Great Southern 2008
High Value Timber Project

ARSN 123 529 233

Annual Report 2010

Financial Report

For the Year Ended 30 June 2010

DIRECTORS' REPORT

The directors of Lowell Capital Limited ('the Responsible Entity') submit herewith the financial report for Great Southern 2008 High Value Timber Project (the Scheme) for the year ended 30 June 2010.

Responsible Entity

Great Southern Managers Australia Limited (GSMAL) was the Responsible Entity of the Scheme for the period from 1 July 2009 to 4 June 2010. Representatives of McGrathNicol (MN) were appointed as Receivers and Managers of GSMAL on 18 May 2009. Representatives of Ferrier Hodgson (FH) were appointed liquidators of GSMAL on 19 November 2009. On 2 March 2010, MN retired over GSMAL to the extent of their appointment related to the Scheme.

Lowell Capital Ltd was appointed the Responsible Entity of the Scheme on 4 June 2010.

Directors

The names of the directors of the Responsible Entity during or since the end of the year are:

Great Southern Managers Australia Limited (resigned 04/06/2010)	
S A Read (Receiver and Manager)	appointed 18 May 2009
J G Thackray (Receiver and Manager)	appointed 18 May 2009
A G McGrath (Receiver and Manager)	appointed 18 May 2009
M B Jones (Liquidator)	appointed 19 November 2009
D G Weaver (Liquidator)	appointed 19 November 2009
J H Stewart (Liquidator)	appointed 19 November 2009
A J Saker (Liquidator)	appointed 19 November 2009

Lowell Capital Limited (appointed 04/06/2010)	
M.A. Ramsden	appointed 4 June 2010
D.B. Worth	appointed 4 June 2010, resigned 31 August 2010)
D. Carroll	appointed 4 June 2010
Mr O.R. Carton	appointed 22 October 2010

Although Messrs Ramsden, Worth and Carroll were appointed as directors of Lowell Capital Ltd prior to 4 June 2010, it is noted Lowell Capital Ltd only assumed the role of the Responsible Entity from this date.

Principal activities

The Scheme is a registered managed investment scheme domiciled in Australia. The principle activity of the Scheme during the year is commercial growing of the tropical hardwood timbers, Teak (Tectona Grandis) and African Mahogany (Khaya Senegalensis) for use in the manufacturing of high value wood products.

Review of Operations and Results

Net loss attributable to Growers for the year ended 30 June 2010 was $534,508 (2009: $nil).

Distributions

Distributions payable to Growers at 30 June 2010 were $nil (2009: $nil). Distributions will be payable from the Scheme following harvesting and sale of the timber. Clearfell is expected to commence within 12 months of the trees reaching maturity, which is expected to be approximately 17-19 years from planting, or approximately 2025-2027.

Interests in the Scheme held by the Responsible Entity and its Associates in the Scheme
At the date of this report, the Responsible Entity, its associates and directors hold no interests in the Scheme.

Fees paid to the Responsible Entity
Fees of $nil (2009: $nil) were paid or payable to the Responsible Entity for the financial year ended 30 June 2010. Application proceeds funds paid to the Responsible Entity during the period were $nil (2009: $nil).

MN incurred costs in their role of Receivers and Managers of GSMAL. These costs are subject to a lien which gives them a priority to commercial proceeds. The undiscounted liability against the Scheme as at 30 June 2010 and as at the date of this report is estimated to be $570,562 for the period from 18 May 2009 to 2 March 2010, as disclosed in a lien consolidation file prepared by MN dated 19 July 2011. The final determination of the amount to be allocated to the Scheme has not yet been agreed upon between the Responsible Entity and the Receivers and Managers. The lien balance is not expected to accrue interest.

Interests in the Scheme and Scheme Assets

	Number of woodlots under lease and management agreements
Interests issued during the financial year	Nil
Withdrawals from the Scheme during the financial year	Nil
Woodlots under lease and Management Agreements as at 30 June 2010	6,641
Deficit attributable to Growers as at 30 June 2010	$534,508

State of affairs

a) Change in the Responsible Entity
GSMAL was the Responsible Entity of the Scheme for the period from inception to 4 June 2010. MN was appointed as Receivers and Managers of GSMAL on 18 May 2009 and continued in the capacity of the Responsible Entity on behalf of GSMAL until 2 March 2010. FH were appointed liquidators of GSMAL on 19 November 2009. On 2 March 2010, MN retired over GSMAL to the extent of their appointment related to the Scheme.

On 3 June 2010, the investors of the Scheme voted to accept the proposal of Lowell Capital Limited ("LCL") to become the Responsible Entity of the Scheme and, in addition, approved the proposed revisions to the Scheme's Constitution and fee structure.

b) Additional contribution
The Constitution and Land and Management Agreements were amended to include the following:

- additional contribution of $100 per woodlot held by the Grower each year for the five year period starting 2010 to establish the Contribution Fund;
- a Grower may pay $400 per woodlot in satisfaction of all additional contributions for the five year period if such an amount is paid under the terms of the first invoice;
- for any woodlot in respect of which a Grower does not pay the additional contribution in any three years of the five year period, the Grower will be required to pay a non-contribution additional fee to the RE representing the following cumulative portions of the net proceeds of sale relating to that woodlot:
  - o first year – 20%;
  - o second year – 40%; and
  - o third year – 100%.
- Woodlots in respect of which a Grower is required to pay 100% of the portion of the net proceeds of sale as a non-contribution additional fee will be removed from the Grower agreement at the end of 5 year period; and
- A Grower may choose to make further contributions in additional to their additional contribution (increased contributions) to the extent that the total increased contribution and total additional contribution does not exceed the amount invoiced to Growers in any one year.

c) Fee Structure

The revision to the fee structure in the Scheme's revised constitution increases the overall lease and management fee by 31.7% to 44.2% plus GST of net harvest proceeds. The total net harvest proceeds are split to include 2.75% lease fee, 48.625% Responsible Entity, 48.625% Growers (post GST). Of the amount received by the RE, 95% is payable to the manager under a Management Services Agreement.

The Responsible Entity is entitled to receive, on the date on which Lowell Capital Limited is appointed as the Responsible Entity of the Scheme, an amount equal to 20% of the RE's share of net harvest proceeds. Five calendar years after the date on which Lowell Capital Limited is appointed as the Responsible Entity of the Scheme, an amount equal to 30% of the proceeds; and the remaining 50% of the proceeds accrues on a pro rata basis over the period commencing five calendar years after the date on which Lowell Capital Limited is appointed as the Responsible Entity and ending on the date on which the Responsible Entity commences harvesting of the forest produce.

