section Ref | Period to 16 May 09 $'000 | Year to 30 Sep 08 $'000 | Year to 30 Sep 07 $'000 |
|---|---|---|---|---|
| MIS revenue | 4.2(a) | 94,703 | 358,150 | 408,791 |
| Agricultural sales revenue | 4.2(b) | 64,831 | 44,642 | 28,656 |
| Fee revenue | 4.2(c) | 523 | 2,396 | 3,203 |
| Rentals and agistment income | | 1,901 | 1,488 | 1,316 |
| **Total Revenue** | | **161,958** | **406,676** | **441,966** |
| **Less: Cost Of Sales** | 4.2(d) | (81,953) | (200,492) | (202,336) |
| **Gross Profit/(Loss)** | | **80,005** | **206,184** | **239,630** |
| **Gross Profit/(Loss) Percentage** | | **49.40%** | **50.70%** | **54.22%** |
| **Expenses:** | | | | |
| Loss on disposal of assets | 4.2(e) | (137,423) | (115,299) | (48,497) |
| Travel and entertainment | 4.2(f) | (1,056) | (7,958) | (7,331) |
| Services and contracts | 4.2(g) | (14,929) | (33,449) | (32,149) |
| Donations and sponsorships | | (204) | (1,464) | (1,320) |
| Utilities | | (2,555) | (2,498) | (589) |
| Rates and charges | | (2,008) | (1,886) | (3,546) |
| Insurance premiums – expenses | 4.2(h) | (3,331) | (3,524) | (4,159) |
| Licence, fees, permits and registration | | (1,703) | (3,092) | (2,525) |
| Managed fund fees | | (922) | (1,983) | (1,503) |
| Consumables | 4.2(i) | (5,390) | (10,073) | (9,593) |
| Repairs and maintenance | | (2,436) | (4,688) | (4,299) |
| Operating leases, rental and hire – expenses | 4.2(j) | (28,932) | (30,709) | (23,604) |
| Depreciation and amortisation | | (7,017) | (10,380) | (9,519) |
| **Total expenses** | | **(207,906)** | **(227,003)** | **(148,634)** |
| **Operating Profit/(Loss)** | | **(127,901)** | **(20,819)** | **90,996** |
| **Other Income** | | | | |
| Interest revenue | 4.2(k) | 7,339 | 25,264 | 33,676 |
| Asset revaluation adjustments | 4.2(l) | (73,032) | 2,380 | 28,120 |
| Other income and adjustments | 4.2(m) | 7,779 | 4,590 | 16,081 |
| **Total income** | | (57,914) | 32,234 | 77,877 |
| **Other Expenses** | | | | |
| Finance Costs, interest and borrowing expenses | 4.2(n) | (37,372) | (75,263) | (51,334) |
| Other expenses | 4.2(o) | (71,227) | (4,793) | (9,080) |
| **Total other expense** | | **(108,599)** | **(80,056)** | **(60,414)** |
| **Profit/(Loss) Before Tax** | | (294,414) | (68,641) | 108,459 |
| Tax (expense)/income | | (57,719) | 4,178 | (36,951) |
| **Profit/(Loss) After Tax** | | **$(352,133)** | **$(64,463)** | **$71,508** |

# 4 Historical Financial Information

The previous figures for the period through to 16 May 2009 are unaudited and were extracted from the GS Group Companies management accounts. The Administrators and FH cannot provide any warranty as to the accuracy, completeness or otherwise of the financial statements presented.

An overview of the historical profit and loss statements indicates the following in respect of the performance of the GS Group Companies over the relevant period of time:

- The decline in the GS Group Companies performance over the above period has been impacted by the 79% fall in annual MIS sales from its peak at 30 June 2006 ($456.9m) and 23% decline between FY 07 and FY08, to $314m MIS sales raised in FY08.

- A range of regulatory and economic factors have lead to this impact on MIS sales. Further details on these regulatory, economic and business model factors that have had a significant impact on the GS Group Companies are presented in the chronology of events outlined in section 3.8 and section 5.2 “Causes of Failure”.

- Reported gross profit margin ranges between 49% to 54% over the above period (based on management’s classified **cost of sales** from the general ledger). The significant expenditure items that constitute the cost of sales expense are presented in Note (d) of this section.

- A material cost component of the cost of sales and overhead expenditure represents the sales commissions, marketing, and promotional costs that have been paid over the above period of time. These costs have averaged between 18%–20% of the MIS sales raised over this time, effectively representing an average cost of 20 cents in every $1 raised from MIS sales activity. These expenses impacted the margins retained within the business and funding required each year to generate MIS sales activity.

- Other major expenses of the GS Group Companies that increased significantly over this period of time include land lease rental charges. This trend is a direct function of the MIS sales activity and resulting MIS projects. As at our appointment, approximately 91,288 hectares for forestry and 7,443 hectares for horticulture was leased area.

- A significant impact to the accounting profit and loss statement has been the downward revaluation of various assets classes within the GS Group Companies and investment acquisition write offs due to impairment adjustments (under the accounting standard requirements).

  These accounting adjustments are due in part to economic conditions impacting asset markets and the level of uncertainty facing the business. The underlying future revenue streams have been impacted by these events and therefore their carrying value has been adjusted in accordance with accounting standard requirements.

- Finance costs and charges continued to escalate from 2007 with the increasing reliance on external funding and the expanding debt structure of the business. The GS Group Companies asset realisation program was initiated with the view of reducing the gearing within the business and retiring debt during 2009.

  The net debt to equity ratio at FY07 was 59.3% which escalated to 98.7% at FY08 and 134% at 16 May 2009.

The Administrators make the following comments with reference to the specific items of the consolidated profit and loss:

a) **MIS revenue** for FY09 mainly consists of deferred MIS revenue from FY08 MIS sales in accordance with the accounting treatment of the revenue recognition policies for initial and ongoing MIS management fees.

   It should be noted that the majority of the MIS sales activity usually occurs in the months leading up to June each year. Management had forecast a significantly reduced sales budget through to 30 June 2009 with a revised sales target of $150m.

