GREAT SOUTHERN
PLANTATIONS LIMITED

COMPANY ANNOUNCEMENT

Thursday, 25 August 2005

Net Profit increases by 33% to $124.3 million

Leading investment company Great Southern Plantations (ASX code: GTP) has delivered a record net profit after tax for the year ended 30 June 2005 of $124.3 million.

This is an increase of 33% over the company's previous record profit of $93.2 million achieved last year and is the third consecutive year that a record profit result has been recorded.

The net profit announced today does not include revenue of some $118 million, which has been deferred and will be recognised in the 2006 results.

The profit result translates into basic earnings per share of 45.1 cents.

The company has declared a final fully franked dividend of 10 cents per share, which together with the interim fully franked dividend of 4 cents per share which was paid in April, provides shareholders with a total dividend of 14 cents for the year. The record date for the dividend will be 15 September 2005 and it will be paid on 22 September 2005.

The Appendix 4E statement of the company for the year ended 30 June 2005 is attached and an open briefing will also be released to the market on the 2005 results.

For further information see www.great-southern.com.au or call:

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Appendix 4E
Preliminary Final Report

Great Southern Plantations Limited
ABN: 54 052 046 536

Reporting period: **Year ended 30 June 2005**

Previous reporting period: Year ended 30 June 2004

Results for Announcement for the Market

			$'000
Revenue from ordinary activities	Up 53%	to	318,849
Profit from ordinary activities after tax attributable to members	Up 33%	to	124,307
Net profit for the period attributable to members	Up 33%	to	124,307

Dividends	Amount per security	Franked amount per security
Final dividend	10 cents	10 cents
Interim dividend	4 cents	4 cents
Record date for determining entitlements to final dividend	15 September 2005	

Commentary on Results

Great Southern has achieved record revenues of $318.8 million (up 53% on last year) and record profits of $124.3 million (up 33% on last year) for the year ended 30 June 2005.

During the current year, Great Southern introduced a new agri-business activity to its stable of MIS projects, the 2005 Organic Olives Project. The 2005 Organic Olives project is already Australia's largest organic olive grove with over 80,000 olive trees. The Company plans to expand its organic olives project offerings in 2006. This project closed on 31 May 2005 fully subscribed raising $19.1 million. Two new Vineyard MIS projects also closed during the year fully subscribed raising a total of $32.0 million. Revenue recognition for the 2005 Organic Olive and 2005 Vineyard projects is 70% and 74% respectively with the remainder deferred and recognised in 2006 and 2007.

Pulpwood MIS projects raised a total of $304.3 million in the year to 30 June 2005 (2004: $227 million) an increase of 34%. Revenue recognition for Pulpwood MIS sales is dependant upon the stage of completion of the relevant establishment services at year end. Revenue that is not recognised is deferred in the balance sheet and recognised in the following year when the relevant services are performed.

At 30 June 2005 all of the marketing and distribution and MIS support activities had been performed and planting services had commenced. On this basis revenue recognition for current year Pulpwood MIS sales is 64.3% (2004: 75.1%). At 30 June 2005 approximately 41% of the land required to meet the sales requirement had been sourced, either settled, subject to contract, from land on hand or land available on lease. The remaining land is expected to be sourced over the coming months. Deferred revenue for Pulpwood MIS projects at 30 June 2005 totalled $108.6 million (2004: $55.4 million).

During the year Great Southern began harvesting its own timber for the first time and in February 2005 the first of 3 shipments of woodchip left Albany, WA for Japan. Great Southern earned a total of $7 million from the sales of its harvested timber, mainly from the export of woodchip, with a related profit of $0.1 million.

Operating expenditure has increased at a rate consistent with the increase in sales reflecting that a number of the Groups activities are directly related to sales and sales generation.

Profit before tax is $175.6 million (2004:$132.7 million) with a margin to revenue of 55% (2004: 63.7%) and net profit after tax is 2005:$124.3 million (2004: $93.2 million) with margin to revenue of 39% (2004: 44.7%). The margin reduction is primarily as a result of the reduced revenue recognition percentage.