The Responsible Entity will also receive 10% of additional contributions made by Growers for the first five years of becoming the Responsible Entity and $40,000 plus GST annually thereafter indexed in line with the Consumer Price Index. This annual fee is a prepayment of the revised fee discussed above.

The Responsible Entity becomes entitled to receive the non-contribution additional fee at the conclusion of the Five Year Period.

d) Commercial thinning

The land and management agreements were amended such that the RE is entitled to the proceeds of sale of log timber or other timber cut from the trees during commercial thinning.

e) Reimbursement from the Scheme

The Responsible Entity is entitled to be reimbursed all costs properly incurred in exercising its powers to:

(i) Amend an Agreement in a manner required to effect the proposal described in the Explanatory Memorandum dated 3 March 2010.

(ii) Take any action (including Court action) necessary or desirable to protect or preserve the Grower's right to use, occupy or access land to grow their trees under the Project.

including, without limitation, all legal and litigation costs and costs associated with the preparation of any reports for the purposes of taking action, first from the Contribution Fund and then from the Net Proceeds of Sale. The total legal fees to be reimbursed from the Scheme for the year ended 30 June 2010 was $58,066 (2009: $nil).

f) Lien Payable

Great Southern Managers Australia Limited (GSMAL) was the Responsible Entity of the Scheme for the period from 1 July 2009 to 4 June 2010. Representatives of MN were appointed as Receivers and Managers of GSMAL on 18 May 2009 and retired over GSMAL to the extent of their appointment related to the Scheme on 2 March 2010. Representatives of Ferrier Hodgson (FH) were appointed liquidators of GSMAL on 19 November 2009. Lowell Capital Limited (LCL) was appointed the Responsible Entity of the Scheme on 4 June 2010 and has acted in that capacity since.

Between 18 May 2009 and 2 March 2010, MN incurred expenses in the care, preservation, protection and realisation of Scheme property in relation to the Scheme. MN has an entitlement to a lien over the Scheme's property and the product thereof, for their reasonable expenses. A lien is a security right conferred by operation of law that is granted over an item of property to secure the repayment of expenses incurred in the care and preservation of that property.

As at the date of this report, the undiscounted liability against the Scheme is estimated to be $570,562 as disclosed in a lien consolidation file prepared by MN dated 19 July 2011. The final determination of the amount to be allocated to the Scheme has not yet been agreed upon between the Responsible Entity and the Receivers and Managers. The balance previously advised by the RE in public correspondence was $430,000. The lien balance is not expected to accrue interest. Negotiation are currently being undertaken to have the lien removed as part of a land transaction negotiation.

g) Leases
On 25 February 2010, McGrathNicol as Receivers and Managers of Great Southern HVT Holdings Pty Ltd, (in liquidation), the lessor of the scheme's land, issued default notices under the head leases requiring remedy within 30 days. A request was made for the default notice to be withdrawn or extended, which has neither been refused nor accepted. Land negotiations are currently being conducted as detailed in 'Events subsequent to balance date'.

h) Insurance
Insurance has become the responsibility of individual Growers. Lowell Capital Limited makes no recommendations nor executes insurance policies on behalf of Growers. In the event of fire, or other loss, the losses will be borne by all Growers in proportion to the number of lots they hold.

In the opinion of the Responsible Entity, and to the best interest of the Responsible Entity's knowledge and understanding, there were no other significant changes in the state of affairs of the project the occurred during the financial period under review.

Events subsequent to balance date

Lease and land negotiations
On 25 February 2010, McGrathNicol as Receivers and Managers of Great Southern HVT Holdings Pty Ltd, (in liquidation), the lessor of the scheme's land issued default notices under the head leases requiring remedy within 30 days. A request was made for the default notice to be withdrawn or extended, which has neither been refused nor accepted.

Land negotiations have been conducted with Ferrier Hodgson on behalf of Great Southern HVT Holdings Pty Ltd (In liquidation) and Great Southern Managers Australia Limited (In liquidation) for the acquisition of the majority of properties on behalf of the Growers. The transaction was approved by Growers on the 6 December 2011. The HVT Land Scheme has been registered. The successful completion of the conditional agreement relies on:

- The release of the receivers and liquidators lien
- All consents necessary for the sale and purchase of land being granted
- The capital raising occurring to LCL's and the Land Scheme's Responsible Entity's satisfaction

Fundamentally, this agreement enables Lowell to continue the Scheme on viable land and enables the Liquidators to sell the unviable land. To achieve this, Lowell proposes to register a managed investment scheme, the HVT Land Scheme. Units in the HVT Land Scheme will only be available for those Growers in the Scheme who have fully paid their Grower contributions at 20 February 2012. To allow the Liquidators to sell the unviable land, Lowell will be required to accept the termination of the relevant Head Leases on those lands.

On the completion of the land negotiation, the land area will be diminished. LCL cannot identify the impact on each Grower's land Interest because the Liquidators have been unable to locate records of GSMAL's allocations of land to individual Growers. LCL proposes to ensure that Grower's proportional interests in the net harvest proceeds of the Scheme will remain the same, the land areas of Scheme will be determined and the available land will be re-allocated proportionately to the continuing Growers in accordance with the original Scheme objectives. This transaction should create greater certainty for the Scheme.

Cyclone Yasi
Cyclone Yasi crossed the Queensland coast on 3 February 2011. The full teak estate was inspected during the week of 12 February 2011. Of the Scheme's properties, there was relatively little damage to the estate with less than 15% of the total estate affected. Of the affected estate, most of the damage was to stems of co-dominant and suppressed form likely to be candidate trees for first thinning removal only. Some rescheduling of expenditure is necessary given the damage. This expenditure is likely to be in the order of $100,000.

Plantation maintenance

A plantation assessment was complete in September 2011 recommending some plantations cease to be maintained due to poor stocking, declining survival, poor growth and those that that would be expensive to maintain and where returns would be very low. If these recommendations are accepted, approximately 2450 hectares would cease to be maintained as high value timber plantations.