   Refer to section 8.6 of this report for specific details on the forecast targets for FY09 and leading up to our appointment.

b) **Agricultural sales revenue** represents the proceeds generated from cattle sales and harvest proceeds. A breakdown of the agriculture sales revenue is as follows:

| Agricultural Sales Revenue | Period to 16 May 09 $'000 | Year to 30 Sep 08 $'000 | Year to 30 Sep 07 $'000 |
|---|---|---|---|
| Cattle sales | 44,452 | 13,362 | 18,535 |
| Harvest proceeds | 20,379 | 31,280 | 10,121 |
| **Total** | **$64,831** | **$44,642** | **$28,656** |

The position for the year to 16 May 2009 indicates a sharp increase in cattle sales for FY09 which is due to additional cattle acquired through the Project Transform process. Historically these revenues are usually a reflection of the productivity of each year's harvest and cattle sales and these can vary significantly.

c) **Fee (revenues)** comprises fees earned for provision of service, loan establishment fees and others and generally fluctuate in line with MIS sales achieved each year.

d) **Cost of sales** represents the cost of materials, selling, distribution, and employees and contractors (based on management's general ledger classification). These are costs directly attributed to MIS sales activity and ongoing project maintenance. As a result for the limited MIS sales activity leading up to 16 May 2009, reported COGS has fallen significantly in comparison to historical levels.

A breakdown of the cost of sales is as follows:

| Cost of Sales | Period to 16 May 09 $'000 | Year to 30 Sep 08 $'000 | Year to 30 Sep 07 $'000 |
|---|---|---|---|
| Cost of goods sold | 7,210 | 24,258 | 8,980 |
| Direct employee costs | 27,408 | 46,711 | 43,774 |
| Other employee cost | 516 | 6,357 | 9,001 |
| Employee related taxes | 2,362 | 4,942 | 3,608 |
| Services and contracts - contractors | 29,405 | 51,265 | 61,814 |
| Services and contracts - selling | 1,526 | 34,348 | 43,995 |
| Materials | 13,526 | 32,611 | 31,164 |
| **Total** | **$81,953** | **$200,492** | **$202,336** |

We have been advised that the employee costs set out in the above table all employee costs not just those that relate to the derivation of new MIS sales or the management of existing MIS projects. The above general ledger COGS classification will not be consistent with the financial reporting classification set out in GSL's Annual Report.

e) The **loss on disposal or impairment of assets** is primarily due to the disposal of assets and a revaluation/impairment of biological assets at fair value.

| Loss on Disposal | Period to 16 May 09 $'000 | Year to 30 Sep 08 $'000 | Year to 30 Sep 07 $'000 |
|---|---|---|---|
| Loss from disposal of non current asset | 32,479 | 285 | 224 |
| Bad debts written off | 1 | 45 | 98 |
| Doubtful debts | 28,083 | 56,936 | 5,632 |
| Other asset impairment | 22,823 | 25,406 | 42,543 |
| Goodwill impairment | 21,104 | 25,513 | - |
| Decrement - biological asset at MV | 32,933 | 7,114 | - |
| **Total** | **$137,423** | **$115,299** | **$48,497** |

- A portion of the **loss from disposal of non current assets** of $32.48m relates to the GS Group Companies investments in ROF. This account includes a write down of $12.8m in relation to ROF. Prior to 16 May 2009, an offer had been received for the sale of the ROF investment however this sale did not proceed. As such this adjustment is an impairment adjustment (and not a loss on sale) reflecting the recent sale offer and a sign of the underlying uncertainty of funds flowing into the rural funds management sector at the time.

  An amount of $14m of the $32.48m **loss from disposal of non current assets** relates to the loss on the sale of a portion of the GSF loan book to JAM. For further detail on this transaction refer to Section 8.12 of this report.

- The **doubtful debts** relates mainly to the investor loan book that is held by GSF which represents investor loans in MIS projects that are funded by GSL/GSF. After an assessment of the recoverability of its loan book of $90.8m face value, management increased the doubtful debts provision by $28.1m for FY09 giving $23.2m net.

  The doubtful debts provision escalated in FY08 due to concerns as to the recoverability of investor loans written through one specific financial planning group. The ceased to conduct business with that financial planning group prior to our appointment, and we are currently investigating the circumstances surrounding the loans and their recoverability.

- **Other asset impairment** relates to the recording of a $16m impairment adjustment from an assessment of the recoverable amount of the assets in the wine grape and olive cash generating unit.

  This adjustment to the carrying value of GSL's investment into the wine and olive cash generating units took into account a number of factors such as current commodity prices, future prices, and general decline in the agriculture and market conditions at the time.

- **Goodwill impairment** adjustments for the period to 16 May 2009 relate to the write-off of the goodwill in GSCM that resulted from the acquisition of the Environinvest Beef Cattle MIS business.

  The goodwill adjustment in GSCM for Enviroinvest followed the completion of Project Transform, which resulted in GSL effectively ceasing to operate a MIS cattle business and therefore for accounting purposes could no longer carry goodwill in the balance sheet that related to the cattle MIS business. This is consistent with adjustments proposed in the Project Transform PDS.

  For the year ending 30 September 2008, the GS Group Companies had significant goodwill adjustments including $7.5m relating to its previous acquisitions of RFM and $22.5m in GSYL. Both of these adjustments were based upon assessments of the value in use to the GS Group Companies of the relevant cash generating units relating to these goodwill assets at the reporting date.

  The goodwill impairment adjustment relating to the carrying value of the GSYL investment reflects a negative cashflow position until the second rotation of land on the Tiwi Plantations and the uncertainty around whether GSL would be in a position to use the second round rotation land on the Tiwi Islands.

- **The impairment charge to biological assets has resulted in a decrement to the profit and loss statement of $32.9m**. Biological assets represent grape vines, olive trees, almond trees and cattle which are recorded at their fair value less cost to sell at the above balance dates.