Earnings per share have also increased to 45.1 cents, up 4% on prior year. Current year earnings per share is impacted by the issue of 30.1 million shares in March 2005 raising $139.8 million, predominately for the purchase of two businesses, Sylvatech Limited and its Tiwi Island MIS forestry business (acquired in April 2005) and the beef cattle business of Environinvest Limited (acquired in July 2005). These two acquisitions are long term strategic acquisitions that are expected to support future growth and revenues. As well as acquiring the beef cattle business assets and know-how, Great Southern has, on acquiring the business, received the benefit of $4.9 million in sales generated during 2005.

A final dividend of 10 cents per share, which results in a full year return to shareholders of 14 cents per share or $41.6 million, has been declared. The full year return to shareholders represents 33% of net profit after tax.

Statement of Financial Performance
For the year ended 30 June 2005

	Notes	2005 $'000	2004 $'000
Revenue from ordinary activities	1	**318,849**	208,344
Other expenses from ordinary activities			
Administration		**20,147**	15,031
Borrowing costs/Bank facility costs		**4,796**	1,040
Commissions		**16,776**	11,337
Agriculture and MIS related expenses		**63,746**	26,326
Marketing, promoting of product & industry		**37,832**	21,894
Profit from ordinary activities before income tax expense	2	**175,552**	132,716
Income tax expense		**51,245**	39,490
Profit from ordinary activities after income tax expense		**124,307**	93,226
Net profit attributable to members of Great Southern Plantations Limited		**124,307**	93,226
Total changes in equity other than those resulting from transactions with owners as owners		**124,307**	93,226
Basic earnings per share - cents		**45.10**	43.27
Diluted earnings per share - cents		**43.73**	40.26

Statement of Financial Position
As at 30 June 2005

	Notes	2005 $'000	2004 $'000
Current Assets			
Cash assets		**118,292**	35,549
Receivables		**206,129**	140,261
Receivables – securitised loans	3	**58,425**	16,527
Inventory		**4,697**	1,341
Other		**4,670**	4,382
Total Current Assets		**392,213**	198,060
Non-current Assets			
Receivables		**217,307**	135,722
Receivables – securitised loans	3	**73,250**	-
Other financial assets		**16,722**	4,202
Self-generating and regenerating assets		**14,742**	10,164
Property, plant and equipment		**385,817**	278,593
Goodwill and other intangibles	4	**39,007**	-
Other		**1,169**	3,123
Deferred tax assets		**40,549**	16,700
Total Non-Current Assets		**788,563**	448,504
Total Assets		**1,180,776**	646,564
Current Liabilities			
Payables		**89,361**	56,975
Current tax liabilities		**62,797**	62,396
Provisions		**5,360**	850
Interest bearing liabilities – securitised loans	3	**58,425**	16,527
Deferred Revenue		**118,214**	57,957
Total Current Liabilities		**334,157**	194,705
Non-Current Liabilities			
Payables		**2,155**	511
Deferred tax liabilities		**1,606**	601
Provisions		**1,545**	130
Interest bearing liabilities – securitised loans	3	**73,250**	-
Deferred revenue		**6,220**	1,701
Total Non-Current Liabilities		**84,776**	2,943
Total Liabilities		**418,933**	197,648
Net Assets		**761,843**	448,916
Equity			
Contributed Equity		**495,915**	273,371
Retained profits		**265,928**	175,545
Total Equity		**761,843**	448,916

