

COMPANY ANNOUNCEMENT

Sunday, 30 November 2008

Great Southern Limited (ASX Code: GTP) has today announced the following:

1. A net loss from operations after tax before goodwill impairment of \$33.8 million for the year ended 30 September 2008, in line with guidance provided in August 2008 (refer summary below).
2. An update on Project Transform including the latest proxy position as at 29 November 2008. Based upon proxies received to date, in the absence of a major change in voting intentions before the offers close, GSL could be issuing between 121 million and 260 million new shares to acquire assets valued between \$60.5 million and \$130 million.
3. The conditional agreement to sell Queensland forestry land assets representing approximately 3% of GSL's forestry land book value at a price of \$23 million.

SUMMARY OF PRELIMINARY FINANCIAL RESULTS (UNAUDITED) FOR THE YEAR ENDED 30 SEPTEMBER 2008	\$'m
Profit before interest, tax and asset write downs	91.8
Financing costs	(72.6)
Profit before tax and asset write downs	19.2
Allowance for doubtful debts	(56.9)
Loss from operations before tax before goodwill impairment	(37.7)
Income tax benefit	3.9
Loss from operations after tax before goodwill impairment	(33.8)
Goodwill impairment	(30.0)
Reported loss after tax	(63.8)

Please refer to the attached Appendix 4E for full details of the unaudited 2008 preliminary financial results

1. 2008 PRELIMINARY FINANCIAL RESULTS (UNAUDITED)

Great Southern today reported a net operating loss after tax before goodwill impairment of \$33.8 million, in line with guidance provided in August 2008. The loss includes allowance for doubtful debts of \$56.9 million before tax (FY07 \$5.6 million) which includes a specific provision of \$37.2 million previously announced in March 2008, and further provisioning reflecting the worsening overall economic environment and the expected impact of this on the performance of the loan book.

The company has also written off \$30 million of intangible assets, being goodwill relating to its previous acquisitions of RFM and Sylvatech, reflecting current market conditions and uncertainty associated with the short term opportunities in respect of these assets, taking the total reported loss for the year to \$63.8 million.

The result for the year was heavily impacted by lower than expected total sales of the company's MIS products (\$314 million), a reduction of 24% from the previous year. Forestry MIS sales accounted for 67% of total sales (\$211 million).

Corporate expenses have reduced by 26.3% compared to the previous year, primarily relating to staff costs, reflecting the commencement of an overall cost reduction program which is ongoing.

The company's asset position remains strong, with NTA per share of \$1.90, underpinned by the company's strategic land assets, including \$794 million of land recorded as investment property at fair value, taking account of MIS lease encumbrances. The company has cattle land assets recorded in the accounts at \$97 million, which were recently independently valued at \$160 million; however none of \$63 million uplift in value has been booked.

Cash at 30 September 2008 was \$91.4 million. Gearing at 30 September 2008 is 53% (measured by debt/debt+equity) or 44% (measured on total debt to total assets).

The company's outlook for 2009 will be impacted by the outcome of Project Transform (refer further details below) which the directors continue to believe will be value accretive for both project investors and shareholders.

Regardless of the outcome of Project Transform, forestry MIS remains a core activity for Great Southern. The company will continue to offer forestry MIS projects in FY 09, with its 2009 High Value Timber Project already on the market, and a newly structured pulpwood based forestry product expected to be released early in 2009. The company has received applications for its forestry MIS projects in the current year to date of \$10.1 million (FY07 \$10.2m at the same time),

Commenting on the results Managing Director Cameron Rhodes said "2008 was and continues to be a challenging year, particularly in light of prevailing market conditions. However, the company is already well progressed in addressing these challenges through pursuing the acquisition of interests in a number of MIS projects, a program of identifying non-core assets for sale [see below] and continuing to reduce operating costs. Whilst acknowledging the market for MIS sales in FY09 will be challenging, these projects continue to provide investors with a tax effective alternative asset class and Great Southern may be able to benefit from a likely reduced market supply of other MIS products in FY09."

The company has determined not to pay a final dividend leaving the full year dividend at 3 cents.

Further information regarding the company's preliminary unaudited financial result is included in the attached Appendix 4E statement.

2. UPDATE ON PROJECT TRANSFORM

The Independent Directors of Great Southern Managers Australia Limited have today advised:

1. It is anticipated that the investor meetings in respect of the proposals will be adjourned until 19 January 2009.
2. The recommendation for the 1998 Project is now “that project investors in the 1998 Scheme give due consideration to the Scheme proposal and vote having regard to their own individual circumstances”.
3. The reaffirmation of their recommendation for all other projects, being that, in the absence of a superior proposal, investors VOTE IN FAVOUR of the relevant scheme proposal.
4. The target prices of the independent expert, KPMG, have reduced materially from those previously outlined (the target prices represent the assessed required share price in today’s dollars at the anticipated maturity dates of the relevant project so as an investor would not be financially disadvantaged in accepting the offers.) These target prices have reduced after considering the lower than anticipated tax to be paid by investors based on the VWAP of 28.45 cents.
5. As a result of the above a supplementary explanatory memorandum for each project will be issued, expected to be sent to investors in the week commencing 15 December 2008.
6. Details of the proxy voting position as at the original, intended close of proxies on 29 November 2008, noting that care should be taken in assessing these numbers given that the final voting positions could materially change between now and the adjourned meeting dates. Details of the relevant percentages are included below.

In light of the above, Great Southern Limited advises that:

- It proposes to adjourn the shareholder meeting date in respect of the proposals to 22 January 2009.
- It will extend the date for acceptance of individual offers for each project until 29 January 2009.
- In view of the information contained in this ASX announcement and the accompanying Appendix 4E, a supplementary prospectus in respect of the Scheme and Individual Offers will also be issued. This supplementary Prospectus will update the financial information in the prospectus and include a replacement Independent Accountants Report from Ernst & Young. Accordingly, the Prospectus dated 23 October 2008, including information relating to the 9 months ended 30 June 2008 and pro-forma financial information for the year ended 30 September 2008, and the associated Independent Accountants Report from Ernst & Young relating to this historical and pro-forma financial information, should not be relied upon until a supplementary prospectus has been issued.

Other than noted above, there is no intention to vary the terms of the proposals or individual offers.

Proxy Position

The Proxy Position for each scheme, together with the level of individual offers received for each scheme are summarised below. It is re-iterated that caution should be had in placing any reliance on these numbers given that final voting positions and acceptances in relation to both the scheme proposals and individual offers could materially change between now and the adjourned meeting dates.