  The main adjustments to biological assets fair value is a $12m fair value decrement for GSCM for cattle on the expected reduction in their fair values from the planned sale of the cattle (due to the prevailing market conditions). The remaining decrement adjustment of $12.5m relates to GSVHPL biological assets i.e. the vines, again reflecting the prevailing market conditions at the time.

f) **Travel and entertainment** expenses have declined over the period, as the GS Group Companies introduced cost saving measures (through Project Prune) which targeted all ongoing non essential travel and entertainment related expenditure. In addition to these measures the limited MIS sales activity for FY09 would have significantly impacted the actual travel and entertainment expenditure for FY09.

g) **Services and contracts** represents the cost of communication, IT services, courier, freight, property maintenance, advertising, marketing and professional fees paid to advisors. A breakdown of these costs is as follows:

| Services and contracts | Period to 16 May 09 $'000 | Year to 30 Sep 08 $'000 | Year to 30 Sep 07 $'000 |
|---|---|---|---|
| Services and contracts - Communication | 818 | 1,741 | 1,062 |
| Services and contracts - IT | 465 | 1,481 | 1,238 |
| Services and contracts - Mail and Freight | 906 | 3,888 | 1,805 |
| Services and contracts - Property | 3,951 | 6,648 | 3,802 |
| Services and contracts - Professional | 8,061 | 17,024 | 22,203 |
| Services and contracts - General | 367 | 1,657 | 1,594 |
| Services and contracts - Marketing | 361 | 1,010 | 445 |
| **Total** | **$14,929** | **$33,449** | **$32,149** |

For the period to 16 May 2009, costs on an annualised basis have reduced approximately 28.5% in line with the initiatives of Project Prune.

h) The **insurance premiums expenses** and insurance premium recovery (relating to the growers insurance) has been presented on a net basis. Growers insurance represents insurance related to the MIS projects and recovered from the MIS investors.

Insurance costs could arguably be determined as directly attributable to the project and thus recorded as part of cost of goods sold for financial reporting purposes.

i) **Consumables** represents items for cleaning, small office equipment, stationery, subscriptions and publications and other general consumables. It also includes items of consumables in the agribusiness (i.e. tags and veterinary supplies) and the cost of diesel and petrol consumed. These costs on an annualised basis have also reduced in line with the initiatives of Project Prune.

j) **Operating leases, rental and hire expense** represents leased infrastructure expenditure for property, plant, equipment, motor vehicles, port, aircraft and other general venue hires.

A breakdown of these expenses are as follows:

| Operating leases, rental and hire | Period to 16 May 09 $'000 | Year to 30 Sep 08 $'000 | Year to 30 Sep 07 $'000 |
|---|---|---|---|
| Agistment | 792 | 1,550 | 3,736 |
| Buildings/property lease and rental | 1,850 | 3,267 | 6,214 |
| Cattle rental | 59 | 106 | 187 |
| IT and communications lease, rental or hire | 384 | 776 | 496 |
| Motor vehicles lease, rental or hire | 669 | 978 | 621 |
| Plant, machinery & equipment lease, rental or hire | 1,185 | 1,294 | 599 |
| Office equip. lease, rental or hire | 89 | 232 | 162 |
| Port lease | 228 | 162 | 46 |
| Land lease and rental | 23,371 | 21,948 | 10,917 |
| Other lease, rental and hire costs | 305 | 396 | 626 |
| **Total** | **$28,932** | **$30,709** | **$23,604** |

The R&M is in the process of determining the leasing requirements under the MIS projects and for the GS Group Companies. Ongoing commitments of the above nature will be determined subject to the outcome of a final assessment.

k) **Interest revenue** represents the interest earned on bank interest, MIS loan interest and interest derived from yield assets.

l) **Asset revaluation adjustments** have resulted in an overall decrement for the period ending 16 May 2009. The effect of these adjustments are summarised below:

| Entity | Investment Property at FV adjustment | Biological Assets adjustments | Total $'000 |
|---|---|---|---|
| GSPINE | 29 | - | 29 |
| GSCH | 7,349 | - | 7,349 |
| GSCM | - | 53,134 | 53,134 |
| GSEC | - | (1,726) | (1,726) |
| GSHVT | (2,696) | - | (2,696) |
| GSLH | 8,145 | - | 8,145 |
| GSOH | - | (12,708) | (12,708) |
| GSPH | - | (1,232) | (1,232) |
| GSPL | 10 | - | 10 |
| GSPT | 23,267 | - | 23,267 |
| GSPT2 | 3,905 | - | 3,905 |
| GSTH | - | (4,445) | (4,445) |
| **Total** | **$40,009** | **$33,023** | **$73,032** |

Major revaluations adjustments were as a result of the following:

- GSCM's decrement adjustment predominately relates to the gross accounting adjustment for the write-off of the carrying value of the cattle asset sold during the relevant period. The GS Group Companies received $44.4m in cattle sale proceeds (refer to note 4.2(b) for the sale proceeds).

- GSLH, GSPT and GSPT2's decrements relate to land impairment adjustments reflecting the level of uncertainty in many of the agriculture land markets at the time (and therefore negatively impacting the DCF model).

- GSCH's decrement adjustment represents the fair value adjustment to Reekara Park cattle property which is recorded as an Investment Property in the balance sheet. This decrement is a reflection of the deteriorating market conditions from the previous reporting period.

- GSHVT's increment relates to the fair value adjustment for the HVT land which is carried as an investment property in the balance sheet as these properties are leased to project investors.

  The investment property valuation was updated to take account of the prevailing market conditions. The major reason behind the fair value increment is the unwinding of the discount of six months from the previous reporting period (30 September 2008) i.e. the termination of the MIS leases are six months closer and so the impact of this lease encumbrance on fair value is slightly reduced.

- GSPH and GSTH's increment represents the market value adjustment in relation to Biological Assets relating to the pulpwood trees on the Hansol estate and other plantation estates.

m) **Other income and adjustments** includes items such as profit on the sale of land ($6.9m) and the GS Group Companies share of the Hansol joint venture operating profits ($0.5m).

n) **Finance cost, interest and borrowing expenses** represents the cost of stamp duty, interest paid on hire purchases and other financial leases, the interest on TREES2, TREES3, the Club Bank's facility and other financing costs and fees. For further detail regarding the debt structure of the GS Group Companies refer to notes (k) and (l) of section 5.1 of this report and Annexure 2 for the summary of entity charges.

o) **Other expenses** includes a non-cash accounting adjustment of $53m representing the accounting cost of acquiring the MIS rights from investors in the 2007 and 2008 Beef Cattle Projects (as a result of cancelling the graziers lease with GSMAL) and exchanging the fair value of the shares issued. This accounting adjustment is consistent with the PDS disclosures for Project Transform.

Other expenses also include an additional top up to the HPE/Grower Return (Land Assessment Provision) that is discussed in section 4.3(p).