Statement of Cash Flows
As at 30 June 2005

	Notes	**2005 $'000**	2004 $'000
Cash Flows from Operating Activities			
Receipts from growers/customers		**79,744**	61,242
Securitisation of loan receivables		**178,730**	49,997
Payments to suppliers and employees		**(155,711)**	(63,338)
		102,763	47,901
Interest received		**5,098**	2,637
Income taxes paid		**(68,722)**	(15,356)
Borrowing costs/bank facility costs		**(4,775)**	(1,040)
Other		**-**	245
Net cash inflow from operating activities		**34,364**	34,387
Cash Flows from Investing Activities			
Payments for property, plant and equipment		**(97,200)**	(133,867)
Proceeds from sale of property, plant and equipment		**1,963**	116
Payments for self generating and regenerating assets		**(5,064)**	(6,398)
Acquisition of Sylvatech Limited (net of cash)	4	**(41,579)**	-
Maintenance funds released		**2,693**	1,405
Net cash outflow from investing activities		**(139,187)**	(138,744)
Cash Flows from Financing Activities			
Dividends paid		**(22,033)**	(12,076)
TREES Coupons paid		**(5,097)**	(1,842)
Proceeds from the issue of ordinary shares		**139,790**	91,779
Costs of the issue of ordinary shares		**(3,616)**	(1,824)
Proceeds from issue of TREES		**80,000**	55,000
Cost of issue of TREES		**(3,428)**	(2,916)
Options exercised		**1,950**	732
Securitisation of loan receivables:			
Proceeds from issue of notes		**-**	30,232
Repayment of notes		**-**	(30,232)
Net cash inflow from financing activities		**187,566**	128,853
Net increase in cash held		**82,743**	24,496
Cash at the beginning of the year		**35,549**	11,053
Cash at the end of the year		**118,292**	35,549

Notes to the Statement of Financial Performance, the Statement of Financial Position and the Statement of Cash Flows

Note 1 Revenue

	2005 $'000	2004 $'000
Revenue from operating activities		
Project Revenues current year	**232,635**	183,274
Project Revenues previous years	**56,887**	16,393
Finance interest and loan fees	**12,967**	4,545
Sales of harvested timber and woodchips	**7,027**	-
	309,516	204,212
Revenue from outside the operating activities		
Interest income	**5,396**	2,637
Net increment in net market value of SGARA	**1,377**	-
Sale of property, plant and equipment	**478**	269
Other income	**2,082**	1,226
	9,333	4,132
Revenue from ordinary activities	**318,849**	208,344

Note 2 Profit from Ordinary Activities

	2005 $'000	2004 $'000
Net gains and expenses		
Profit from ordinary activities before income tax includes the following specific net gains and expenses:		
Net gains		
Net increment in net market value of SGARA	**1,377**	**-**
Expenses		
Borrowing and securitisation costs	**4,796**	1,040
Cost of harvested timber and woodchips sold	**6,901**	-
Amortisation of goodwill	**412**	-
Depreciation:		
Plant & Equipment	**1,289**	351
Other charges against assets:		
Doubtful debts	**935**	343
Other provisions:		
Employee Entitlements	**1,835**	179
Rental expense relating to operating leases:		
Minimum lease payments	**2,471**	1,177

Note 2 Profit from Ordinary Activities

	2005 $'000	2004 $'000
Loss on Disposal:		
Property plant & equipment	**3**	61
Net decrement in net market value of SGARA	**-**	325
Research and development	**258**	181

Note 3 Securitisation of Loans Receivable

In 2004 Great Southern entered into a Sale and Servicing Agreement ("LSSD") with Adelaide Bank Limited for the securitisation of both interest free and principal and interest loans. Under the terms of the agreement Great Southern will receive a minimum of 90% of the face value of the loans securitised with the remainder of the funds being put on deposit as security (the collateral account), subject to the minimum balance of the collateral account being $3 million.

During the year ended 30 June 2005 Great Southern securitised $108.9 million in interest free loans and $83.7 million in principal and interest loans to Adelaide Bank receiving a total of $178.7 million.

As with previous securitisations, these transactions provide Great Southern with cash flow and forms part of Great Southern's overall risk management strategy by capping its credit risk exposure from those loans securitised.

Great Southern's maximum exposure to credit risk at any time is limited to 5% of the outstanding principal value of loans securitised and the balance of the collateral account. The maximum potential exposure to Great Southern at 30 June 2005 in respect of the $131.7 million of loan principal securitised and outstanding at 30 June 2005 is $19.8 million.

Great Southern considers that the majority of the risks and benefits flowing from these loans securitised are retained by the Group and in accordance with Group policy, the loans securitised have been retained on the statement of financial position and a corresponding liability of $131.7 million has been the recognised in current and non-current liabilities as interest bearing liabilities.