Region *And Property*	Gross *Area (ha)*	Net Planted *Area.(ha)*	Comments
North Queensland, Ingham South Region (Teak)			
Astorquia	7.0	0	Reject, poorly stocked
Boscato	47.2	30.7	Reject, poor survival/growth
Cassar 1,2,3	166.1	76.0	Reject, high mortality + cost
Castellani V	41.2	31.8	Reject, poor growth
Castorina	226.8	0	Reject, poorly stocked
Castorina 2009	167.4	74.6	Reject, poor survival/growth
Cauchi	53.1	44.9	Reject, high mortality + dieback
College Farm	241.3	92.0	Reject, fragmented/high maintenance
Erkkila 1	126.0	0	Reject, poorly stocked
Fischera	90.3	81.9	Reject, poor growth + high weed
Glenwright	35.6	21.5	Reject, V. wet, no growth
Grant	96.4	65.0	Reject, 70% mortality, high insect
Holdcroft	66.2	48.2	Reject, high mortality
Quagliata	52.7	0	Reject, poorly stocked
Riverview	142.2	17.0	Reject, poor growth and fragmented
Russo	37.8	17.0	Reject, V. wet, no growth
Seres	85.7	0	Reject, poorly stocked
Shegog	28.7	22.6	Reject, poor survival (45%)
Wilkins	55.8	35.0	Reject, poor growth/survival/insects
Castellani	67.4	51.8	Maintain
Cavallo Central	45.0	25.5	Maintain
Cavallo East	321.5	163.3	Maintain
Coldwater	148.1	68.0	Maintain
Erkkila 2	123.2	64.7	Maintain
MacDonald	148.0	64.0	Maintain
Mahony	94.0	55.1	Maintain
Messina	70.0	42.3	Maintain
Mombelli 1 & 2	77.1	67.4	Maintain
Quagliotto	204.5	89.0	Maintain
Rutherford	44.8	35.2	Maintain
Sorbello 1,2,3	89.2	67.0	Maintain
Sorbello 4	22.0	13.0	Maintain
Vella	50.4	43.7	Maintain
Northern Territory, Douglas Daly Region (Mahogany)			
Theyona	773	400	Unviable in present state
Whatfor	616	616	Maintain

Other than as discussed above, no matters or circumstances have arisen since 30 June 2010 that have significantly affected, or may significantly affect:

- the operation of the Scheme in future financial years; or
- the results of those operations in future financial years; or
- the state of affairs of the Scheme in future financial years.

Likely developments

As at the date of this report, there are no significant likely developments or proposed changes to the usual operations of the Scheme, other than as discussed in the "Events subsequent to balance date".

Environmental regulation

The operations of the Scheme are subject to environmental regulation to the extent that the land used for plantations is subject to local shire planning and environmental approvals.

Indemnification

Great Southern Managers Australia Limited

Access and indemnity deeds have been executed by the parent company of the GSMAL with each of the directors of the parent company and GSMAL that held office at any time during the financial year. The deeds require the parent company to indemnify each director or former director against any legal proceedings and any claims of any kind made against, suffered, paid or incurred by the officer pursuant to, arising from, or in any way connected with the officer being an officer of the company, the employment of the officer by the company and any act or omission by the officer, directly or indirectly, connected therewith, or a breach by the company of its obligations under the deed. The deeds stipulated that the parent entity will meet the full amount of such liabilities, including costs and expenses. Further, under the deed, the parent company irrevocably and unconditionally guarantees the performance by any controlled entity (including GSMAL) of all obligations under the deed.

Lowell Capital Limited

The Responsible Entity is indemnified out of the net proceeds of sale for any cost or liabilities incurred by it in performing its duties and acting in accordance with the Constitution of the relevant Scheme and the Growers Agreements and any liabilities incurred by a prior Responsible Entity which are assumed by the current Responsible Entity or for which becomes responsible

The Scheme has not indemnified any auditor of the Scheme.

Insurance Premiums

Great Southern Managers Australia Limited

During the period, GSMAL was the Responsible Entity for the Scheme, GSMAL's parent company paid premiums to insure all officers of the parent company and its controlled entities. The officers of GSMAL covered by the insurance policy include directors (as named earlier in this report), former directors and all employees including all executive officers. The insurance contract specifically prohibits disclosure of the nature of insured liabilities, the limit of the aggregate liability and the premiums paid.

Lowell Capital Limited

During the period LCL's parent entity paid premiums to insure all officers of the parent company and its controlled entities. The officers covered by the insurance policy include directors (as named earlier in this report), former directors and all employees including all executive officers. The insurance contract specifically prohibits disclosure of the nature of insured liabilities, the limit of the aggregate liability and the premiums paid.

Independence Declaration by Auditor

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.298 (2) of the *Corporations Act 2001*.

On behalf of the Directors

....

M. Ramsden
Director

MELBOURNE

Dated: 20 January 2012

ERNST & YOUNG

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Auditor's Independence Declaration to the Directors of Lowell Capital Limited, as Responsible Entity for the Great Southern 2008 High Value Timber Project

In relation to our audit of the financial report of Great Southern 2008 High Value Timber Project for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

R A Kirkby
Partner
Perth
20 January 2012

ERNST & YOUNG

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Independent auditor's report to the growers of Great Southern 2008 High Value Timber Project

Report on the Financial Report

We have audited the accompanying financial report of Great Southern 2008 High Value Timber Project ("the Scheme"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in net assets attributable to growers and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Lowell Capital Limited, the Responsible Entity of the Scheme, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Basis for Disclaimer of Auditor's Opinion

Limitations to the scope of our work exist for the reasons described below:

1. As disclosed in Note 1(a) to the accounts, LCL was registered as the Responsible Entity of the Scheme on 4 June 2010, and was not the Responsible Entity of the Scheme at any time prior to that date. The Board of LCL have identified that they did not have oversight or control over the Scheme's financial reporting systems, risk management systems, or internal control systems prior to 4 June 2010.

   Due to the above, the Board of LCL has been unable to conclude without qualification, within its directors' declaration, that the financial statements of the Scheme for the financial year ended 30 June 2010 have been prepared in accordance with the Corporation Acts 2001 and Australian Accounting Standards, to give a true and fair view of the financial position of the Scheme as at 30 June 2010 and of its performance for the year ended on that date.

   The representation letter provided to the auditors by the Responsible Entity of the Scheme has also been qualified on the basis that LCL did not have oversight or control over the Scheme's financial reporting systems, risk management systems, or internal control systems at any time prior to 4 June 2010.

2. As disclosed in Note 7(a) to the accounts, Great Southern Managers Australia Limited ("GSMAL") was the Responsible Entity of the Scheme until 4 June 2010. McGrathNicol ("MN") was appointed as Receiver and Manager of GSMAL on 18 May 2009 and performed the roles of the Responsible Entity on behalf of GSMAL. MN retired as the Receiver and Manager of GSMAL on 2 March 2010 and Ferrier Hodgson assumed the role until 4 June 2010.