## 4.3 Balance Sheet and Preliminary Analysis

Summarised below is the GS Group Companies consolidated balance sheet prepared as at 30 September 2007, 30 September 2008 and the date of our appointment on 16 May 2009:

| Consolidated Balance Sheet (unaudited) | Section Ref | As at 16 May 09 $'000 | As at 30 Sep 08 $'000 | As at 30 Sep 07 $'000 |
|---|---|---|---|---|
| **Current Assets** | | | | |
| Cash and cash equivalents | 4.3(a) | 16,437 | 85,964 | 202,618 |
| Trade and other receivables | 4.3(b) | 108,807 | 194,254 | 241,199 |
| Loans - other | 4.3(c) | 22,023 | 12,191 | 2,650 |
| Inventory | 4.3(d) | 7,833 | 3,231 | 6,788 |
| Other assets | 4.3(e) | 102,718 | 58,996 | 105,821 |
| **Total Current Assets** | | **257,818** | **354,636** | **559,076** |
| **Current Liabilities** | | | | |
| Trade and other payables | 4.3(f) | (40,041) | (72,645) | (89,664) |
| Interest-bearing loans and borrowings | | (743) | (961) | (930) |
| Provisions | 4.3(g) | (7,795) | (7,576) | (6,766) |
| Deferred revenue | 4.3(h) | (40,296) | (105,144) | (146,202) |
| **Total Current Liabilities** | | **(88,875)** | **(186,326)** | **(243,562)** |
| **Non Current Assets** | | | | |
| Trade and other receivables | 4.3(i) | 2,045 | 90 | 132 |
| Property, plant and equipment | 4.3(j) | 418,973 | 252,493 | 196,067 |
| Investment property | 4.3(k) | 581,795 | 804,203 | 722,310 |
| Intangible assets | 4.3(l) | 19,841 | 40,993 | 70,184 |
| Investments in related entities | 4.3(m) | 9,863 | 24,494 | 345 |
| Other assets | 4.3(n) | 196,730 | 327,377 | 191,527 |
| **Total Non Current Assets** | | **1,229,247** | **1,449,650** | **1,180,565** |
| **Non Current Liabilities** | | | | |
| Interest-bearing loans and borrowings | 4.3(o) | (833,990) | (811,503) | (660,819) |
| Provisions | 4.3(p) | (74,331) | (100,288) | (60,977) |
| Deferred revenue | 4.3(h) | (8,384) | (21,942) | (8,316) |
| **Total Non Current liabilities** | | **(916,705)** | **(933,733)** | **(730,112)** |
| **Net Assets** | | **481,485** | **$684,227** | **$765,967** |
| **Equity** | | | | |
| Contributed equity | 4.3(q) | (610,256) | (465,442) | (448,109) |
| Reserves | 4.3(r) | (13,548) | (14,002) | (13,342) |
| Retained profits | | 142,319 | (204,783) | (304,516) |
| **Total Equity** | | **$(481,485)** | **$(684,227)** | **$(765,967)** |

The above figures prepared at 16 May 2009 were extracted from the GS Group Companies management accounts which are unaudited and therefore we can provide no guarantee or warranty as to the accuracy or otherwise of the financial statements.

The balance sheet also indicates a declining position with net assets falling to $481m by 16 May 2009, impacted by movements such as:

a) On a consolidated basis the GS Group Companies had a significant reduction in **cash and cash equivalents** over the above period. This can be indirectly attributed to the timing of the appointment against the timing of MIS sales during the year (prior to 30 June MIS sales) and cashflow requirements discussed in further detail in section 4.4.

Overall working capital had declined from $216m (or two times current liabilities) in 2007 to $169m (or 1.8 times current liabilities) by 16 May 2009.

| Consolidated Working Capital | As at 16 May 09 $'000 | As at 30 Sep 08 $'000 | As at 30 Sep 07 $'000 |
|---|---|---|---|
| Working Capital | 115,405 | 130,349 | 280,399 |
| Working Capital ratio | 1.81 | 1.58 | 2.01 |

b) A detail breakdown of **Trade and other receivables** are tabled below:

| Trade and other receivables | As at 16 May 09 $'000 | As at 30 Sep 08 $'000 | As at 30 May 07 $'000 |
|---|---|---|---|
| MIS loan and trade receivables | 142,630 | 201,535 | 197,115 |
| Sundry debtors | 35,604 | 52,413 | 12,423 |
| Trust account | - | - | 31,092 |
| Provision for doubtful debts | (71,174) | (63,207) | (2,256) |
| GST receivable | 1,254 | 3,406 | 3,746 |
| Managed fund reimbursable expense | 493 | 192 | 240 |
| Discounting of interest free loans | - | (85) | (1,161) |
| **Total** | **$108,807** | **$194,254** | **$241,199** |

We make comment with respect to the $142.6m **MIS loan and trade receivables** listed in the above table:

- The MIS loan and trade receivables are a net figure which includes a recorded loan value of approximately $162.6m held by GSF. The loan book has been created from investors MIS loans that are repayable over a period of time extending up to June 2023.

  We note that the loan book had been reviewed for recoverability taking into account current market conditions, the credit risk and profile of those loan receivables, and provisions for doubtful debts had been raised by management where considered appropriate.

  A provision for doubtful debts against MIS loans has been made of approximately $53.5m of the total provision amount of $71.2m in the above table. For further details regarding the MIS loan book refer to Annexure 17.

- MIS loan and trade receivables balance above also includes $16.8m relating to investor insurance and GST billed to MIS projects but not yet received payment and management fees payable from net proceeds of harvests in accordance with MIS Constitutions and LMA's.

- Trade receivables of $4.1m are owing to GSCM as a result of cattle sales. Refer to section 4.2(b) for further information.

