



Investors win with the announcement of a secondary market for forestry MIS

From 1 July 2007, investors in forestry managed investment schemes (forestry MIS) may be able to trade their interests, once they have been held for at least four years.

This means that investors may no longer be tied to the rotation length of the plantation, which can be anywhere between 10 - 35 years. This is great news for industry and even better news for investors who now benefit from a greater degree of flexibility and liquidity.

This recent announcement by the Government is further evidence of its commitment to the plantation forestry industry. It is hoped that by attracting further investment, in particular to longer-rotation plantations, it will enhance the environmental, social and economic benefits the sector provides.

How does it work?

It is important to note that the existence and the mechanics of the secondary market for forestry MIS are yet to be finalised.

From 1 July 2007, legislation will allow an investor to trade an investment and still retain the tax deduction received on its cost, after the investment has been held for an initial 4 year period. If it is traded before the 4 year holding period expires, any deductions obtained by the investor will be denied in the income years they are claimed.

Investors who on-sell their interest in the secondary market must include all proceeds as assessable income.

Secondary market investors will not receive a tax deduction on the investment purchase price, but can deduct all costs associated with the investment (such as harvest costs, management fees or interest) as they are incurred.

Secondary market investors will generally be subject to capital gains tax on net sale or harvest proceeds.

What this means for Great Southern's investors...

The new arrangements may be a windfall for new and existing investors in **Great Southern's forestry projects**.

The **Great Southern Plantations Projects** have a tree rotation period of approximately 8-10 years from planting. Investors in the 2007 Project are expected to be able to trade their investments from 1 July 2011.

The **Great Southern High Value Timber Project** has a rotation period of approximately 20 years. Investors in the 2007 Project are expected to be able to trade their interest from 1 July 2011, well short of the expected final harvest in 2025-2027.

Due to the long term nature of High Value Timber, investors in the project are expected to gain the greatest value from the flexibility offered by the new secondary market.

Please find overleaf a case study which illustrates how a Great Southern investor can take advantage of these new arrangements.



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Case Study 1

John purchases one woodlot in the Great Southern 2007 High Value Timber Project (\$12,500 + GST) and receives an immediate 100% tax deduction.

In October 2012 (5 years into the 20 year project) John decides to sell his woodlot. After listing it in the secondary market it sells for the determined market price (assuming a secondary market is established by this time).

John includes the sale amount in his assessable income for the 2013 financial year.

Case Study 2

Sarah purchases John's high value timber woodlot in October 2012 for the determined market price.

She does not receive a deduction for the investment cost, however can deduct any associated costs as they are incurred (e.g. management and interest fees).

The purchase price will form part of the cost base of the investment when Sarah later sells the woodlot or receives harvest proceeds.

In conclusion

The purpose of this flier is to provide you with an overview of the new secondary market for forestry MIS.

The workings of the market is still to be determined and information on how the market will operate, or who will establish it, is currently limited.

We will endeavour to provide you with more in depth information as it is released.

Should you have any queries before then please contact your Business Development Manager, or Great Southern Head Office on 1800 258 348.



Great Southern forestry snapshot

	2007 Plantations Project	2007 High Value Timber Project
Minimum investment	\$3,000 + GST	\$12,500 + GST
Tax deductibility	100% in year of investment	100% in year of investment
Returns	Expected 8-12 years after planting	Expected from commercial thinnings during the life of the Project and at final harvest 17-19 years after planting
Species	Eucalyptus and Acacia mangium	Teak and African mahogany
Operational area	Each Australian state and territory	Northern Territory and far north Queensland
End uses	Predominantly paper	Furniture and appearance grade timber
Intended end markets	Predominantly Japan	Australia and South East Asia

Please note that the Great Southern Plantations 2007 Project and Great Southern 2007 High Value Timber Project will be closing on 30 June 2007, if not closed oversubscribed prior to this.

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