Project	% Voted (by number of members)	Implementation Resolution (By Number)		Implementation Resolution (By Value)		Individual Offer Acceptances (% of total interests)
		For	Against	For*	Against	
1998 Plantations Project	42.1%	34.2%	62.1%	22.8%	75.1%	12.0%
1999 Plantations Project	41.7%	42.3%	54.8%	34.2%	65.8%	10.8%
2000 Plantations Project	31.4%	43.0%	54.2%	36.6%	63.4%	10.9%
2001 Plantations Project	43.6%	50.8%	46.4%	49.9%	50.1%	12.9%
2002 Plantations Project	42.0%	52.5%	44.1%	54.6%	45.4%	15.6%
2003 Plantations Project	34.5%	53.5%	43.4%	52.6%	47.4%	14.9%
2006 Beef Cattle Project	38.3%	63.4%	32.1%	67.6%	32.4%	20.9%
2007 Beef Cattle Project	41.5%	70.7%	26.7%	69.8%	30.2%	21.3%
* Votes for include open usable votes directed to the Chair, other than the 1998 Project where such votes will be abstained						
The numbers above refer only to the Implementation Resolution. The numbers in respect of the Constitutional Amendment Resolution are also available but are broadly in line with the relevant percentages shown above.						

Commenting on the proxy positions, Managing Director Cameron Rhodes said “We are encouraged that the majority of individual investors in 5 of the 8 projects support our proposals and we are particularly delighted by the strong yes vote that has been cast for the two cattle projects which are both close to the 75% by value target.”

“The two cattle projects provide a significant opportunity for the company, and are in our view also extremely compelling for the project investors. If the proposals for the cattle projects are accepted, it will provide Great Southern with a cattle business with assets valued at over \$250 million and the flexibility to manage this business to our advantage. This may include selling some or all of these assets and realising the significant value appreciation of the land and providing flexibility to use any proceeds to repay debt and significantly reduce the Company’s gearing.”

“With less than 50% of project investors having voted in any of projects, it is a little premature to draw any firm conclusions from the proxy numbers. Our sense is that a number of investors were waiting to lodge their votes until both the final pricing and the independent directors updated recommendations were confirmed and so last Thursday’s announcement to adjourn the meetings has, in our view, impacted the number of votes received.”

Mr Rhodes further commented “It would appear, in the absence of a material change to numbers between now and the adjourned meeting dates, the 1998, 1999 and 2000 Project proposals appear unlikely to be approved. This is probably not surprising as these projects are nearing completion.

However, as already noted the majority of individual investors in the 2001, 2002 and 2003 who have voted support the proposals, but there is still have some way to go to reach the required voting thresholds by value. With a further 7 weeks of voting until the adjourned meetings, and as investors continue to appreciate the benefits of the transaction and the very strong asset backing position of Great Southern, there is still some prospect that these schemes could be approved.”

“We are also encouraged by the number of individual offer acceptances received, as these will provide a level of transformation for the company regardless of the scheme proposals.”

Whilst the numbers are still subject to change, the company would, based on the individual acceptances received to date, issue approximately 121 million new shares for the acquisition of approximately \$60 million of assets. If the two cattle projects were also to be successful, this would increase to approximately 260 million new shares for the acquisition of approximately \$130 million of additional assets.

The company will continue to keep the market informed of all material developments in respect of Project Transform.

3 CONDITIONAL AGREEMENT TO SELL QUEENSLAND FORESTRY ASSETS

A separate ASX announcement is attached regarding the conditional agreement to sell Queensland Forestry Assets for \$23 million.

For further information see www.great-southern.com.au or call David Ikin, Communications Manager on (08) 9320 9700

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Great Southern Limited
ABN: 54 052 046 536
Appendix 4E - Preliminary Final Report

Reporting period: Year ended 30 September 2008
Previous reporting period: Year ended 30 September 2007

Results For Announcement To The Market

				2008	2007
				\$'000	\$'000
Revenue and income from operations	down	15.4	to	444,368	525,184
(Loss)/profit from operations after tax before goodwill impairment	n/a			(33,804)	71,508
Goodwill impairment after tax	n/a			(30,000)	-
(Loss)/profit from operations after tax attributable before minority interest	n/a			(63,804)	71,508
(Loss)/profit for the period attributable to members	n/a			(64,319)	71,508
Basic EPS (reported net (loss)/profit after tax)	n/a			(19.89)	22.68
Diluted EPS (reported net (loss)/profit after tax)	n/a			(19.89)	20.67

Dividends

	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	3 cents	3 cents

Net Tangible Assets

	2008	2007
Total net tangible assets (\$'000)	627,105	684,766
Net tangible assets backing per ordinary share	\$1.90	\$2.16

Commentary on Financial Results and Performance

	2008	2007
	\$'000	\$'000
Profit before tax before significant write-downs and provisions	19,242	154,162
Significant write-downs and provisions:		
Doubtful debt provisions	(56,936)	(5,632)
Goodwill impairment	(30,000)	-
Impairment of horticulture assets	-	(40,072)
(Loss)/profit before tax	(67,694)	108,458
(Loss)/profit after tax	(63,804)	71,508

Profit before tax and significant write-downs and provisions for the year to 30 September 2008 is \$19.2m and this result is substantially impacted by the 24% reduction in MIS sales to \$314m from \$413m in 2007.

Net operating cash inflow during 2008 totalled \$86.9m compared to \$203.6m in 2007 again impacted by the lower MIS sales achieved in the current year. Cash at 30 September 2008 was \$91.4m.

The Group's investment property estate, comprising predominately land used in ongoing plantation MIS projects, has been independently assessed in accordance with Group policy. The valuation range determined for the Group's investment property is \$757.4m to \$825.7m with a value of \$793.8m being adopted at 30 September 2008. The net impact of the movements in investment property to the result before tax is \$3.3m positive (see Note 11 of the Preliminary Final Report)..

In March 2008 the Group provided \$37.2m against loan and other receivables principally relating to a distinct class of debtor who the Group had financed into a number of its MIS projects. In addition to this provision the Group has provided a further \$19.7m against other debtors carried in the balance sheet. This increase in the provision is reflective of the worsening overall economic environment and its expected impact on the performance of the loan book.

The Group has written off \$30.0m of goodwill relating to its previous acquisitions of RFM Limited and Sylvatech Limited, reflecting current market conditions and uncertainty associated with the short term opportunities in respect of these assets. At 30 September 2008 the Group's balance sheet includes goodwill of \$39.6m with \$18m relating to the Sylvatech acquisition with the remainder relating mainly to the Group's cattle business.

Gearing at 30 September 2008 is 53% as measured by debt/debt + equity compared or 99% as measured by net debt/equity which compares to 46% and 59% respectively as at 30 September 2007. Excluding the group's TREES (hybrid securities) the "debt/debt + equity" gearing reduces to 45%.

Refer also to separate media release.

Control gained or lost over entities

Dandaragan Olive Estate

On 7 January 2008, the Group acquired land, olive groves and plant and equipment from Olea Australis Limited's Dandaragan olive estate. The total cost of the combination was \$18,668,000 which comprised cash and deferred cash consideration. Goodwill of \$888,000 was recognised on acquisition.