- We note that the loan portfolio gross balance is adjusted on consolidation by $41.1m to reflect a portion of the loan book that has been securitised where there is recourse back to GSL. We understand that this adjustment is in accordance with required treatment under the accounting standards, and as such a corresponding liability has been recorded in "Other Long Term Borrowings" to reflect the recourse nature of the loan portfolio. Refer to other liability of $35.4m in section 4.3(o).
- Items included in the MIS loan and trade receivables balance have been listed below:

| MIS loan and trade receivables | As at 16 May 09 $'000 |
|---|---|
| Gross MIS loan receivable (held by GSF) | 162,630 |
| Management fees, investor insurance | 16,754 |
| GSFNT trade receivables (consumables) | 265 |
| Trade receivables owing to GSCM from cattle sales | 4,126 |
| Adjustment on consolidation | (41,145) |
| **Total** | **$142,630** |

**Sundry debtors** of $35.6m includes approximately $22m in MIS project management fees (in accordance with the MIS constitutions) that have been earned by the GS Group Companies but not yet paid.

c) **Loans – other** represents loans made to the ROF and RBK

| Loans - other | Relevant Entity Advancing Loans | As at 16 May 09 $'000 | As at 30 Sep 08 $'000 | As at 30 Sep 07 $'000 |
|---|---|---|---|---|
| Loan ROF | GSL | 20,223 | 10,091 | |
| Loan RBK | GSFML | 1,800 | 2,100 | 2,650 |
| **Total** | | **$22,023** | **$12,191** | **$2,650** |

As at 16 May 2009, GSL owns a 46% and 71% equity holding in ROF and RBK ("the Funds") respectively and was deemed to have control of the Funds as GSFML (not under external administration), a wholly owned subsidiary of GSL, is the responsible entity for the Funds.

d) **Inventory** represents chemicals, fertilisers, fuel on hand, seedlings and processed agricultural produce from standing timber, olive, grape and almond harvests (as distinct from biological assets which represents eucalypt and pine trees, grape vines, olive and almond trees, cattle and unprocessed produce).

These assets are measured at initial cost or marked to net realisable value. A significant component of the GS Group's inventory rests in GSEC as standing timber from acquired harvests which has increased as a result of several projects reaching their second rotation. The other dominant component in inventory relates to chemical and fertilisers on hand for forestry and HVT plantations.

The level of inventory will fluctuate with the volume of harvests and requirements under MIS project maintenance programs.

e) **Other current asset** primarily comprises deposits, prepayments and biological assets as follows:

| Other current assets | As at 16 May 09 $'000 | As at 30 Sep 08 $'000 | As at 30 Sep 07 $'000 |
|---|---|---|---|
| Deposits | 2,842 | 4,973 | 6,333 |
| Prepayments | 2,000 | 12,341 | 4,679 |
| Biological assets | 98,667 | 26,127 | 21,158 |
| Derivative financial instruments | (10,207) | (1,609) | 3,136 |
| Investments | - | 3,014 | 5,023 |
| MRF unit holding - ROF | - | 109 | - |
| Other current assets | 9,416 | 14,041 | 65,492 |
| **Total** | **$102,718** | **$58,996** | **$105,821** |

- **Biological assets** predominately represent the cattle stock of GSCM with the following reporting classifications:

| Cattle | As at 16 May 09 $'000 | As at Sep 08 $'000 | As at Sep 07 $'000 |
|---|---|---|---|
| Current assets | 85,938 | 10,849 | 19,768 |
| Non current assets | - | 94,274 | 93,307 |
| **Total** | **$85,938** | **$105,123** | **$113,075** |

The increase in current biological assets as at 16 May 2009 is primarily attributed to GSCM carrying $85.9m in cattle stock acquired through Project Transform and was subsequently reclassified from non current biological assets into current assets. This is primarily due to the Board's decision to sell the cattle assets and therefore for financial reporting purposes it has been reclassified.

- **Other current assets** relates to derivative financial instrument which comprises of a $3.6m swap in relation to the RAPT facility and a $6.6m swap in respect of the GSPT. GSL is required to "mark to market" the swaps to fair value with the fair value movements recorded in the cashflow hedging reserve in equity (in accordance with accounting standards).

f) **Trade and other payables** comprises predominately trade creditors, accruals, amounts due to growers and interest payable to the TREES note holders as follows:

| Trade and other payables | As at 16 May 09 $'000 | As at 30 Sep 08 $'000 | As at 30 Sep 07 $'000 |
|---|---|---|---|
| Trade creditors | (14,565) | (15,334) | (10,458) |
| Other creditors | (1,152) | (3,483) | (2,554) |
| Accruals | (11,389) | (39,617) | (74,455) |
| Prepaid grower interest | - | (86) | (412) |
| GST payable | (1,207) | (1,565) | (2,194) |
| Funds held in trust | (1,372) | (77) | 450 |
| Clearing account - wages etc | (663) | (230) | 59 |
| Unearned revenue | (4,420) | (500) | (100) |
| Interest payable TREES | (5,222) | (6,157) | - |
| Investor purchases clearing | (6) | (36) | - |
| Brokerage clearing | 9 | 13 | - |
| Capital Accruals – PPE & Investment | (54) | (5,573) | - |
| **Total** | **$(40,041)** | **$(72,645)** | **$(89,664)** |

- **Other creditors** balance relates primarily to a debt owed to Pentarch in respect of a share sale agreement with GSYL. The debt is repaid by way of service fees payable to Pentarch on certain shipments of wood from Melville Island. Refer to Annexure 9 for further information on the Pentarch balance.

- The **FY07 and FY08 accrual balances** are high relative to FY09 principally due to the inclusion of capital purchase accruals, being land required for that year's forestry MIS project sales.

- **Interest Payable for TREES** relates to outstanding interest and payments to investors with TREES convertible notes. Refer to Annexure 3 for further information about TREES.

g) **Provisions** comprises the following:

| Provisions | As at 16 May 09 $'000 | As at 30 Sep 08 $'000 | As at 30 Sep 07 $'000 |
|---|---|---|---|
| Annual leave | (2,718) | (3,404) | (3,107) |
| LSL current | (716) | (648) | (309) |
| Income tax | - | 1,010 | 477 |
| GSFM provision for PMP | (3,656) | (3,308) | (3,308) |
| General provisions | (705) | (1,226) | (519) |
| **Total** | **$(7,795)** | **$(7,576)** | **$(6,766)** |

h) **Current and non current deferred revenue** relates to MIS project income as follows:

| Deferred revenue | As at 16 May 09 $'000 | As at 30 Sep 08 $'000 | As at 30 Sep 07 $'000 |
|---|---|---|---|
| Deferred revenue current | (40,296) | (105,144) | (146,202) |
| Deferred revenue non current | (8,384) | (21,942) | (8,316) |
| **Total** | **$(48,680)** | **$(127,086)** | **$(154,518)** |