The interest bearing liability recognised is fully matched by the retention of the corresponding interest bearing debtors. The net impact of this disclosure on net assets in the consolidated statement of financial position is zero.

Note 4 Acquisition of Sylvatech Limited

On 11 April 2005 Great Southern Plantations Limited's takeover offers for all of the fully paid ordinary shares of Sylvatech Limited became unconditional and Great Southern proceeded to compulsory acquisition having already received acceptances from 91.7% of Sylvatech Limited's ordinary shareholders. Effective control of Sylvatech Limited and its subsidiaries was obtained on 11 April 2005.

Sylvatech Limited was an unlisted public company involved in the development and management of forestry projects on the Tiwi Islands in the Northern Territory. This strategic acquisition will provide Great Southern with access to extensive plantation land for use in future projects as well as other operational benefits and opportunities.

Great Southern paid a total of $39.2 million in cash to acquire 100% of the ordinary shares of Sylvatech and incurred $0.9 million of acquisition costs.

Included in the fair value of the net assets acquired is $2.1 million for Land Access Rights. Land Access Rights relate to the value to the Group of the various lease agreements in place between Sylvatech and the Tiwi Aboriginal Land Trust for the long term lease of plantation land on Melville Island. This asset has been independently valued with the valuation based upon a comparison of the lease terms to equivalent arms length commercial transactions.

Note 4 Acquisition of Sylvatech Limited (cont'd)

Goodwill is the difference between the cash consideration paid and the fair value of assets acquired and represents the ongoing value of the Sylvatech operations on the Tiwi Islands to the Great Southern Group. The consolidation of Sylvatech into the Great Southern Group following its acquisition has resulted in the recognition by the Group of goodwill of $37.3 million.

In accordance with AASB 1013 *Accounting for Goodwill*, the purchased goodwill resulting from the Sylvatech acquisition will be amortised on a straight line basis over the period of time during which the benefits are expected to arise not to exceed 20 years.

At 30 June 2005 the Group had recorded amortisation of goodwill of $0.4 million.

Other Information

Dividend Payments

Type of Dividend	Record date	Payment date	Amount per security	Total dividend	Franked amount per security
Final	15 September 2005	22 September 2005	10 cents	29,915,679	10 cents
Interim	31 March 2005	7 April 2005	4 cents	11,706,740	4 cents
Final	15 October 2004	21 October 2004	7 cents	17,120,447	7 cents

Dividend / Coupon or Distribution 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	7 April 2005	4 cents	8,546,716	867,647
TREES Coupon	31 October 2004	$3.21	1,607,540	n/a
TREES Coupon	30 April 2005	$3.16	639,339	n/a
TREES2 Coupon	30 April 2005	$3.56	2,849,809	n/a

Retained Earnings

	30 June 2005 $'000	**30 June 2004 $'000**
Retained profits at the beginning of the financial year	**175,545**	100,305
Net profit attributable to members of Great Southern Plantations Limited	**124,307**	93,226
Dividends Paid	**(28,827)**	(16,144)
TREES coupons paid	**(2,247)**	(1,842)
TREES2 coupons paid	**(2,850)**	-
Retained profits at the end of the financial year	**265,928**	175,545

Net Tangible Assets

	30 June 2005 $'000	30 June 2004 $'000
Total net tangible assets	**722,836**	448,916
Net tangible assets backing per ordinary share	**$2.44**	$1.84

Control Gained or Lost Over Entities

Refer note 4 above for information regarding the acquisition of Sylvatech Limited.

Details of Associates and Joint Venture Entities

Sylvatech Limited, which was acquired by Great Southern Plantations in the current period, holds 50% of the outstanding shares in Pensyl Pty Ltd. Pensyl Pty Ltd was formed by Sylvatech in conjunction with Pentarch Forest Products Pty Ltd for the purpose of managing forestry and shipping logistics and facilitating export marketing of forestry products from the Tiwi Islands. The acquisition of this Associate will not be material to the understanding of this report.