Rural Opportunities Fund

On 15 May 2008, the Group increased its ownership in the Rural Opportunities Fund ("the Fund") to approximately 48% and was deemed to have control of the Fund. The total cost of the combination was \$12,981,000 which comprised non-cash contributions of biological assets and plant and equipment. Goodwill of \$463,000 was recognised on acquisition.

Details of Associates and Joint Venture entities

Joint Venture Entity – 50% share of Hansol PI Pty Ltd

In March 2008, the Group completed the acquisition of 50% of the outstanding shares of Hansol PI Pty Ltd for consideration of \$5,506,000. The transaction has been accounted for as an equity-accounted joint venture entity.

Joint Venture Entity – 50% share of Kailis Olive Processing Pty Ltd

In April 2008, the Group entered into an agreement with Kailis Organic Olive Groves Limited (KOOG) to acquire 50% of outstanding shares in Kailis Olive Processing Pty Ltd (KOPPL) for an initial consideration of \$1,800,000. GSL has a further commitment to invest an additional \$1,575,000 which has been provided for at 30 September 2008. The transaction has been accounted for as an equity-accounted joint venture entity.

Associates – Interest in RFM Ultra Premium Vineyard Fund

As a result of the acquisition of the Rural Opportunities Fund discussed above, the Group has a 39.89% interest in the RFM Ultra Premium Vineyard Fund of approximately \$5,145,000. This is accounted for as an equity accounted investment in associates in the financial statements.

Details of foreign entities

Not applicable



GREAT SOUTHERN
LIMITED



Great Southern Limited
ABN 54 052 046 536

Preliminary Final Report

30 September 2008

Great Southern Limited
Consolidated Income Statement
For the year ended 30 September 2008

	Notes	Year ended 30 Sept 2008 \$'000	Year ended 30 Sept 2007 \$'000
Revenue	3(i)	424,404	466,081
Other income	3(ii)	19,964	59,103
Total revenue and other income		444,368	525,184
Commissions, marketing and promotion of product and industry		(62,356)	(74,540)
Agriculture and MIS related expenses		(223,833)	(198,209)
Cost of agricultural produce sold		(24,258)	(8,980)
Non-MIS Managed Funds		(14,045)	-
Corporate and other expenses		(27,997)	(37,993)
Financing costs		(72,637)	(51,300)
Allowance for doubtful debts	3(iii)	(56,936)	(5,632)
Impairment of horticultural assets	3(iii)	-	(40,072)
Impairment of goodwill	3(iii)	(30,000)	-
(Loss)/profit before income tax		(67,694)	108,458
Income tax benefit/(expense)	4	3,890	(36,950)
(Loss)/profit from continuing operations for the year		(63,804)	71,508
Attributable to:			
Minority interest		515	-
Members of Great Southern Limited		(64,319)	71,508
(Loss)/earnings per share for (loss)/profit attributable to the members of Great Southern Limited			
Basic (loss)/earnings per share - cents	19	(19.89)	22.68
Diluted (loss)/earnings per share - cents	19	(19.89)	20.67

The above consolidated income statement should be read in conjunction with the accompanying notes.

Great Southern Limited
Consolidated Balance Sheet
As at 30 September 2008

	Notes	30 Sept 2008 \$'000	30 Sept 2007 \$'000
Current assets			
Cash and cash equivalents		91,395	207,640
Trade and other receivables		77,268	121,468
Trade receivables – securitised loans	7	7,767	-
Biological assets	9	26,659	21,158
Available-for-sale financial assets	6	14,086	36,361
Other financial assets	8	17,128	9,932
Inventories		3,231	6,788
		237,534	403,347
Assets classified as held for sale		10,422	-
Total current assets		247,956	403,347
Non-current assets			
Trade and other receivables		81,162	96,342
Trade receivables – securitised loans	7	33,039	-
Other financial assets	8	59,346	58,557
Equity accounted investments		13,289	-
Biological assets	9	168,366	112,399
Property, plant and equipment	10	254,111	187,156
Investment properties	11	793,780	722,310
Derivative financial instruments		-	3,136
Goodwill and other intangible assets	12	83,139	81,196
Deferred tax assets		59,286	54,925
Other		516	983
Total non-current assets		1,546,034	1,317,004
Total assets		1,793,990	1,720,351
Current liabilities			
Trade and other payables		71,383	88,364
Interest-bearing loans and borrowings	13	6,521	930
Borrowings – securitised loans	7	7,767	-
Provisions		5,279	16,842
Deferred revenue		89,243	146,202
Total current liabilities		180,193	252,338
Non-current liabilities			
Interest-bearing loans and borrowings	13	782,025	660,819
Borrowings – securitised loans	7	33,039	-
Derivative financial instruments		1,609	-
Provisions	14	49,037	32,916
Deferred revenue		37,843	8,316
Total non-current liabilities		903,553	702,051
Total liabilities		1,083,746	954,389
Net assets		710,244	765,962
Equity			
Contributed equity		465,192	447,859
Reserves	15	15,020	13,342
Retained profits		205,186	304,761
Parent entity interests		685,398	765,962
Minority interests		24,846	-
Total equity		710,244	765,962

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Great Southern Limited
Consolidated Statement of Changes in Equity
For the year ended 30 September 2008

	Notes	30 Sept 2008 \$'000	30 Sept 2007 \$'000
Total equity at the beginning of the financial year		765,962	682,826
(Loss)/profit for the period		(63,804)	71,508
Cash flow hedging reserve		(3,693)	4,474
Net unrealised gains reserve		4,703	-
Total recognised income and expense for the year	(a)	(62,794)	75,982
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of issue costs		17,185	14,506
Conversions of TREES Series, net of issue costs		-	15
Exercise of options		150	630
Option premium reserve		1,890	-
Management Performance Rights		2,459	4,611
Minority interest arising during the period		21,711	-
Dividends declared or paid	16	(36,319)	(12,608)
Total equity at the end of the financial year		710,244	765,962
(a) Total recognised income and expense for the year attributable to:			
Equity holders of the parent		(66,430)	75,982
Minority interest		3,636	-
		(62,794)	75,982

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Great Southern Limited
Consolidated Cash Flow Statement
For the year ended 30 September 2008