- As at 16 May 2009, the GS Group Companies recognised liabilities for $48.68m in relation to **deferred revenue**. This represents the income received from MIS projects which is not recognised as revenue until the year in which the work on the projects is performed.

i) **Trade and other receivables** includes:

| Trade and other receivables | As at 16 May 09 $'000 | As at 30 Sep 08 $'000 | As at 30 Sep 07 $'000 |
|---|---|---|---|
| Sundry Debtors | $2,045 | $90 | $132 |

- **Sundry debtors** relates to a short fall provision with respect to Vines 2008 Project which is payable to GSMAL from 2010 harvest proceeds pursuant to the PDS.

j) **Property, plant and equipment** is predominately represented by freehold land, buildings and other improvements.

| Property, plant and equipment | As at 16 May 09 $'000 | As at 30 Sep 08 $'000 | As at 30 Sep 07 $'000 |
|---|---|---|---|
| Land-at cost | 313,842 | 123,767 | 106,934 |
| Buildings | 6,211 | 4,920 | 3,107 |
| Motor vehicles | 2,394 | 2,738 | 1,626 |
| Office furniture, fixtures and equipment | 5,327 | 5,895 | 5,930 |
| Plant & equipment | 31,203 | 33,010 | 25,783 |
| Trellis | 14,392 | 13,483 | 7,026 |
| Drainage | 485 | 478 | 519 |
| Irrigation | 22,919 | 21,102 | 21,515 |
| Roads | 7,350 | 7,102 | 2,922 |
| Dams | 6,244 | 5,022 | 4,303 |
| Shedding | 996 | 758 | 375 |
| Leased plant and equipment | 1,674 | 1,812 | 2,616 |
| Leased motor vehicles | 780 | 884 | 1,240 |
| Lease hold improvements | 15,338 | 14,810 | 10,003 |
| Water licences | 20,886 | 21,248 | 9,664 |
| Improvements | 8,363 | 8,737 | 3,988 |
| Bores | 1,720 | 1,592 | - |
| Asset impairment | (44,642) | (25,024) | (25,024) |
| Asset clearing account | 666 | 2,014 | 4,216 |
| Work in progress | 2,825 | 8,145 | 9,324 |
| **Total** | **$418,973** | **$252,493** | **$196,067** |

- Property, plant and equipment has continued to increase significantly mainly due to freehold land acquisitions and additional pastoral leasehold interests in Queensland and Western Australia. However, the fair value adjustments against plant and equipment and recent cattle property sales have impacted this movement.

k) **Investment property** represents the land holdings which the GS Group Companies leases to its forestry, pulpwood and HVT MIS projects. It is valued at fair value ("FV") which takes into account the impact of the MIS lease (encumbers the land) and in particular, the deferral of lease rentals which are paid out of net harvest proceeds, as shown below:

| Investment property | As at 16 May 09 $'000 | As at 30 Sep 08 $'000 | As at 30 Sep 07 $'000 |
|---|---|---|---|
| Investment property at fair value | $581,795 | $804,203 | $722,310 |

The significant decrease in the carrying value of investment property at FV between FY08 and FY09 is due to the following:

- Approximately $9.4m was sold to the Land Trust at encumbered value as a result of the FY08 pulpwood and land projects;

- Approximately $179m that was reclassified as property, plant and equipment (note (l)). Of this $161m was following Project Transform in accordance with the disclosure in the Transform prospectus. A further $18m was a reclassification of cattle land held for sale; and

- The FV of investment property was reduced by net $45.7m. Of this $33.9m was primarily a function of reduced expectations of land FV due to prevailing market conditions. A further $6.1m represents a write down of cattle investment property and $5.7m is an adjustment to a previously booked gain.

l) There is a significant decrease in **intangible assets** (in particular goodwill) as a result of the write-off of the cattle projects' goodwill from $39.13m in FY08 to $18.02m in the current year (a decrease of $21.11m)

m) **Investments in related entities** represent investments in associates and joint ventures as shown below:

| Investments in related entities | As at 16 May 09 $'000 | As at 30 Sep 08 $'000 | As at 30 Sep 07 $'000 |
|---|---|---|---|
| Investment- Almondco | 10 | 5 | 2 |
| Investment- ROF/DAF | 1,429 | 12,802 | - |
| Investment- LFL | 464 | 456 | 342 |
| Investment - TFM | - | 3,086 | - |
| Investment - The Creeks Pipeline Co Ltd | 256 | - | - |
| Equity accounted investments | 7,703 | 8,144 | - |
| Investments - other | 1 | 1 | 1 |
| **Total** | **$9,863** | **$24,494** | **$345** |

- **Equity accounted investments** relates to the GS Group Companies 50% interest in the Bunbury woodchip mill. The carrying value will fluctuate according to the GS Group Companies share of net assets and profits in the entity.

- The carrying values of investments in external funds managed by GSFM including the ROF and LFL were reduced to the expected recoverable amount which was based upon proposals by the GSFM management to the GSL Board to buy the GSFM business and assets. No agreement to sell these assets was entered into.

- The **TFM investment** was a managed fund of listed agricultural and properties securities. These securities were sold on the market and the TFM fund was closed during the current year.

- The new investment in FY09 relating to **The Creeks Pipeline Co Ltd** did not proceed.

We note that the carrying value of these investments may vary to the potential realisable value of these investments.

n) **Other assets** represents predominately bonds, biological assets, deferred tax assets and other non current assets:

| Other assets | As at 16 May 09 $'000 | As at 30 Sep 08 $'000 | As at 30 Sep 07 $'000 |
|---|---|---|---|
| Bond-ROTHS | - | - | 2,997 |
| Bond-ABL | 18,173 | 7,723 | - |
| Maintenance funds | 512 | 494 | 585 |
| Term deposits | 20 | 20 | 20 |
| Biological assets | 125,149 | 159,676 | 114,500 |
| Deferred tax assets | 129,068 | 114,647 | 73,387 |
| Deferred tax write-down | (118,016) | - | - |
| Other non current assets | 41,824 | 44,817 | 38 |
| **Total** | **$196,730** | **$327,377** | **$191,527** |

- The **Bond–ABL asset** relates to certain MIS investor loans that have been securitised to BEN for which the GS Group Companies have a credit loss exposure. The asset is subject to fixed charges held by BEN in respect of a deed of mortgage of deposit dated 25 June 2004 and 9 January 2008 as a means to secure GSF's obligations arising under certain transaction documents.