Earnings per Share

	30 June 2005	30 June 2004
Basic earnings per share - cents	**45.10**	43.27
Diluted earnings per share- cents	**43.73**	40.26
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**264,353,236**	211,182,357
Weighted average number of ordinary shares used as the denominator in calculating the diluted earnings per share	**284,246,484**	231,575,543

Reconciliation of earnings used in calculating earnings per share

	2005 $'000	2004 $'000
Net Profit	**124,307**	93,226
Less: TREES Coupon	**(5,097)**	(1,842)
Earnings used in calculating basic earnings per share	**119,210**	91,384

Reconciliation of earnings used in calculating diluted earnings per share

	2005 $'000	2004 $'000
Net Profit	**124,307**	93,226
Earnings used in calculating diluted earnings per share	**124,307**	93,226

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 earnings per share. They have not been included in the determination of basic earnings per share.

Issued Capital

	Number on Issue 30 June 2004	New Issues	DRP	Exercised/ Converted/ Lapsed	Number on Issue 30 June 2005
Ordinary Shares	243,792,312	30,062,388	2,436,435	20,129,132	296,420,267
Options	4,308,339	4,250,000	-	(1,983,339)	6,575,000
TREES	506,519	-	-	(351,493)	155,026
TREES2	-	800,000	-	(300)	799,700

Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	2005 $'000	2004 $'000
Profit from ordinary activities after income tax	**124,307**	93,226
Depreciation and amortisation	**1,717**	351
Net profit on sale of non-current assets	**(475)**	(208)
(Increase)/decrease in net market value of self-generating and regenerating assets	**(1,377)**	325
Change in operating assets and liabilities:		
Increase in trade debtors	**(147,453)**	(152,918)
Increase in receivables – securitised loans	**(115,148)**	(16,527)
Increase in investments	**(9,520)**	(4,918)
Increase in inventories	**(3,356)**	(290)
Increase in other operating assets	**(1,334)**	(410)
Increase in future income tax benefit	**(23,849)**	(11,233)
Increase in trade creditors and accruals	**23,596**	32,877
Increase in interest-bearing liabilities – securitised loans	**115,148**	16,527
Increase in provision for income taxes payable	**401**	49,252
Increase in employee benefits	**1,835**	178
Increase / (decrease) in provision for deferred income tax	**1,005**	(13,885)
Increase in other provisions	**4,090**	-
Increase in deferred revenue	**64,777**	42,040
Net cash inflow from operating activities	**34,364**	34,387

Segment Information

2005	MIS $'000	Financing $'000	Timber $'000	Inter-segment eliminations $'000	Consolidated $'000
Sales to external customers	289,522	12,967	7,027		309,516
Inter segment sales	-	-	-		-
Total sales revenue	289,522	12,967	7,027		309,516
Other revenue	8,395	938	-		9,333
Total segment revenue	297,917	13,905	7,027		318,849
Segment result / Profit from ordinary activities before income tax	166,544	8,882	126		175,552
Income tax expense					(51,245)
Profit from ordinary activities after tax					124,307
Segment assets	980,512	485,298	18,220	(343,803)	1,140,227
Tax assets					40,549
Consolidated assets					1,180,776
Segment liabilities	221,337	471,735	5,261	(343,803)	354,530
Tax liabilities					64,403
Consolidated liabilities					418,933
Acquisitions of property, plant and equipment and other non current segment assets	107,200	-	-	-	107,200
Depreciation expense	1,289	-	-	-	1,289

2004	MIS $'000	Financing $'000	Timber $'000	Inter-segment eliminations $'000	Consolidated $'000
Sales to external customers	199,667	4,545	-	-	204,212
Inter segment sales	-	1,040	-	(1,040)	-
Total sales revenue	199,667	5,585	-	(1,040)	204,212
Other revenue	3,114	1,018	-	-	4,132
Total segment revenue	202,781	6,603	-	(1,040)	208,344
Segment result / Profit from ordinary activities before income tax	128,246	4,470	-	-	132,716
Income tax expense					(39,490)
Profit from ordinary activities after tax					93,226
Segment assets	478,246	385,441	-	(233,823)	629,864
Tax assets					16,700
Consolidated assets					646,564
Segment liabilities	125,001	243,473	-	(233,823)	134,651
Tax liabilities					62,997
Consolidated liabilities					197,648
Acquisitions of property, plant and equipment and other non current segment assets	135,021	-	-	-	135,021
Depreciation expense	351	-	-	-	351