	Year ended 30 Sept 2008 \$'000	Year ended 30 Sept 2007 \$'000
Cash flows from operating activities		
Receipts from growers/customers	191,270	124,173
Securitisation of loan receivables	316,627	469,844
Payments to suppliers and employees	(387,198)	(342,309)
	120,699	251,708
Interest received	11,359	15,209
Finance costs paid	(42,022)	(37,779)
Income taxes paid	(3,177)	(25,566)
Net cash inflow from operating activities	86,859	203,572
Cash flows from investing activities		
Payments for property, plant and equipment	(54,821)	(49,310)
Payments for investment property and land classified as held for sale	(120,234)	(148,225)
Proceeds from sale of investment property	6,231	3,647
Proceeds from sale of property, plant and equipment	5,104	1,977
Payments for biological assets	(60,990)	(42,560)
Payments for intangible assets	(16,307)	-
Payments for business acquisitions	(18,668)	(4,505)
Acquisition of subsidiary	780	-
Payments for equity accounted investments	(8,151)	-
Payments for financial instruments	(4,500)	-
Net cash outflow from investing activities	(271,556)	(238,976)
Cash flows from financing activities		
Dividends paid	(23,798)	(31,463)
Payment of TREES Series coupons	(14,737)	(14,826)
Options exercised	150	630
Receipts from borrowings	111,589	45,000
Repayment of borrowings	(4,647)	(3,029)
Proceeds from issue of options	963	-
Cost of issue of ordinary shares	(1,722)	-
Proceeds from issue of units	744	-
Unit redemption payment	(90)	-
Net cash inflow/(outflow) from financing activities	68,452	(3,688)
Net (decrease)/increase in cash held	(116,245)	(39,092)
Cash at the beginning of the year	207,640	246,732
Cash at the end of the year	91,395	207,640

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Note 1. Significant Accounting Policies

(a) Basis of preparation

The principal accounting policies have been consistently applied with those of the previous financial year.

This financial report does not include all the notes of the type normally included in a financial report.

New accounting policies

(i) Investments in associates

The Group's investments in its associates are accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems they have significant influence if they have over 20% of the voting rights. Under the equity method, investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(ii) Interests in jointly controlled entities

The Group has interests in joint ventures that are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Group recognises its interest in the jointly controlled entities using the equity method of accounting, whereby the initial investment is recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the joint venture entity after the date of acquisition. The Group's share of the profit or loss of the joint venture entity is recognised in the Group's profit or loss. Distributions received from a joint venture entity reduce the carrying amount of the investment.

(b) Going Concern

The directors have prepared the financial statements of the Group on a going concern basis.

The Group has reported a loss of \$63,804,000 for the financial year ended 30 September 2008 and at 30 September 2008 has net tangible assets per share of \$1.90.

During the year the Group completed a wide ranging strategic review and in August 2008 the Group announced a series of restructure proposals (Project Transform) under which shares in Great Southern Limited would be issued in exchange for investors interests in the 1998 – 2003 plantation projects and the 2006 and 2007 Cattle projects. Project Transform if successful will transform the Group into an agricultural operating entity with significant forestry and cattle holdings and with a complementary agriculture investment services business with a reduced emphasis on MIS sales (refer Note 21).

Note 1. Significant Accounting Policies (continued)

Prior to the announcement of Project Transform, the Group extended the repayment of \$120 million of corporate bank debt by 13 months to 31 October 2010. The Group has total corporate facility borrowings of \$380 million at the date of this report with \$105 million of debt expiring in October 2009.

In arriving at their belief that the Group is a going concern and therefore is able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in this financial report, the directors have considered the following:

- (a) Project Transform. The directors continue to believe that Project Transform, if a number of schemes or individual offers are accepted, has the potential to provide the Group with positive cash flows, to enhance the balance sheet through the acquisition of operating assets at fair value and increases in the value of certain of the Group's existing assets by removing the MIS encumbrances.
- (b) Unprecedented financial and economic uncertainty impacting global and Australian markets and the potential impact of this uncertainty to future MIS sales. The directors believe that the Group's 2009 MIS sales will be impacted by a number of factors including the ongoing global financial crisis, general economic conditions and investor confidence and sentiment. Currently the Group has on offer an ATO approved High Value Timber forestry project that is being sold. A pulpwood project is expected to be available in 2009. However, given the circumstances already noted, it is difficult to accurately predict the level of MIS sales in 2009.
- (c) Alternative strategies available to the Group to generate cash flow include the sale of non-core assets. The Group has announced a conditional agreement to sell a number of properties in Queensland that are currently encumbered by ongoing MIS projects. The price agreed is \$23 million which represents around an 11% discount to book value. This land is considered by the directors as non-core as it has been determined that the land is not ideal for growing future pulpwood timber and it will not be used by the potential buyer for this purpose. In addition, the loan book held by the Group that has not been securitised is carried in the Group's balance sheet in receivables at a net value after provisions of \$67,100,000. The directors may decide to sell this asset in whole or in part, which in the current economic climate and with scarcity of securitisation funding, could be expected, if fully sold, to realise between 50% and 70% of book value.
- (d) The Group's balance sheet contains a number of high quality saleable assets, including forestry land and forestry assets, cattle properties and properties used in horticulture operations. Much of this land is encumbered by leases to MIS project investors. The Group does not currently have an active sales program in respect of these assets, but will monitor and reconsider this position in light of the factors noted above.
- (e) The Group's debt facilities and the ability of the Group to meet the debt facilities covenants and refinance or pay debt as they fall due. The 30 September 2008 bank covenant measuring the ratio of senior debt to operating cash flow was amended to reflect the lower level of sales and operating income received in 2008. The ability of the Group to continue to operate within its financial covenants is dependant upon the generation of sufficient operating cash flows, through the sale of MIS projects and cost reductions and / or the repayment of senior debt which would be achieved through asset sales. The Group is required to refinance or repay \$105 million in senior debt in October 2009. The directors and management are confident of the continued support of the Group's bankers based on the support they have provided to date and the opportunities available to the Group to manage cash flow and corporate debt.

Having regard to the factors and the uncertainties discussed above, the directors believe the Group will continue as a going concern.

If Project Transform does not result in a successful outcome or should the 2009 MIS sales result be low or the sale of assets not proceed then there is significant uncertainty whether the Group will continue as a going concern. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or the amounts or classification of liabilities, which might be necessary should the Group not be able to continue as a going concern.

Great Southern Limited
Notes to the Financial Statements
For the year ended 30 September 2008

Note 2. Adoption of New Accounting Standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 September 2008 reporting years. The company's assessment of the impact of these new standards and interpretations is set out below:

AASB Amendment/ Standard	Title	Impact on the Group financial report	Application date of Standard	Application date for the Group
2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	AASB 8 is a disclosure standard so it will have no direct impact on the amounts included in the Group's financial report. However the new standard may have an impact on the segment disclosures included in the Group's financial report.	1 January 2009	1 October 2009
AASB 8	Operating Segments	Refer to AASB 2007-3 above.	1 January 2009	1 October 2009
AASB 101	Presentation of Financial Statements (revised September 2007)	AASB 101 is a disclosure standard so it will have no direct impact on the amounts included in the Group's financial report. However the new standard may have an impact on the disclosures included in the Group's financial report.	1 January 2009	1 October 2009
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101	The amendment may have an impact on the disclosures included in the Group's financial report.	1 January 2009	1 October 2009
AASB 3	Business Combinations	Changes to disclosure requirements will not have a direct impact on amounts included in the Group's financial statements. However, the new standard may have an impact on the disclosures included in the Group's financial report.	1 July 2009	1 October 2009
AASB 127	Consolidated and Separate Financial Statements	The amendment may have an impact on the disclosures included in the Group's financial report.	1 July 2009	1 October 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASB 1, AASB 2, AASB 4, AASB 5, AASB 7, AASB 101, AASB 107, AASB 112, AASB 114, AASB 116, AASB 121, AASB 128, AASB 131, AASB 132, AASB 133, AASB 134, AASB 136, AASB 137, AASB 138 & AASB 139 and Interpretation 9 & Interpretation 107]	Refer to AASB 3 and AASB 127 above.	1 July 2009	1 October 2009