   Between 18 May 2009 and 2 March 2010, MN incurred expenses in the care, preservation, protection and realisation of Scheme property. MN claims an entitlement to a lien over the Scheme's property and the product thereof, for their reasonable expenses.

   As at 20 January 2012, the amount of expenses for which MN claims a lien against the Scheme is $570,562. The amount has not been formally confirmed by MN or a court decision.

3. LCL, as Responsible Entity, has not been able to source and provide to ourselves certain source documentation relating to number of woodlots issued and/or withdrawn during the financial year. Furthermore, LCL does not have a current woodlot map by growers. Without access to this documentation, we are unable to determine the accuracy of the Scheme's grower register as at 30 June 2010.

4. We audited the financial statements of the Scheme for the financial year ended 30 June 2009, for which we were unable to and did not express an opinion as to the truth and fairness of the financial position of the Scheme as at 30 June 2009 and of its performance for the year ended on that date due to the existence of the limitation of the scope of our work as detailed in our disclaimer of auditor's opinion dated 17 November 2011. Certain balances as at 30 June 2009 enter into the determination of financial performance for the year ended 30 June 2010.

ERNST & YOUNG

Disclaimer of Opinion

Because of the existence of the limitations on the scope of our work, as described in the preceding paragraphs, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitations not existed, we are unable to and do not express an opinion as to whether:

1. the financial report of Great Southern 2008 High Value Timber Project is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position of Great Southern 2008 High Value Timber Project at 30 June 2010 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Furthermore, we are unable to and do not express an opinion on the statement of financial position as at 30 June 2009, the statement of comprehensive income, the statement of changes in net assets attributable to growers, Statement of cash flows and the associated disclosures, which are shown for the purpose of comparison.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualifying our audit opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 9 - Going concern to the financial report, there is significant uncertainty whether the Scheme will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable and realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Scheme not continue as a going concern.

Report on Other Legal and Regulatory Requirements

Due to the matter described in the Basis for Disclaimer of Auditor's Opinion paragraphs, we have not been given all information, explanation and assistance necessary for the conduct of the audit; and we are unable to determine whether the Scheme has kept:

a. financial records sufficient to enable the financial report to be prepared and audited; and

b. other records and registers as required by the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

R A Kirkby
Partner
Perth
20 January 2012

RK:SS:LOWELL:018

DIRECTORS' DECLARATION

In the opinion of the directors of Lowell Capital Ltd, the Responsible Entity of Great Southern 2008 High Value Timber Project (the Scheme):

1. The financial statements and notes set out on pages 14 to 30, are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of financial position of the Scheme as at 30 June 2010 and of its performance for the financial year ended on that date; and

   (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), and the Corporations Regulations 2001.

2. The financial report also complies with International Financial Reporting Standards as discussed in Note 1(a).

3. Lowell Capital Limited was registered as the Responsible Entity of the Scheme on 4 June 2010, and was not the Responsible Entity of the Scheme at any time prior to that date. Accordingly, the above declaration is subject to the information outlined in Note 1(a).

4. Subject to the achievement of matters described in note 9, there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors of Lowell Capital Ltd made pursuant to s.295 (4) of the Corporations Act 2001.

M. R

....

M. Ramsden
Director

MELBOURNE

Dated: 20 January 2012

STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 30 June 2010

	Note	2010 $	2009 $
Revenue and Other Income		-	-
Expenses incurred in the care and preservation of the Scheme	6a	(476,442)	-
Legal expenses	4	(58,066)	
Net Loss Attributable to Growers		(534,508)	-
Finance Cost			
Distribution to Growers		-	-
Net Loss for the Year		(534,508)	-
Other Comprehensive Income		-	-
Change in Net Assets Attributed to Growers		(534,508)	-

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	2010 $	2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	3	-	-
Total Current Assets		-	-
Total Non-current Assets		-	-
Total Assets		-	-
LIABILITIES			
Current Liabilities			
Trade and other payables	4	58,066	-
Total Current Liabilities		58,066	-
Non Current Liabilities			
Provisions	6a	476,442	-
Total Non Current Liabilities		476,442	
Total Liabilities		534,508	-
Deficit attributable to Growers	10	(534,508)	-

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO GROWERS

For the Year ended 30 June 2010

	Notes	2010 $	2009 $
Opening net assets attributable to Growers		-	-
Change in Net Assets Attributable to Growers		(534,508)	-
Deficit attributable to Growers		(534,508)	-

The above Statement of Change in Net Assets Attributable to Growers should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the Year ended 30 June 2010

	Notes	2010 $ Inflows (Outflows)	2009 $ Inflows (Outflows)
Cash flows from Operating Activities			
Application monies from Growers		-	-
Monies refunded for cancellations		-	-
Release of funds to GSMAL		-	-
Interest received		-	-
Bank charges paid			
Net Cash used in operating activities		-	-
Net increase(decrease) in cash and cash equivalents held		-	-
Cash and cash equivalents at beginning of the half year		-	-
Cash and cash equivalents at end of the year		-	-
Reconciliation of the Changes in Net Assets Attributable to Growers to the net cash flows from operating activities:			
Changes in net assets attributable to Growers		(534,508)	-
Change in operating assets and liabilities			
Movement in trade and other payables		58,066	-
Movement in provision		476,442	
Net cash flows from operating activities		-	-

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Note 1 Summary of Significant Accounting Policies

Great Southern 2008 High Value Timber Project ("the Scheme") is a registered investment scheme under the Corporations Act 2001.

The financial statements of the Scheme for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 20 January 2012

The registered office of the Responsible Entity, Lowell Capital Limited ("LCL") is located at 8 Chapel Street, Richmond, Victoria. LCL, the Responsible Entity of the Scheme, is incorporated and domiciled in Australia.

The investment objective of the Scheme is the sale of timber produced from tropical hardwood timbers, Teak (Tectona Grandis) and African Mahogany (Khaya Senegalensis) for use in the manufacturing of high value wood products. The plantations are managed by the Responsible Entity of the Scheme, LCL and, through a Plantation Management Agreement, by AMA Teak Pty Ltd.

The principal accounting policies adopted in the preparation of the financial report for the Scheme are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Basis of preparation
This general purpose financial report for the financial year ended 30 June 2010 has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law.

The Statement of Changes in Equity was not presented as the Scheme has no equity during the year or at year-end.

Obligations of the Responsible Entity
The Responsible Entity has obligations to operate the Scheme and perform functions conferred on it by the relevant Scheme constitution. In addition, the Responsible Entity has separately entered into individual contractual arrangements with members of the Scheme under which the Responsible Entity has other obligations directly with the individual members of the Scheme.