Events Occurring after the Reporting Date

On 26 July 2005 Great Southern securitised $57.0 million of 12 month interest free loans to Adelaide Bank under a Loan Sale and Servicing Deed. As a result of this transaction the Group received $52.1 million, with the remaining $4.9 million deposited into the collateral account (refer note 3).

On 19 July 2005 Great Southern purchased the Beef Cattle Managed Investment Scheme Business from Environinvest Limited. The business comprised the ongoing beef cattle MIS projects, the key commercial agreements underpinning the beef cattle projects, 55,000 heads of cattle and prime grazing land on King Island. In addition, Great Southern also acquired approximately 3,200 hectares of land currently used in Environinvest Ltd's ongoing MIS forestry projects. The total consideration for the acquisition will be approximately $55 million.

Impact of adopting Australian Equivalents to IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to the comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The consolidated entity has established a project team to manage the transition to AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team reports regularly to the Audit Committee on the status of the project and is meeting its scheduled milestones.

The project team has analysed all the AIFRS and has identified the accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standards AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the economic entity.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and management's best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimate of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS project team; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard setters and IFRIC; and (c) emerging accepted practise in the interpretation and application of AIFRS and UIG Interpretations.

(a) Explaining the impacts on 30 June 2005 Retained Earnings and Net Profit for the year ended 30 June 2005

(i) Revenue Recognition

(for Pulpwood MIS Projects)

Future earnings impact dependant upon the level of future Pulpwood MIS project sales.

Under AASB 118 *Revenue*, service revenue is recognised when the outcome of the transaction can be reliably estimated by reference to the stage of completion of the transaction.

AASB 118 excludes from the cost base used to estimate the stage of completion any cost that cannot be specifically attributed to the transaction, including for example general administration, marketing and other costs for which re-imbursement is not specified in the contract. Costs that relate directly to the transaction, are incurred in securing the contract, can be separately identified and can be measured reliably can be included in the cost base.

This will result in a change to the current accounting policy, under which certain general administration, marketing, selling and other costs that supported the establishment of a new pulpwood MIS project were included in the cost base for the stage of completion calculation.

In applying the current AGAAP accounting policy 64% of Pulpwood MIS sales has been recognised in revenue for the year ended 30 June 2005 with the balance of sales deferred. Under the new AIFRS accounting policy the revenue recognition percentage would have reduced to 49%.

If the policy required by AASB 118 had been applied during the year ended 30 June 2005, deferred revenue from MIS Pulpwood sales at 30 June 2005 would increase by $43.8 million, deferred tax assets at 30 June 2005 would increase by $13.1 million, consolidated net profit after tax for the year ended 30 June 2005 would decrease by $7.5 million and consolidated retained earnings at 30 June 2005 would reduce by $29.6 million.

(ii) Plantation Land and Investment Property

Future earnings volatility

AASB 140 *Investment Property* defines investment property as property held for the purpose of earning rentals or for capital appreciation, or both.

Great Southern owns the majority of land used in its ongoing timber MIS projects and strategically holds this land for the long term, primarily for capital appreciation and to earn rentals.

Great Southern considers that this land is properly classified as investment properties pursuant to AASB 140.

Under AASB 140 *Investment Property,* is either: measured using the fair value model, under which investment property is measured, after initial recognition, at fair value with changes in fair value recognised in the profit and loss; or measured using the cost model under which investment property is measured, after initial recognition, at depreciated cost and is subject to impairment testing under AASB 136 *Impairment of Assets*.

Great Southern has chosen to apply the fair value model in accounting for its land investment properties.

This will result in a change to the current accounting policy, under which all freehold plantation land is recorded at its original cost.