Note 3. Revenues and Expenses

(Loss)/profit before income tax includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the Group:

	Year ended 30 Sept 2008 \$'000	Year ended 30 Sept 2007 \$'000
(i) Revenue		
Project revenues:		
Revenue from current financial year sales	210,613	252,969
Revenue from previous financial year sales	104,137	149,774
Provision of finance services	17,394	25,806
Management fee income (note (a))	44,257	4,557
Sale of agricultural produce (note (b))	36,576	19,183
Interest revenue	11,427	13,792
Total revenue	<u>424,404</u>	<u>466,081</u>

- (a) Includes \$23,940,000 of management fees earned but not yet received in respect the Group's 1998 to 2003 inclusive pulpwood projects.
- (b) Included in the sale of agricultural produce is a net increment to the fair value of biological assets of \$7,106,000 (30 Sept 2007: \$5,165,000 increment).

(ii) Other income		
Fair value increment to investment property (note 11)	3,333	37,592
Release of project maintenance provision	-	6,944
Release of project timber provision (note (c))	4,880	-
Other income	11,751	14,567
	<u>19,964</u>	<u>59,103</u>

- (c) The Board has determined that no further contributions to existing plantation projects will be made and the unused portion of \$4,880,000 has been released.

(iii) Expenses

(Loss)/profit before income tax includes the following specific expenses:

Expense of share based payments	2,459	4,614
TREES Series interest expense	14,737	14,825
Amortisation of TREES Series issue costs	1,614	1,289
Interest and finance charges	56,286	35,029
Depreciation and amortisation	10,534	9,519
Doubtful debts expense	56,936	5,632
Provision for land assessment (note 20)	12,446	11,775
Property acquisition fees	-	7,154
Fair value adjustment on assets classified as held for sale (note (d))	19,356	-
Impairment of goodwill	30,000	-
Impairment of horticultural assets (note (e))	-	40,072

- (d) As part of the Group's 2008 Renewable Fibre Project the Group is required to sell land that is leased to growers in this project into the Great Southern 2008 Land Trust. Similar to the Group's investment properties, land leased into the project has a fair value below its unencumbered value.
- (e) Refer disclosures in the Group's 2007 Annual Report for further information.

Note 4. Income Tax

The income tax expense for the financial period differs from the amount calculated on the (loss)/profit. The differences are reconciled as follows:

(Loss)/profit before income tax expense	(67,694)	108,458
Income tax (benefit)/expense calculated @ 30% (30 Sept 2007: 30%)	(20,308)	32,537
Tax effect of amounts which are not deductible/(taxable) in the calculation of taxable income:		
TREES2 interest expense	5,099	1,536
(Over)/under provision of tax in prior year	(1,875)	2,360
Impairment of goodwill	9,000	-
Sundry items	4,194	517
Income tax (benefit)/expense attributable to (loss)/profit	(3,890)	36,950

Note 5. Segment Information

Primary reporting format – business segments

The following tables present revenue, profit and certain asset and liability information regarding business segments for the year ending 30 September 2008 and the year ending 30 September 2007.

The Group is organised into the following divisions by product and service type:

- (i) *MIS Forestry*
The promotion, packaging and management of forestry based managed investment schemes.
- (ii) *MIS Horticulture*
The promotion, packaging and management of olive, vine and almond managed investment schemes.
- (iii) *MIS Cattle*
The promotion, packaging and management of cattle managed investment schemes.
- (iv) *Lending Services*
The provision of finance for investors in the managed investment schemes.
- (v) *Non-MIS Managed Funds*
The promotion, packaging and management of non-tax effective managed funds.
- (vi) *Other*
Incorporates other activities including the sale of agricultural produce to the Group's account.

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30 September 2008

	MIS Forestry \$'000	MIS Horticulture \$'000	MIS Cattle \$'000	Lending Services \$'000	Non-MIS Managed Funds \$'000	Other \$'000	Inter- segment eliminations \$'000	Consolidated \$'000
Revenue and income								
Sales to external customers	191,138	102,026	21,586	-	-	32,531	-	347,281
Other revenue and income	32,898	10,068	7,373	17,394	5,627	8,967	-	82,327
Total segment revenue and income	224,036	112,094	28,959	17,394	5,627	41,498	-	429,608
Interest revenue								11,427
Increment on investment property								3,333
Total consolidated revenue income								444,368
Result								
Segment results	39,962	35,891	(3,115)	(46,412)	(15,921)	22,538	-	32,943
Corporate and other expenses								(28,000)
Profit/(loss) before tax and finance costs								4,943
Finance costs								(72,637)
(Loss)/profit from operations before income tax								(67,694)
Income tax benefit								3,890
Net loss after tax								(63,804)
Assets and liabilities								
Segment assets	1,267,369	363,109	237,559	142,798	83,133	22,501	(330,132)	1,786,337
Unallocated assets								7,653
Total assets								1,793,990
Segment liabilities	845,356	148,388	9,422	51,155	49,484	8,061	(37,353)	1,074,513
Unallocated liabilities								9,233
Total liabilities								1,083,746
Other segment information								
Acquisitions of property, plant and equipment and investment properties	124,637	52,489	9,606	-	377	4,440	-	191,549
Depreciation and amortisation expense	4,033	4,740	750	-	168	843	-	10,534
Non-cash expenses other than depreciation, amortisation and fair value adjustments	12,531	29	84	49,221	-	-	-	61,865
Impairment of goodwill	22,500	-	-	-	7,500	-	-	30,000
Other fair value write-downs	20,258	7,329	-	-	3,387	-	-	30,974

Great Southern Limited
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30 September 2007