This financial report relates only to the Scheme and therefore only considers the obligations of the Responsible Entity to the Scheme pursuant to the constitution. Other than as noted below, the financial report does not consider obligations of the Responsible Entity in respect of obligations to members of the Scheme pursuant to the separate contractual relationships between the Responsible Entity and those members.

Other Obligations to Members of the Scheme
Separately, the Responsible Entity has entered into individual contractual arrangements with members of each relevant Scheme under which the Responsible Entity is obliged to incur various expenditures and provide various services. The members either have paid or will make payments to the Responsible Entity to perform these obligations. The costs incurred by the Responsible Entity in discharging its contractual obligations with members are specific financial obligations of the Responsible Entity and in some cases are reimbursable to the Responsible Entity out of the Growers' gross proceeds of sale and are not financial obligations of the Scheme, and are therefore not directly relevant to this financial report.

Notwithstanding this, members of the Scheme should understand that in addition to the Responsible Entity meeting its obligations to the Scheme under the various managed investment scheme constitutions, the Responsible Entity also needs to meet its contractual obligations to members for services pursuant to the individual agreements entered into with individual members of the Schemes. These obligations include incurring establishment and maintenance expenditures for the duration of the Schemes.

Note 1 Summary of Significant Accounting Policies (Continued)

Statement of compliance

The financial statement complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

In the application of the Australian Accounting Standards management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information provided from the former Responsible Entity

LCL was registered as the Responsible Entity of the Scheme on 4 June 2010, and was not the Responsible Entity of the Scheme at any time during the financial year ended 30 June 2010 ("FY2010"). Accordingly, the Board of LCL did not have oversight or control over the Scheme's financial reporting systems, risk management systems, or internal control systems prior to 4 June 2010.

As Great Southern Managers Australia Limited ("GSMAL"), the previous Responsible Entity of the Scheme, did not prepare audited financial accounts or statements for FY2010, the Directors of LCL have prepared these audited financial accounts and provided the FY2010 Directors declaration in accordance with section 295(4)(d) of the Corporations Act 2001, but subject to the above limitations and based on:

- unaudited financial records and statements in respect of the Scheme for FY 2010 as transferred to LCL from GSMAL on 4 June 2010 ("Unaudited Records")

- the assumption that, during the period that GSMAL was the Responsible Entity of the Scheme, the financial reporting systems, risk management systems and internal control systems of the Scheme were operating effectively in all material respects in relation to financial reporting risks. The Directors have no reason to not make this assumption beyond what the Scheme's auditor has done; and

- assurances provided by GSMAL in respect of the information and records made available to LCL as part of the arrangements involving the replacement of GSMAL by LCL as the Responsible Entity of the Scheme. The Directors have no reason to not accept these assurances, however, the Directors are not in a position to verify the assurances beyond what the Scheme's auditors has done.

New accounting standards and interpretations

From 1 July 2009 the Scheme has adopted all relevant Standards and Interpretations, mandatory for annual periods beginning or after 1 July 2009 including:

AASB 101 Presentation of Financial Statements (Revised)

The revised Standard introduces the requirement to produce a statement of comprehensive income that presents all items of recognised income and expense. Other revisions include impacts on the presentation of items in the statement of changes in equity and new presentation requirements for restatements or reclassifications of items in the financial statements.

Note 1 Summary of Significant Accounting Policies (Continued)

Adoption of the new Standards and Interpretations did not have any effect on the financial position or performance of the Scheme. The Scheme has not elected to early adopted any new standards or amendments. The following table lists all applicable Standards and Interpretations issued but not yet effective for the year ended 30 June 2010 for which the Scheme has elected not to early adopt.

AASB 2009-5	**Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project** **[AASB 5, 8, 101, 107, 117, 118, 136 & 139]**		
Summary	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting		
Impact on Scheme Financial Report	The Scheme is still assessing the impact of these Amendments.		
Application date of Standard	1 January 2010	*Application date for Scheme*	1 July 2010

AASB 9	**Financial Instruments**		
Summary	AASB 9 includes requirements for the classification and measurement of financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: - The change attributable to changes in credit risk are presented in other comprehensive income (OCI). - The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.		
Impact on Scheme Financial Report	The Scheme is still assessing the impact of these Amendments.		
Application date of Standard	1 January 2013	*Application date for Scheme*	1 July 2013

Note 1 Summary of Significant Accounting Policies (Continued)

AASB 1053 AASB 2010-2 AASB2011-2	Application of Tiers of Australian Accounting Standards		
Summary	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards; and (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and (b) the Australian Government and State, Territory and Local Governments. The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) for-profit private sector entities that do not have public accountability; (b) all not-for-profit private sector entities; and (c) public sector entities other than the Australian Government and State, Territory and Local Governments.		
Impact on Scheme Financial Report	The Scheme is still assessing the impact of this Standard.		
Application date of Standard	1 July 2013	*Application date for Scheme*	1 July 2013

AASB 2010 – 4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project		
Summary	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.		
Impact on Scheme Financial Report	The Scheme is still assessing the potential impact on the Scheme.		
Application date of Standard	1 January 2011	*Application date for Scheme*	1 July 2011

Note 1 Summary of Significant Accounting Policies (Continued)

AASB 124 (Revised)	Related Party Disclosures (December 2009)		
Summary	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.		
Impact on Scheme Financial Report	The Scheme is still assessing the potential impact on the Scheme.		
Application date of Standard	1 January 2011	*Application date for Scheme*	1 July 2011

AASB 1054 AASB 2011-1	Australian Additional Disclosures		
Summary	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees Imputation credits		
Impact on Scheme Financial Report	The Scheme is still assessing the potential impact on the Scheme.		
Application date of Standard	1 July 2011	*Application date for Scheme*	1 July 2011

AASB 2011-4	Remove Individual Key Management Personnel Disclosure Requirements		
Summary	This Standard makes amendments to remove individual key management personnel disclosure requirements from AASB 124.		
Impact on Scheme Financial Report	The Scheme is still assessing the potential impact on the Scheme.		
Application date of Standard	1 July 2013	*Application date for Scheme*	1 July 2013

b) Interest revenue

Interest revenue is recognised in the income statement as it accrues, on an effective interest rate basis, except where it relates to insurance or application monies which is outside of the Scheme.

c) Sale and cost of agricultural produce

Revenue from the sale of agricultural produce is recognised when the produce has been delivered to the customer, the customer has accepted the produce and collectability of the related receivable is probable. The cost of wood produced represent the shared cost of all Growers related to the wood production, transportation and storage.

d) Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments readily convertible to known amounts of cash, subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or any other purposes

e) Biological assets

As the trees from which the wood is produced are the assets of the Growers, they are not recorded in the Scheme accounts.

f) Trade and other receivables

Receivables are recognised and carried at original amount, less an allowance for any uncollectible debts. An estimate for doubtful debts is made when collection of an amount is no longer probable. Bad debts are written off when identified.