  The bond is secured over BEN's mortgage liability and in this regard the bond cannot be redeemed until the liability to BEN has been discharged in full.

- **Biological assets** comprise of standing timber, olives, almond, grapes and beef cattle. The main noncurrent biological assets represent standing timber acquired along with the acquisition of the 50% interest in the Bunbury woodchip mill and the timber interests acquired by the GS Group Companies from investors as part of Project Transform. The value presented above may not be representative of the ultimate realisable value.

- The **deferred tax asset** balance arises through timing differences that occur between tax and accounting treatments of assets (and liabilities). Management have provided against the asset on the basis that it may only be utilised if the Company continues as a going concern. It is unlikely that the current carrying value will be recoverable.

- **Other non current assets** relates to the Yield Assets invested in under the ANZ RAPT facility and held in the GSPT.

o) **Interest bearing loans and borrowings** comprises the following:

| Interest bearing loans and borrowings | As at 16 May 09 $'000 | As at 30 Sep 08 $'000 | As at 30 Sep 07 $'000 |
|---|---|---|---|
| Club Bank borrowings/syndicated facility | (375,863) | (350,000) | (245,000) |
| ANZ debentures (RAPT facility) | (223,556) | (221,405) | (217,853) |
| TREES3 | (124,700) | (124,700) | (124,700) |
| TREES2 | (79,874) | (79,900) | (79,900) |
| Other liability | (35,414) | (40,806) | - |
| Hire purchase | (673) | (1,290) | (2,152) |
| Unexpired interest/issue costs | 6,090 | 6,598 | 8,786 |
| **Total** | **$(833,990)** | **$(811,503)** | **$(660,819)** |

- The major increase in GS Group Companies borrowings for the 2007 year to the 2008 year is related to $105m drawdown from the **Club Bank's facility** to its maximum $350m limit that existed at that time. A further $30m was drawn from this facility in November 2008 thus increasing the Club Bank's borrowings to $380m and $5m of Club Bank debt was repaid in February/March 2009 from asset sales.

- **ANZ debentures (RAPT)** facility is a structured finance facility subscribed through the issue of debentures by GSDH to a syndicate to acquire scheme land. For further details refer to Annexures 14 and 27.

- In October 2004 the company issued 800,000 **TREES2 notes**, each with a face value of $100 raising $80,000,000 before issue costs. At the discretion of the Directors each TREES2 pays a preferential non-cumulative franked coupon payable semi-annually in arrears.

- In October 2005 the company issued a third hybrid security series, **TREES3**. A total of 1,247,000 TREES3 with a face value of $100 each were issued raising a total of $124,700,000 before issue costs. TREES3 pays a preferential cumulative unfranked coupon payable semi-annually in arrears.

- TREES2 and TREES3 give note holders the right to convert their TREES2 or TREES3 into the company's ordinary shares in certain circumstances up to 6 months prior to a reset date.

- Through our appointment as Administrators an "Acceleration Event" is deemed to have occurred and these TREES liabilities has been converted into debt. This has also resulted in GSL being required to pay TREES holders the face value of TREES notes grossed up by 5%, which at 16 May 2009 is estimated at around $215m. Please refer to the comments in Annexure 3 for further details.

- The **other liability balance** for the 2008 and 2009 years represent the requirement to gross up the value of some securitised loans to BEN for which the GS Group Companies have a level of credit loss exposure due to the recourse nature of the loan portfolio (refer to section 4.3(b)).

p) **Provisions** predominately relates to the following as shown below:

| Provisions | As at 16 May 09 $'000 | As at 30 Sep 08 $'000 | As at 30 Sep 07 $'000 |
|---|---|---|---|
| Deferred tax liabilities | (8,865) | (54,559) | (18,462) |
| Long service leave | (853) | (701) | (2,160) |
| Maintenance | - | - | - |
| Grower return provision | - | - | (9,600) |
| HPE provision | (53,538) | (37,961) | (25,515) |
| GSFM earn out liability | - | - | (4,490) |
| General provisions | (11,075) | (7,067) | (750) |
| **Total** | **$(74,331)** | **$(100,288)** | **$(60,977)** |

- **Grower return provision** represents the commitment made to meet project returns with respect to investors on the 1995 and 1996 plantation projects.

- The **HPE provision** represents the commitment in the 2004, 2005, 2006, 2007 and 2008 project requirements that all land and timber used in each project is or will be assessed as being capable of being managed as a whole to produce a particular average volume of gross timber per hectare (in accordance with PDS).

  The provision has been calculated based upon industry assessments provided to the GS Group Companies at the time of the assessment for the above projects. On this basis, the HPE provision represents the present value of additional work (and costs) that may be required in acquiring or establishing additional land and timber to fulfil that commitment to growers.

  Additional resources to meet the above commitment were intended to be fulfilled by allocating company owned or leased land and timber to the relevant project. For further information on the provision for growers return and HPE refer to GSL's 2008 Annual Report (refer to Provision of Land Assessment account balance).

q) **Contributed equity** is broken down as follows:

| Contributed equity | As at 16 May 09 $'000 | As at 30 Sep 08 $'000 | As at 30 Sep 07 $'000 |
|---|---|---|---|
| Issued capital - ordinary shares | (573,352) | (420,134) | (402,437) |
| Equity issue costs | 12,887 | 4,371 | 4,371 |
| TREES1 equity conversions | (55,000) | (55,000) | (55,000) |
| TREES1 issue costs | 3,209 | 3,209 | 2,770 |
| TREES2 equity conversions | (100) | (100) | (100) |
| TREES2 issue costs | 3 | 3 | 3 |
| Treasury shares | 2,097 | 2,209 | 2,284 |
| **Total** | **$(610,256)** | **$(465,442)** | **$(448,109)** |

- The increases in **issued capital-ordinary shares** and other major capital raising exercises have been summarised in section 3.8 of this report.
- The recent increase in issued capital is due to Project Transform.

r) **Reserves** are broken down as follows:

| Reserves | As at 16 May 09 $'000 | As at 30 Sep 08 $'000 | As at 30 Sep 07 $'000 |
|---|---|---|---|
| Asset revaluation reserve | (106) | - | - |
| Share based payments reserve | (15,390) | (14,068) | (11,609) |
| Cashflow hedging reserve | 3,820 | 1,958 | (1,736) |
| Option premium reserve | (1,872) | (1,892) | 2 |
| **Total** | **$(13,548)** | **$(14,002)** | **$(13,342)** |

- The **cashflow hedging reserve** is used to account for (gains)/losses on interest rate hedge funds, in line with accounting standards.