	MIS Forestry \$'000	MIS Horticulture \$'000	MIS Cattle \$'000	Lending Services \$'000	Non-MIS Managed Funds \$'000	Other \$'000	Inter- segment eliminations \$'000	Consolidated \$'000
Revenue and income								
Sales to external customers	252,329	101,391	49,022	-	-	19,183	-	421,925
Other revenue and income	2,590	1,793	9,851	25,806	2,790	10,345	(1,300)	51,875
Total segment revenue income	254,919	103,184	58,873	25,806	2,790	29,528	(1,300)	473,800
Interest revenue								13,792
Increment on investment property								37,592
Total consolidated revenue and income								525,184
Result								
Segment results	117,475	23,440	2,455	22,398	(236)	32,219	-	197,751
Corporate and other expenses								(37,993)
Profit/(loss) before tax and finance costs								159,758
Finance costs								(51,300)
Profit/(loss) from operations before income tax								108,458
Income tax expense								(36,950)
Net profit after tax								71,508
Assets and liabilities								
Segment assets	1,230,764	408,423	231,925	174,804	14,388	5,029	(351,973)	1,713,360
Unallocated assets								6,991
Total assets								1,720,351
Segment liabilities	735,000	205,667	9,397	6,734	8,848	1,097	(33,058)	933,685
Unallocated liabilities								20,704
Total liabilities								954,389
Other segment information								
Acquisitions of property, plant and equipment and investment properties	194,540	25,949	3,405	-	683	11,952	-	236,529
Depreciation and amortisation expense	5,363	2,070	1,961	-	17	108	-	9,519
Non-cash expenses other than depreciation and amortisation	11,829	13	153	2,618	-	-	-	14,613
Impairment	-	40,072	-	-	-	-	-	40,072

Secondary reporting – Geographical segments

The Group operates solely within one geographical segment, being Australia.

Great Southern Limited
Notes to the Financial Statements
For the year ended 30 September 2008

Note 6. Current Assets - Available-for-Sale Financial Assets

30 Sept 2008 \$'000	30 Sept 2007 \$'000
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Receivables qualifying for securitisation	<u>14,086</u>	<u>36,361</u>
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Note 7. Receivables and Borrowings – Securitised Loans

30 Sept 2008 \$'000	30 Sept 2007 \$'000
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Current assets

Receivables – securitised loans	<u>7,767</u>	-
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Non-current assets

Receivables – securitised loans	<u>33,039</u>	-
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Current liabilities

Borrowings – securitised loans	<u>7,767</u>	-
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Non-current liabilities

Borrowings – securitised loans	<u>33,039</u>	-
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Securitised loans

During the year, the Group entered into an additional securitisation arrangement with Bendigo and Adelaide Bank Limited for the securitisation of certain loans that are not able to be securitised under the Off Balance Sheet facility. Under this new arrangement the company is required to deposit funds as security against loan defaults. The Group has determined that the majority of the risks and benefits of ownership have not been transferred to the purchaser, so the loans cannot be derecognised from the Group's financial statements and a corresponding liability is booked on the balance sheet. The net impact to the net assets of the Group at balance sheet date is zero. The maximum exposure of the Group to default in these loans is limited to the \$7,723,000 held as collateral (refer to note 8).

Note 8. Other Financial Assets

30 Sept 2008 \$'000	30 Sept 2007 \$'000
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Current assets

Held-to-maturity investment (note (a))	10,447	9,932
Investments at fair value through the income statement	3,086	-
Other	3,595	-
	<u>17,128</u>	<u>9,932</u>

Non-current assets

Held-to-maturity investment (note (a))	44,817	55,560
Security deposits held	7,723	2,997
Investments in managed funds	6,806	-
Total non-current	<u>59,346</u>	<u>58,557</u>

- (a) The held-to-maturity investment was purchased in August 2006 as part of a structured finance transaction in which the Group received \$211,691,000 net of issue costs through the issue of debentures (refer note 13).

Great Southern Limited
Notes to the Financial Statements
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Note 9. Biological Assets

	30 Sept 2008 \$'000	30 Sept 2007 \$'000
Current	26,659	21,158
Non-Current	168,366	112,399
Total	195,025	133,557
<i>Comprised of:</i>		
Standing Timber	49,006	2,648
Beef Cattle	105,123	113,074
Horticulture	40,896	17,835
Total	195,025	133,557

The significant assumptions made in determining the fair value of the biological assets are as follows:

- (a) The eucalypt trees are harvested in year 10-11;
- (b) Newly established vineyards reach maturity in 6 years but start producing in year 3;
- (c) Newly established olive groves reach maturity in 7 years but start producing in year 3;
- (d) Inflation rate of 3.0%;
- (e) A discount rate of 12.0% - 12.3% for vineyards and olive groves;
- (f) A discount rate of 15.0% for standing timber.

Note 10. Property, Plant and Equipment

	30 Sept 2008 \$'000	30 Sept 2007 \$'000
Land and buildings		
Freehold land - at cost	67,427	58,560
Pastoral leases – at cost	56,548	53,048
Plant and Equipment		
Plant and equipment – at cost	177,498	114,395
Less: Accumulated depreciation/impairment	(47,362)	(38,847)
Total plant and equipment	130,136	75,548
Total Property, Plant and Equipment	254,111	187,156

Great Southern Limited
Notes to the Financial Statements
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Note 11. Investment Properties

	30 Sept 2008 \$'000	30 Sept 2007 \$'000
At fair value		
Opening balance	722,310	522,569
Additions – cost	107,157	166,758
Transferred to land classified as held for sale	(29,778)	-
Disposals	(9,242)	(4,609)
Fair value adjustment (note (b))	3,333	37,592
Closing Balance	793,780	722,310
 Pulpwood properties	 720,631	 702,116
High value timber properties	47,879	6,833
Cattle properties (note (e))	25,270	13,361
	793,780	722,310

- (a) The fair value of investment properties reflects the nature and characteristics of the property and the prevailing market conditions at the reporting date.
- (b) The nature of the Group's plantation projects, and in particular the deferral of the payment of property lease rental fees until the end of the project (approximately 10 – 13 years from project commencement), is such that the fair value of a property will reduce when it is leased to growers (encumbered) in the project. This reduction is recorded in the income statement as an investment property fair value adjustment. During the year to 30 September 2008 the Group recorded a fair value reduction of \$35,500,000.

Each subsequent year the fair value of existing investment property is expected to increase as the lease period reduces (known as the "unwinding of the discount") and this gain is also recorded in the income statement as an investment property fair value adjustment. The increase in fair value from the discount unwind of properties encumbered at the beginning of the year totalled \$75,700,000.

Other factors that have negatively impacted the investment property valuation at 30 September 2008 include the removal of the back-ended project lease fee of 2.5% with an \$18,000,000 adjustment (this fee is used in the calculation of management fees earned by GSL refer note 3(i)(a)) and increases to the allocation of land for the land assessment provision (Note 20) and changes to land harvest dates of \$47,600,000. Offsetting these impacts is a \$23,400,000 benefit from adjusting the discount rate to the 10.0% mid-point of the calculated discount rate range (see below).

- (c) In accordance with Group policy Cattle properties are identified as investment properties only when an insignificant portion of the cattle on the property are being managed to the Group's account. At balance date the majority of Cattle properties are classified in property, plant and equipment.
- (d) The fair value of forestry investment properties was determined using a discounted cash flow (DCF) model and, in accordance with Group policy, with the benefit of independent valuations (on an unencumbered basis) of in excess of one third of the Group's properties and using expert opinion on the appropriate discount rate.