Amounts are generally received within 30 days of being recorded as receivables.

g) Trade and other payables

Liabilities for creditors are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Scheme.

The carrying period of the trade payables is dictated by market conditions and is generally 30 days.

h) Provisions

Provisions are recognised when the scheme has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

i) Distribution to Growers

Distributions payable to Growers at 30 June 2010 were $Nil (2009: $Nil).

In accordance with the Scheme's Constitution, the Scheme distributes its profits from the sale of timber. Distributions are payable subsequent to the end of each financial year. Such distributions are determined by reference to the net profits received by the Scheme in the financial year. Distributions to Growers are recognised in the Statement of Comprehensive Income as finance costs.

j) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC) except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

- for receivables and payables which are recognised inclusive of GST.

- The net amount of GST recoverable from the Australian Taxation Office is included in receivables in the Statement of Financial Position.

k) Terms and conditions on interests
Each Grower enters into a Lease and Management Agreement ("LMA") under which they contract with the Responsible Entity to take a lease of one or more woodlots, for the Responsible Entity to carry on the plantation establishment, future management and maintenance of those woodlots for the duration of the project.
Leased areas totalled 0.5 hectares each consisting of 0.25 hectares of African Mahogany and 0.25 hectares of Teak. On Grower approval of final negotiations, as detailed under the heading 'Lease and Land Negotiations', leased areas will be redetermined.

The Responsible Entity will arrange for the harvest of the timber produce on behalf of Growers. The timber produce from all woodlots in the project will be aggregated with Growers receiving their proportionate share of the proceeds of the sale of timber produce from the project as arranged by the Responsible Entity.

l) Significant accounting judgements and estimates
The preparation of the Scheme's financial statements did not require management to make any significant estimates, judgements or assumptions that affect the amounts recognised in the financial statements.

m) Recognition of assets
The recognition of biological assets on the Statement of Financial Position of a Managed Investment Scheme is an area of continuing interpretation and will be reassessed in future accounting periods having regard to developments in the relevant Accounting Standards. Currently, the trees from which the wood is produced are considered to be the assets of the Growers and as such are not recorded in the Scheme financial statements.

The plantation is managed by the Responsible Entity on behalf of the Growers for the duration of the Scheme. The plantation timber is expected to be harvested approximately 17-19 years from planting unless the Responsible Entity reasonably believes that it will be in the best interest of the Grower for the harvesting to be deferred to a later date.

If recognised on the Statement of Financial Position, the biological assets would be measured at fair value less estimated point-of-sale costs, and be offset by a corresponding liability to the Growers of the Scheme and the Responsible Entity.

Note 2 Income tax

All Scheme assets and any income of the Scheme are held on behalf of either the Growers or the Responsible Entity. The Scheme does not derive any taxable income on its own account and accordingly is not subject to income tax.

Note 3 Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash and cash equivalents comprise:

	2010 $	2009 $
Cash at bank and in hand	-	-
	-	-

Note 4 Trade and Other Payables

	2010 $	2009 $
Reimbursement of legal fees to the Responsible Entity	58,066	-
	58,066	-

The Responsible Entity is entitled to be reimbursed for costs and liabilities, including but not limited to legal fees capped at $100,000 in total associated with the development of the proposal set out in the Explanatory Memorandum dated 3 March 2010, transactional costs to effect the change of the Responsible Entity, fees associated with obtaining a ruling or an addendum to a ruling or confirmation from the ATO in relation to Growers' deductions. This limit applies until the ATO ruling is obtained. As at the 30 June 2010 legal costs were $58,066.

Note 5 Capital management

Quantitative information about the Scheme's net assets attributable to Growers is provided in the Statement of Changes in Net Assets Attributable to Growers. Net assets attributable to Growers are payable once the criteria for distribution in the Scheme's Constitution has been met, which may include preparation of the Scheme's statement of financial position and performance. Growers have various rights under the Scheme's constitution and the Grower Agreement which contains arrangements for the lease of the Woodlot and maintenance and harvesting of the trees.

The Responsible Entity manages the net assets attributable to Growers as capital. The amount of net assets attributable to Growers can change as the Scheme receives and distributes profits from the sale of timber. The Scheme is not subject to any externally imposed capital requirements.

Note 6 Provisions, Commitments and Contingencies

a) Lien payable

Great Southern Managers Australia Limited (GSMAL) was the Responsible Entity of the Scheme for the period from inception to 4 June 2010. McGrathNicol (MN) was appointed as Receiver and Manager of GSMAL on 18 May 2009 and continued in the capacity of the Responsible Entity on behalf of GSMAL until 2 March 2010. On 2 March 2010, MN retired as the Responsible Entity of GSMAL and FH became the Responsible Entity of the Scheme till 4 June 2010. LCL was appointed the Responsible Entity on 4 June 2010.

Between 18 May 2009 and 2 March 2010, MN incurred expenses in the care, preservation, protection and realisation of Scheme property in relation to the Scheme. MN has an entitlement to a lien over the Scheme's property and the product thereof, for their reasonable expenses. A lien is a security right conferred by operation of law that is granted over an item of property to secure the repayment of expenses incurred in the care and preservation of that property.

As at 30 June 2010, the undiscounted liabilities against the Scheme is estimated to be $570,562 as disclosed in a lien consolidation file prepared by MN dated 19 July 2011 (30 June 2009: $nil). The final determination of the amount to be allocated to the Scheme has not yet been agreed upon between the Responsible Entity and the Receivers and Managers. The balance previously advised by the RE in public correspondence was $430,000. The lien balance is not expected to accrue interest. Negotiation are currently being undertaken to have the lien removed as part of a land negotiation.

In accordance with AASB 137, the provision is equal to the present value of the cash outflows required to settle the obligation. The discount rate used to determine the present value is the relevant risk adjusted rate over the period from 30 June 2010 to the estimated payment date. Management has estimate that this period of time is approximately four years and the discount rate used is 4.61%. At 30 June 2010, the provision is estimated to be $476,442 (30 June 2009: $nil). The movement of the balance during the financial year is as follow:

	2010 $	2009 $
Opening balance	-	-
Incurred during the year	476,442	-
Utilised during the year	-	-
Ending balance	476,442	-

b) Fee Structure

The revision to the fee structure in the Scheme's revised constitution increases the overall lease and management fee by 31.7% to 44.2% plus GST of net harvest proceeds. The total net harvest proceeds are split to include 2.75% lease fee, 48.625% Responsible Entity, 48.625% Growers (post GST). Of the amount received by the RE, 95% is payable to the manager under a Management Services Agreement.