Under AASB 140 the gains or losses arising from a change in the fair value of investment property is recognised in the income statement. This has the potential to result in future earnings volatility.

If the policy required by AASB 140 had been applied during the year ended 30 June 2005, plantation land classified as property, plant and equipment carried at cost of $348.7 million would be reclassified as investment property. The aggregate fair value of these plantation land investment properties would be $346.2 million, a difference of $2.5 million to cost, deferred tax assets at 30 June 2005 would increase by $0.8 million, consolidated net profit after tax for the year ending 30 June 2005 would increase by $7.2 million and retained earnings at 30 June 2005 would reduce by $1.8 million.

(iii) Equity based compensation benefits

Higher expenses

Under AASB 2 *Share-based Payment*, the economic entity is required to recognise as an expense in the income statement on a pro-rata basis over the vesting period the fair value of: options granted to key executives; and management performance rights granted to employees as part of the Management Performance Rights Plan 2004.

This will result in a change to the current accounting policy under which no expense is recognised for equity based compensation.

If the policy required by AASB 2 had been applied during the year ended 30 June 2005, consolidated net profit after tax for the year ending 30 June 2005 would be lower by $1.5 million and consolidated retained earnings at 30 June 2005 would be lower by $2.7 million.

(iv) Intangible Assets – Goodwill

Potential for future earnings volatility

Under AASB 3 *Business Combinations*, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on cash flows of the related cash generated unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period during which benefits are expected to arise and not exceeding 20 years.

If the policy required by AASB 3 had been applied during the year ended 30 June 2005, consolidated goodwill at 30 June 2005 would be higher by $0.4 million with an offsetting decrease to consolidated amortisation expense for the year ended 30 June 2005, increasing the 30 June 2005 net profit after tax also by $0.4 million.

(v) Income tax

Under AASB 112 *Income taxes*, deferred tax balances are determined using the balance sheet method which calculated temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

If the policy required by AASB 112 had been applied during the year ended 30 June 2005, consolidated deferred tax assets would be higher by approximately $13.9 million, consisting of $13.1 million from the increase in deferred revenue (*refer (i) above*) and $0.8 million resulting from the adoption of AASB 140 (*refer (ii) above*).

In addition, the tax effect of transaction costs on share issues would have been recognised in equity, resulting in an increase in consolidated current income tax expense, a decrease in consolidated retained earnings and an increase in contributed equity in the consolidated financial statements.

(b) Financial Instruments

Management have decided to apply the exemption provided in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards,* which permits entities not to apply the requirements of AASB 132 *Financial Instruments: Presentation and Disclosure* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005.

Expected impacts to the consolidated entity's Income Statement and Balance Sheet from applying AASB 132 and AASB 139 from 1 July 2005 onwards include:

(i) TREES and TREES2 classification

New liabilities recognised at 1 July 2005
Higher interest expense

The previously issued Transferable Reset Exchangeable Securities ("TREES") and Transferable Reset Exchangeable Securities series 2 ("TREES2"), which are currently treated as equity, will be reclassified as debt. The debt will be recognised at its fair value on transition, which equates to its present value. The reduction in equity and increase in non-current liabilities from this change in policy will be $91.2 million.

Distributions on the TREES and TREES2 will be treated as interest, whereas currently the payments are treated as dividends.

(ii) Receivables

Twelve month interest free finance is made available to investors in Great Southern projects. The carrying amount of such receivables at balance date, which is currently the amount of the outstanding loan balance, will be the amortised cost and will be derived using a suitable risk adjusted discount rate. The discount is expected to unwind in the following reporting period being the year the receivables are collected.

The reduction in the receivable carrying amount from this change of policy will be approximately $4.5 million with a corresponding reduction to retained earnings.

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impact is expected to the cash flows presented under AGAAP on adoption of AIFRS.

Annual meeting

The annual meeting will be held as follows:

Place	Parmelia Hilton 14 Mill Street Perth, WA
Date	23 November 2005
Time	10am
Approximate date the annual report will be available	23 September 2005

Audit

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