The valuation recorded in the Group's 30 September 2008 financial statements is \$793,780,000, which is based on the assumptions detailed below for forestry investment property.

The valuation range for the Group's investment property estate is \$757,400,000 to \$825,700,000 with the valuation of \$793,780,000 being derived using mid-point assumption for the discount rate.

Note 11. Investment Properties (continued)

	Assumption range	Valuation assumption
Present value land valuation basis	Unencumbered best available use	Unencumbered best available use
Length of project lease	10 – 13 years	10 – 13 years
Average real price growth of land	1% to 3% p.a.	2.0% p.a. (2007: 2.0%)
CPI	2.5% to 3.5% p.a.	3.0% p.a. (2007: 2.75%)
Lease rental fees	Nil	Nil (2007: 2.5%)
Post harvest – remediation costs	\$550 - \$1,000	Average of \$765 per hectare
Discount rate	9.5% - 10.5% p.a.	10.0% (2007: 10.5%)

(e) A sensitivity analysis of major assumptions in the investment properties valuation is shown below:

	Impact		Fair Value
	- 1%	+ 1%	
	\$'000	\$'000	\$'000
Base case			793,780
Discount rate + 1%		(51,261)	742,519
Discount rate - 1%	56,313		850,093
CPI + 1%		63,638	857,418
CPI – 1%	(57,948)		735,832
Long term growth rate + 1%		61,204	854,984
Long term growth rate - 1%	(56,530)		737,250

Note 12. Goodwill and other intangible assets

	30 Sept 2008 \$'000	30 Sept 2007 \$'000
Goodwill	39,588	68,241
Water Licences	37,702	7,415
Land Access Rights	1,867	1,943
Software	3,982	3,597
	83,139	81,196

Great Southern Limited
Notes to the Financial Statements
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Note 13. Interest bearing loans and borrowings

	30 Sept 2008 \$'000	30 Sept 2007 \$'000
Current liabilities		
Hire purchase liability	667	635
Bank borrowings	5,854	295
	6,521	930
Non-current liabilities		
Hire purchase liability	1,263	2,140
TREES2, net of issue costs	78,970	78,281
TREES3, net of issue costs	122,616	121,691
Debentures, net of issue costs (note (a))	217,973	213,707
Bank borrowings, net of issue costs (note (b))	349,875	245,000
Bank bills of exchange	11,328	-
	782,025	660,819

- (a) In August 2006 the Group entered into a structured finance transaction in which the Group received \$211,691,000 net of issue costs through the issue of debentures and purchased a held-to-maturity investment for approximately \$75,036,000 (refer note 8). The transaction is structured such that the cash flows the Group receives from the held-to-maturity investment are expected to be sufficient to meet the obligations of the transaction through to 2012 including the payment of interest not capitalised. The amount to be repaid in August 2012 including capitalised interest will total \$257,670,000.

The borrowings are limited in recourse to the held-to-maturity investment and specified investment property land within Great Southern Property Trust, a wholly owned entity of Great Southern Limited.

- (b) A secured senior debt facility, with \$30,000,000 available funds undrawn at 30 September 2008. The senior debt facility was fully drawn subsequent to 30 September 2008.

Note 14. Non-current liabilities - Provisions

	30 Sept 2008 \$'000	30 Sept 2007 \$'000
Provision for land assessment (note 20)	37,961	25,515
Provision for deferred consideration	1,123	4,490
Employee benefits	701	2,160
Other provisions	9,252	751
	49,037	32,916

Note 15. Reserves

	30 Sept 2008 \$'000	30 Sept 2007 \$'000
Share based payments reserve	14,068	11,606
Cash flow hedging reserve	(1,958)	1,736
Option premium reserve	1,891	-
Unrealised gains reserve	1,019	-
	15,020	13,342

Note 16. Dividend Payments

Type of Dividend	Record date	Payment date	Amount per security	Total dividend	Franked amount per security
Interim	18 June 2008	16 July 2008	3 cents	\$9,695,848	3 cents
Final	10 December 2007	17 December 2007	8 cents	\$25,570,654	8 cents

In addition to the above dividends paid from Great Southern Limited, dividends and return of capital, to the value of \$1,052,000, were paid from the Group's Rural Opportunities Fund to external unitholders during the year.

Note 17. Dividend Re-investment Plan

The Company has in place a dividend re-investment plan, a copy of which can be obtained from the Company.

Type of Dividend	Payment date	Total dividend / coupon	Paid for in cash	Satisfied by issue of ordinary shares
Interim	16 July 2008	3 cents	\$4,620,962	6,095,209
Final	17 December 2007	8 cents	\$18,950,657	3,561,743

Note 18. Equity and Debt Securities Issued

	30 Sept 2008 No.	30 Sept 2007 No.	30 Sept 2008 \$'000	30 Sept 2007 \$'000
Issue of ordinary shares:				
Exercise of options during the period	100,000	620,000	150	630
Dividend re-investment plan issues	9,656,952	6,294,820	11,892	15,068
TREES Series converted into ordinary shares	-	6,500	-	15
Property acquisition fees	2,513,258	-	5,655	-
	12,270,210	6,921,320	17,697	15,713

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Note 19. Earnings per Share

	Year ended 30 Sept 2008	Year ended 30 Sept 2007
Basic (loss)/earnings per share – cents	(19.89)	22.68
Diluted (loss)/earnings per share- cents*	(19.89)	20.67
Weighted average number of ordinary shares used as the denominator in calculating basic (loss)/earnings per share	323,368,973	315,232,619
Weighted average number of ordinary shares used as the denominator in calculating the diluted (loss)/earnings per share	822,431,656	403,616,032

* Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

Reconciliation of earnings used in calculating (loss)/earnings per share:

	Year ended 30 Sept 2008 \$'000	Year ended 30 Sept 2007 \$'000
Net (loss)/earnings after tax attributable to the members of Great Southern Limited	(64,319)	71,508
Earnings used in calculating basic (loss)/earnings per share	(64,319)	71,508

Reconciliation of earnings used in calculating diluted (loss)/earnings per share

	Year ended 30 Sept 2008 \$'000	Year ended 30 Sept 2007 \$'000
Net (loss)/earnings after tax	(64,319)	71,508
Add: TREES coupons as interest expense (after tax)	11,846	11,914
Earnings used in calculating diluted (loss)/earnings per share	(52,473)	83,422

Information concerning the classification of securities

Options granted and Transferable REset Exchangeable Securities (TREES) are considered to be potential ordinary shares and have been included in the determination of diluted (loss)/earnings per share. They have not been included in the determination of basic (loss)/earnings per share.