The Responsible Entity is entitled to receive, on the date on which Lowell Capital Limited is appointed as the Responsible Entity of the Scheme, an amount equal to 20% of the RE's share of net harvest proceeds. Five calendar years after the date on which Lowell Capital Limited is appointed as the Responsible Entity of the Scheme, an amount equal to 30% of the proceeds; and the remaining 50% of the proceeds accrues on a pro rata basis over the period commencing five calendar years after the date on which Lowell Capital Limited is appointed as the Responsible Entity and ending on the date on which the Responsible Entity commences harvesting of the forest produce.

The Responsible Entity will also receive 10% of additional contributions made by Growers for the first five years of becoming the Responsible Entity and $40,000 plus GST annually thereafter index in line with the Consumer Price Index. This annual fee is a drawdown of the revised fee discussed above.

The Responsible Entity becomes entitled to receive the non-contribution additional fee at the conclusion of the Five Year Period.

c) Reimbursement from the Scheme

The Responsible Entity is entitled to be reimbursed all costs properly incurred in exercising its powers to:

(i) Amend an Agreement in a manner required to effect the proposal described in the Explanatory Memorandum 3 March 2010.

(ii) Take any action (including Court action) necessary or desirable to protect or preserve the Grower's right to use, occupy or access land to grow their trees under the Project.

including, without limitation, all legal and litigation costs and costs associated with the preparation of any reports for the purposes of taking action, first from the Contribution Fund and then from the Net Proceeds of Sale. The total legal fees to be reimbursed from the Scheme for the year ended 30 June 2010 was $58,066 (2009: $nil).

There are no other commitments or contingencies at 30 June 2010 (2009: Nil).

Note 7 Events after the balance date

a) Lease and land negotiations

On 25 February 2010, McGrathNicol as Receivers and Managers of Great Southern HVT Holdings Pty Ltd, (in liquidation), the lessor of the scheme's land issued default notices under the head leases requiring remedy within 30 days. A request was made for the default notice to be withdrawn or extended, which has neither been refused nor accepted.

Land negotiations have been conducted with Ferrier Hodgson on behalf of Great Southern HVT Holdings Pty Ltd (In liquidation) and Great Southern Managers Australia Limited (In liquidation) for the acquisition of the majority of properties on behalf of the Growers. The transaction was approved by Growers on the 6 December 2011. The HVT Land Scheme has been registered. The successful completion of the conditional agreement relies on:

- The release of the receivers and liquidators lien
- All consents necessary for the sale and purchase of land being granted
- The capital raising occurring to LCL's and the Land Scheme's Responsible Entity's satisfaction

Fundamentally, this agreement enables Lowell to continue the Scheme on viable land and enables the Liquidators to sell the unviable land. To achieve this, Lowell proposes to register a managed investment scheme, the HVT Land Scheme. Units in the HVT Land Scheme will only be available for those Growers in the Scheme who have fully paid their Grower contributions at 20 February 2012. To allow the Liquidators to sell the unviable land, Lowell will be required to accept the termination of the relevant Head Leases on those lands.

On the completion of the land negotiation, the land area will be diminished. LCL cannot identify the impact on each Grower's land Interest because the Liquidators have been unable to locate records of GSMAL's allocations of land to individual Growers. LCL proposes to ensure that Grower's proportional interests in the net harvest proceeds of the Scheme will remain the same, the land areas of Scheme will be determined and the available land will be re-allocated proportionately to the continuing Growers in accordance with the original Scheme objectives. This transaction should create greater certainty for the Scheme.

b) Cyclone Yasi

Cyclone Yasi crossed the Queensland coast on 3 February 2011. The full teak estate was inspected during the week of 12 February 2011. Of the Scheme's properties, there was relatively little damage to the estate with less than 15% of the total estate affected. Of the affected estate, most of the damage was to stems of co-dominant and suppressed form likely to be candidate trees for first thinning removal only. Some rescheduling of expenditure is necessary given the damage. This expenditure is likely to be of the order of $100,000.

c) Plantation maintenance

A plantation assessment was complete in September 2011 recommending some plantations cease to be maintained due to poor stocking, declining survival, poor growth and those that that would be expensive to maintain and returns would be very low. If these recommendations are accepted, approximately 2540 hectares would cease to be maintained as high value timber plantations.

Region *And Property*	Gross *Area (ha)*	Net Planted *Area.(ha)*	Comments
North Queensland, Ingham South Region (Teak)			
Astorquia	7.0	0	Reject, poorly stocked
Boscato	47.2	30.7	Reject, poor survival/growth
Cassar 1,2,3	166.1	76.0	Reject, high mortality + cost
Castellani V	41.2	31.8	Reject, poor growth
Castorina	226.8	0	Reject, Poorly stocked
Castorina 2009	167.4	74.6	Reject, poor survival/growth
Cauchi	53.1	44.9	Reject, high mortality + dieback
College Farm	241.3	92.0	Reject, fragmented/high maintenance
Erkkila 1	126.0	0	Reject, Poorly stocked
Fischera	90.3	81.9	Reject, poor growth + high weed
Glenwright	35.6	21.5	Reject, V. wet, no growth
Grant	96.4	65.0	Reject, 70% mortality, high insect
Holdcroft	66.2	48.2	Reject, high mortality
Quagliata	52.7	0	Reject, Poorly stocked
Riverview	142.2	17.0	Reject, poor growth and fragmented
Russo	37.8	17.0	Reject, V. wet, no growth
Seres	85.7	0	Reject, Poorly stocked
Shegog	28.7	22.6	Reject, poor survival (45%)
Wilkins	55.8	35.0	Reject, poor growth/survival/insects
Castellani	67.4	51.8	Maintain
Cavallo Central	45.0	25.5	Maintain
Cavallo East	321.5	163.3	Maintain
Coldwater	148.1	68.0	Maintain
Erkkila 2	123.2	64.7	Maintain
MacDonald	148.0	64.0	Maintain
Mahony	94.0	55.1	Maintain
Messina	70.0	42.3	Maintain
Mombelli 1 & 2	77.1	67.4	Maintain
Quagliotto	204.5	89.0	Maintain
Rutherford	44.8	35.2	Maintain