- **The share based payments reserves** account is used to recognise the amortised fair value at balance date (utilising market prices) of Management's performance rights issue, in accordance with accounting standard requirements.

## 4.4 Cashflow Analysis and Use of funds

Summarised overleaf is the GS Group Companies consolidated statement of cashflows (extracted from internally prepared management accounts) for the period ending 30 June 2006, 30 September 2007, 30 September 2008 and up to the date of our appointment on 16 May 2009.

# 4 Historical Financial Information

| Historical Cashflow (unaudited) | Year ending 30 June 2006 $'000 | 30 June to 30 Sept 06 $'000 | Year ending 30 Sept 07 $'000 | Year ending 30 Sept 08 $'000 | Year ending 16 May 09 $'000 |
|---|---|---|---|---|---|
| **Cash flows from Operating Activities** | | | | | |
| Receipts from growers/customers (inclusive of GST) | 231,545 | 105,233 | 124,173 | 184,761 | 150,468 |
| Securitisation of loan receivables | 403,350 | 4,493 | 469,844 | 316,627 | 25,487 |
| Payments to suppliers and employees (inclusive of GST) | (321,328) | (164,926) | (342,309) | (381,577) | (198,685) |
| | 313,567 | (55,200) | 251,708 | 119,810 | (22,730) |
| Bank Interest received | 8,115 | 3,965 | 15,209 | 11,359 | 1,261 |
| Income taxes (paid)/received | (73,222) | (32,358) | (37,779) | (2,911) | 8,602 |
| Finance costs paid | (2,525) | (6,121) | (25,566) | (41,618) | (26,839) |
| Purchase of ANZ Yield Assets | | (75,036) | | | |
| Other | | 485 | | | |
| **Net cash inflow/(outflow) from operating activities** | **245,935** | **(164,265)** | **203,572** | **86,641** | **(39,706)** |
| **Cash Flows from Investing Activities** | | | | | |
| Payments for property, plant and equipment | (85,972) | (26,740) | (240,094) | (46,640) | (26,676) |
| Proceeds from sale of property, plant and equipment | | 1,027 | 1,976 | 660 | 247 |
| Payments for investments or property | (167,465) | (22,111) | | (120,234) | (15,113) |
| Proceeds from sale of investment property | 779 | 500 | 3,647 | 6,232 | 20,117 |
| Payments for biological assets | (73,816) | (35,287) | | (61,070) | (1,882) |
| Business Acquisitions | (34,122) | - | (4,505) | (18,668) | - |
| Pmts for intangible assets | | | | (8,773) | - |
| Sale of Intangible Assets | | | | | 316 |
| Pmts for equity accounted investments | | | | (7,306) | - |
| Pmts for financial instruments | | | | (4,500) | - |
| Proceeds from sale of investments | | | | | 3,047 |
| **Net cash inflow/(outflow) from investing activities** | **(360,596)** | **(82,611)** | **(238,976)** | **(260,299)** | **(19,944)** |
| **Cash Flows from financing Activities** | | | | | - |
| Dividends paid | (30,704) | - | (31,463) | (23,118) | - |
| Proceeds from issue of ANZ Debentures | | 214,666 | 630 | | - |
| Cost of issue of ANZ Debentures | | (4,621) | | | - |
| Proceeds from the issue of ordinary shares | | - | | 962 | - |
| Costs of the issue of ordinary shares | | - | | (1,722) | (7,344) |
| Proceeds issue of TREES coupons | 124,700 | | | | - |
| Cost of TREES issue | (4,994) | | | | - |
| Payments of TREES coupons | (10,717) | - | (14,826) | (14,737) | (7,425) |
| Options exercised | 1,681 | 160 | | 150 | - |
| Payment to Collateral Account for Repurchase of loans | | | | | (10,434) |
| Loans from/to related parties | (984) | - | | (9,195) | (11,600) |
| Unit redemption | | | | 160 | - |
| Receipts from borrowings | 204,387 | 200,000 | 45,000 | 106,500 | 30,000 |
| Repayments of borrowings | (168) | (203,429) | (3,029) | (4,647) | (5,445) |
| **Net cash inflow/(outflow) from financing activities** | **283,201** | **206,776** | **(3,688)** | **54,353** | **(12,248)** |
| **Net decrease in cash held** | **168,540** | **(40,100)** | **(39,092)** | **(119,305)** | **(71,898)** |
| Cash at the beginning of the reporting period | 118,292 | 286,832 | 246,732 | 207,640 | 88,335 |
| **Cash at the end of the reporting period** | **$286,832** | **$246,732** | **$207,640** | **$88,335** | **$16,437** |

Note: the ROF and RFM cashflow figures have been removed from the above consolidated cashflow as these are not administration entities. We make the following comments with respect to the consolidated cashflow:

- The above figures were extracted from the GS Group Companies management accounts and are unaudited, we provide no guarantee or warranties as to the accuracy or otherwise of the financial statements.

- We wish to highlight that we are in the preliminary stages of reviewing the application of MIS application monies raised from the 2008 MIS sales as per section 8.13 in accordance with applicable scheme documentation. Our investigation into these issues is ongoing at this time.

- We note that the above cash balances exclude ROF as this is not an administration entity.

Review of the above cashflow statement indicates that the operating, investing and financing activities identifies that:

- **Cumulative net cash inflow from operating activity** of approximately $332m in total over the period, with a peak in receipts from growers and securitisation in FY07 of $635m. It is noted that **operating cashflow** for 2009 does not reflect the benefit of new MIS sales that are traditionally generated in May and June of each year.

- **Cumulative net cash outflow from investment activities** of approximately $962m over the period relating to investment into investment properties, property, plant and equipment and biological assets exceeding over 90% of investment activity.

- **Cumulative net cash inflow from financing activities** of approximately $528m, with approximately $925m in gross debt raised over the period (inclusive of TREES) and $234.9m in gross repayments over this period of time.