Note 20. Contingent Liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

	30 Sept 2008 \$'000	30 Sept 2007 \$'000
1. Rothschild Australia previous securitisation arrangements.	-	6,508
2. Unsecured guarantee to Australia and New Zealand Banking Group Limited (ANZ) in respect of the maintenance reserve funds facilities and other bank guarantees.	7,370	6,874
3. Bendigo and Adelaide Bank securitisation arrangements	7,723	-

Note 20. Contingent Liabilities (continued)

The Group has a loan securitisation arrangement in place with Bendigo and Adelaide Bank Limited (previously Adelaide Bank Limited) under which there is no credit recourse to the Group on any loan securitised (the "Off Balance Sheet facility"). During the year, the Group entered into an additional securitisation arrangement with Bendigo and Adelaide Bank Limited for the securitisation of certain loans that are not able to be securitised under the Off Balance Sheet facility. Under this new arrangement the Group is required to deposit funds as security against loan default. During the year, the Group securitised \$44,000,000 of principal and interest loans under this new arrangement and received \$36,400,000 in funding with \$7,723,000 deposited as collateral.

The Group has determined that the majority of the risks and benefits of ownership have not been transferred to the purchaser, so the loans cannot be derecognised from the Group's financial statements and a corresponding liability is booked in interest bearing liabilities. The net impact to the net assets of the Group at balance sheet date is zero. The maximum exposure of the Group to default in these loans is limited to the \$7,723,000 held as collateral.

4. Land to be used in each of the 2004, 2005, 2006 and 2007 Great Southern Plantation Projects is assessed, on a project by project basis, as to whether it is expected to be capable of being managed as a whole to produce an average of at least 250m³ (or 220m³ on the Tiwi Islands) gross of timber produce per hectare of Woodlots after approximately 10 years of growth.

This assessment is made following completion of planting and where necessary additional resource is established or acquired to ensure the initial productivity target are met. A provision for \$37,091,000 has been made to cover the potential additional operating costs of meeting this requirement and which takes into account the value of standing timber already acquired by the group and allocated for this purpose. The cost of encumbering land owned by the Group to provide this additional timber resource is recognized in Investment Property (see note 11). The Group may decide to purchase land on which to establish additional timber plantations in meeting this requirement.

Note 21. Events Occurring After the Balance Sheet Date

Announcement of revised restructure offer

On 26 August 2008 the Group announced a series of restructure proposals (the proposals), under which shares in Great Southern Limited would be issued for investors' interests in Great Southern's 1998-2003 Plantations projects and 2006 and 2007 Beef Cattle projects. Subsequent to year-end the Group announced the revised offer for the proposals.

The proposals remain subject to the approval of both relevant project investors and Great Southern shareholders. The meeting of project investors was scheduled to be held on 1 December 2008 but has been adjourned pending the release of additional information. The Great Southern Limited shareholder meeting to vote on the proposals, and issue of the new shares, is expected to be held within a short period after the project investor vote.

Corporate debt facility

Subsequent to the end of the financial year the Group drew down an additional \$30,000,000 of corporate debt bringing the total bank corporate borrowings to \$380,000,000, as at the date of this report.

Land acquisition

Since 30 September 2008, the Group has entered into new contracts for the purchase of land which are conditional, amounting to approximately \$715,000. The Group will continue to identify and acquire land throughout the year for use in future projects.

Note 22. Business Combinations

(a) Dandaragan Olive Estate

On 7 January 2008, the Group acquired land, olive groves and plant and equipment from Olea Australis Limited's Dandaragan olive estate. The transaction has been accounted for as a business combination as the assets acquired constitute a business under AASB 3 *Business Combinations*.

The total cost of the combination was \$18,668,000 cash consideration.

Factors giving rise to goodwill include efficiencies gained through the olive processing plant, and the experience and skills that the employees bring to the Group.

	Recognised on acquisition \$'000
Land	2,125
Plant and Equipment	4,663
Biological Assets	8,222
Water Licences	2,542
Other	228
	<u>17,780</u>
Fair value of identifiable net assets acquired	<u>17,780</u>

Cost of the business combination:

Cash paid	18,668
Total cost	<u>18,668</u>

Goodwill:

Total cost of the business combination	18,668
Fair value of identifiable net assets acquired	<u>(17,780)</u>
Goodwill on acquisition	<u>888</u>

Cash flow:

The cash outflow on acquisition is as follows:

Net cash acquired with the subsidiary	-
Cash paid	18,668
Net consolidated cash outflow	<u>18,668</u>

It is not practicable to determine the carrying values of the assets immediately preceding the acquisition as the Group does not have access to Olea Australis Limited's financial information.

From the date of acquisition, the assets have contributed \$nil to the net loss of the Group. It is not practicable to determine the profit and revenue that would have been attributable to the Group had the acquisition taken place at the beginning of the year.

(b) Great Southern Rural Opportunities Fund

On 15 May 2008, the Group increased its ownership in the Great Southern Rural Opportunities Fund ("the Fund") to approximately 48% and was deemed to have control of the Fund. The transaction has been accounted for as a business combination under AASB 3 *Business Combinations*.

The total cost of the combination was \$12,981,000 which comprised non-cash contributions of biological assets and plant and equipment.

Note 22. Business Combinations (continued)

Factors giving rise to goodwill include the experience and skills that the employees bring to the Group.

	Recognised on acquisition \$'000	Carrying value \$'000
Cash and cash equivalents	780	780
Trade and other receivables	6,467	6,467
Other financial assets	7,110	7,110
Biological Assets	9,302	9,302
Land	4,067	4,067
Plant and Equipment	17,567	17,567
Water Licences	2,060	2,060
Other	25	25
Total assets	<u>47,378</u>	<u>47,378</u>
Trade and other payables	(3,051)	(3,051)
Interest bearing liabilities	(9,863)	(9,863)
Other	(235)	(235)
Total liabilities	<u>(13,149)</u>	<u>(13,149)</u>
Minority interest	<u>(8,155)</u>	
Fair value of identifiable net assets acquired	<u><u>26,074</u></u>	
Cost of units acquired	12,981	
Minority interest	13,556	
Less: Fair value of identifiable net assets acquired	<u>(26,074)</u>	
Goodwill on acquisition	<u><u>463</u></u>	
Cash flow:		
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	780	
Cash paid	<u>-</u>	
Net consolidated cash outflow	<u><u>780</u></u>	

From the date of acquisition, the assets have contributed \$820,000 to the net profit of the Group. Due to the different reporting dates and operational changes made subsequent to the acquisition, it is not practicable to determine the profit and revenue that would have been attributable to the Group had the acquisition taken place at the beginning of the year.

Annual meeting

The annual meeting will be held as follows:

Place	Parmelia Hilton Ballroom, Perth, WA
Date	20 February 2009
Time	10am
Approximate date the annual report will be available	19 December 2008

Audit

This report is based on accounts that are in the process of being audited.