Region *And Property*	Gross *Area (ha)*	Net Planted *Area.(ha)*	Comments
North Queensland, Ingham South Region (Teak)			
Sorbello 1,2,3	89.2	67.0	Maintain
Sorbello 4	22.0	13.0	Maintain
Vella	50.4	43.7	Maintain
Northern Territory, Douglas Daly Region (Mahogany)			
Theyona	773	400	Unviable in present state
Whatfor	616	616	Maintain

Note 8 Financial Risk Management Objectives and Policies

a) Financial risk management objectives, policies and processes inconvenience

Financial instruments of the Scheme may comprise cash and cash equivalents, net assets attributable to Growers, and other financial instruments such as trade debtors and creditors, which arise directly from its operations. The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty. In order to avoid excessive concentrations of risk, the Scheme monitors its exposure to ensure concentrations of risk remain within acceptable levels.

b) Credit risk

Credit risk is the risk that the counterparty to the financial instruments will fail to discharge an obligation and cause the Scheme to incur a financial loss.

With respect to credit risk arising from the financial assets of the Scheme, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Scheme holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

Credit risk is not considered to be significant to the Scheme

c) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled as the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

Under the terms of its Constitution, the Scheme has the ability to manage liquidity risk by delaying distributions to Growers, if necessary, until the funds are available to pay them.

Maturity analysis for financial liabilities

Financial liabilities of the Scheme comprise trade and other payables, distributions and net assets attributable to Growers. Trade and other payables have no contractual maturities but are typically settled within 30 days. Distributions payable and net assets attributable to Growers are payable once the criteria for distributable profit in the Scheme's Constitution has been met, which include lodgement of the Scheme's financial statements.

c) Market risk
Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variable such as interest rates, foreign exchange rates, and equity prices. Market risk is not considered to be significant to the Scheme.

d) Fair Values
The Scheme's financial assets and liabilities included in the Statement of Financial Position are carried at their fair value or at amounts approximate to their fair values.

Note 9 Going concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. In preparing the financial report, the RE assumes the following:

- The Growers will continue to make sufficient additional contributions of $100 per woodlot to meet on-going administration, care and maintenance expenses of the plantation; and
- The current lease and land negotiation as discussed in note 7 will be successful. This will provide certainty to Growers as it will also remove any breach of lease claims made by the liquidator.

Should the RE not achieve the matters set out above, there is significant uncertainty whether the Scheme will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments to assets and liabilities that may be necessary if the Scheme is unable to continue as a going concern.

Note 10 Net liabilities

The net liability balance in the Statement of Financial Position is the result of expenses incurred in the care, preservation, protection and realisation of Scheme property as described in note 6 Provisions, Commitments and Contingencies and the legal expenses to be reimbursed to the Responsible Entity as described in note 4 Trade and Other Payables. The payment of the liability related to the care, preservation, protection and realisation of Scheme property is not expected to occur until such time that the Scheme has sufficient cash inflows from commercial thinning proceeds to satisfy the obligation. Alternatively an agreement is currently being negotiated for the obligation to be satisfied as part of a land transaction. The legal fees were subsequently reimbursed to the Responsible Entity out of the additional contribution funds from the Growers.

Subject to the achievement of matters described in note 9 above, the Directors of LCL have reasonable grounds to believe that, despite this net liability, the Scheme will be able to pay its debts as and when they become due and payable.

Note 11 Related Party Disclosures

GSMAL was the Responsible Entity on the Scheme for the period from inception to 4 June 2010. MN was appointed as Receiver and Manager of GSMAL on 18 May 2009 and continued in the capacity of the Responsible Entity on behalf of GSMAL until 4 June 2010.

On 3 June 2010, the investors of the Scheme voted to accept the proposal of Lowell Capital Limited to become the Responsible Entity of the Scheme and in addition approved the proposed revisions to the Scheme's Constitution and fee structure. Lowell Capital Limited became the Responsible Entity of the Scheme on 4 June 2010. The immediate and ultimate parent company of the Responsible Entity is Otis Ltd.

Lowell Capital Limited appointed AMA Teak Pty Ltd project manager of the Scheme via a management agreement. Michael Ramsden is a director of Lowell Capital Limited, AMA Teak Pty Ltd and Terrain Capital Markets Limited.

a) Details of Key Management Personnel

(i) Directors

The directors of the Responsible Entity in office during or since the end of the half year are:

Great Southern Managers Australia Limited (resigned 04/06/2010)

S A Read (Receiver and Manager)	appointed 18 May 2009
J G Thackray (Receiver and Manager)	appointed 18 May 2009
A G McGrath (Receiver and Manager)	appointed 18 May 2009
M B Jones (Liquidator)	appointed 19 November 2009
D G Weaver (Liquidator)	appointed 19 November 2009
J H Stewart (Liquidator)	appointed 19 November 2009
A J Saker (Liquidator)	appointed 19 November 2009

All of the above directors have been in office for the entire financial year unless otherwise stated.

Lowell Capital Limited (appointed 04/06/2010)

M.A. Ramsden	appointed 4 June 2010
D.B. Worth	appointed 4 June 2010 (resigned 31 August 2010)
D. Carroll	appointed 4 June 2010
Mr O.R. Carton	appointed 22 October 2010

Although Messrs Ramsden, Worth and Carroll were appointed as Directors of Lowell Capital Ltd prior to 4 June 2010, it is noted Lowell Capital Ltd only assumed the role of the Responsible Entity from this date.

(ii) Compensation of Key Management Personnel

No amount is paid by the Scheme directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Scheme to the Directors as Key Management Personnel.

Compensation is paid to the Responsible Entity in the form of fees and is disclosed in part (b) of this note.

b) Fees paid to the Responsible Entity

The Responsible Entity provides management services to the Scheme. Transactions between the Scheme and the Responsible Entity result from management of the Scheme's operations. Lowell Capital Ltd is an Australian Financial Services License Holder. Total management fees incurred by the Scheme and payable to GSMAL, the former Responsible Entity, during and at the end of the financial years was $nil and $nil, respectively (2009: $nil and $nil respectively). Application proceeds funds paid to the Responsible Entity during the period were $nil (2009: $nil).

The legal fees to be reimbursed to the Responsibility Entity are disclosed in note 4.

c) Interest in Scheme held by the Responsible Entity and its Associates

As at 30 June 2010, no interests were held by the associates and directors of the Responsible Entity (2009: none).

Note 12 Audit Fees

The Responsible entity bears the cost of the audit of the scheme and the compliance plan.