



GREAT SOUTHERN
LIMITED



COMPANY ANNOUNCEMENT

Monday, 26 May 2008

HALF YEAR RESULT

Great Southern Limited (ASX code: GTP) has today released its results for the half year ended 31 March 2008. As previously indicated to the market, the company has incurred a loss for the half year driven by the seasonality of MIS sales and increased provisions for doubtful debts.

The net loss after tax for the half year ended 31 March 2008 of \$49.1 million (2007 \$14.9 million profit) is the third time in the last four years that the company has incurred a half year loss, which reflects the fact that sales revenues are typically heavily weighted to the second half of the company's financial year.

Total revenue to 31 March 2008 was down 21% to \$140.3 million, as a result of a \$46.3 million reduction in MIS sales revenue for the period. As announced on 1 April 2008, the company's lower sales for the period were heavily influenced by the fact that a Beef Cattle Project was not offered for this year (2007 sales \$78 million). Sales in the first half were also impacted by delays in receiving a product ruling for the company's new forestry project, which was subsequently issued on 23 April 2008.

The sales outlook for the full year is more encouraging and in this regard the company is pleased to advise that its 2008 Wine Grape Project has recently closed oversubscribed, having raised \$27 million. The company's olive, almond and two forestry projects remain open with considerable investor interest.

The result for the period has also been impacted by an increase in the provision for doubtful debts of \$37.2 million. Whilst the majority of the company's MIS investor loans are securitised with no further default exposure to the company, there is a certain proportion of loans that do remain on balance sheet. An increase in debt provisioning in respect of these loans, driven by general market volatility and credit uncertainties, was flagged at the Company's AGM in February 2008. The quantum of the provision is now higher than was originally anticipated due to further provisioning in respect of a particular group of investors who no longer do business with the company. The company will continue to take appropriate action to recover the loans which have been provided for.

The Company's balance sheet remains robust, with net assets per share of \$2.19, underpinned by its unique and diverse agricultural land portfolio. The company's gearing ratio (measured by total debt/total debt + equity) at 31 March 2008 was approximately 52% with cash as at 31 March in excess of \$83 million.

Commenting on the result, Great Southern's new CEO Cameron Rhodes said "Our half year result has never been a good guide of operational performance for the year, particularly given the heavy weighting of MIS sales revenue to the second half of our financial year. That said, the increase in debt provisioning, is of course particularly disappointing and unacceptable and in that regard we have fully reviewed our loan approval and collection processes to improve the quality of any future loans."

"This year is a year of transition for Great Southern – a year in which we have committed to make changes to our business for the longer term benefit of the company and our shareholders. The decision not to offer a cattle project this year due to the significant capital funding requirements and operational pressures, as well as the hard line we have taken on debt provisioning, have significantly impacted the half year result but have placed Great Southern in a stronger position moving forward."

Strategic Initiatives

The company also advises that it has begun a significant and comprehensive strategic review process of its business. Commenting on the review Cameron Rhodes said "We are actively seeking to diversify our earnings, to leverage our strength and capabilities in the forestry sector and to significantly change the cost structure of the company. We have enormous opportunities in agriculture and in particular forestry and we are actively examining each facet of our business to provide a more sustainable, transparent and valuable business that can become less susceptible to regulatory forces. I expect this strategic review process to be completed over the next quarter and further details will be provided to the market at the appropriate time."

Interim Dividend

The Board of Great Southern has declared an interim dividend of 3 cents per share, fully franked, with a record date of 18 June 2008 and payable on 16 July 2008.

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

Cameron Rhodes
Managing Director
Ph (08) 9320 9700

David Ikin
Communications Manager
Ph (08) 9320 9700;
0408438 772

Appendix 4D

Half Year Report

Great Southern Limited
ABN: 54 052 046 536

Reporting period: 31 March 2008

Previous reporting period: 31 March 2007

Results for Announcement to the Market

			\$'000 Half-Year 31/03/08	\$'000 Half-Year 31/03/07
Revenue and income from operations	Down 21%	to	140,287	178,380
(Loss)/profit from operations after tax attributable to members	Down	to	(49,066)	14,927
Net (loss)/profit for the period attributable to members	Down	to	(49,066)	14,927

Dividends	Amount per security	Franked amount per security
Interim dividend	3 cents	3 cents
Previous corresponding period	4 cents	4 cents
Record date for determining entitlements to dividends	18 June 2008	

Commentary on Results

The net loss after tax for the half-year to 31 March 2008 was \$49.1 million compared to a profit of \$14.9 million for the previous corresponding period.

The current half-year loss was heavily influenced by the timing of MIS sales, which are skewed to the second half of the financial year, and by an increase in the level of doubtful debt provisions.

Revenue recognised in the half-year from new MIS sales totalled \$15.1 million compared to \$61.4 million in the prior half-year. This difference of \$46.3 million is primarily due to the Company's decision not to offer a beef cattle project in 2008, due to the significant recent increases in prices for beef cattle properties. Sales in the prior half-year to 31 March 2007 included \$78 million from the 2007 Beef Cattle Project. MIS sales are typically skewed to the second half of the financial year, principally the April to June quarter.

The loss for the half-year also includes a provision for doubtful debts of \$37.2 million, an increase of \$36.4 million on the 2007 half-year. The Group carries on its balance sheet \$137.9 million of unsecured receivables relating to loans provided to investors in its 2007 and prior year MIS projects with \$43.5 million or 31% currently provided for. The increase in the doubtful debt provision reflects recent general market volatility and credit uncertainties and includes provisioning in respect of a particular group of investors who no longer do business with the Group. The majority of loans provided to investors in the Group's projects are securitised with no ongoing recourse to the Group.

The fair value of the Group's investment properties (primarily land used for the Group's MIS plantation projects) increased by \$19.2 million to \$812.4 million. This increase is reflective of the size of the Group's land estate and the nature of the Groups MIS projects. The impact of investment property accounting is more appropriately assessed on a full year basis.

The increase in agriculture and MIS related expenses of \$11.7 million to \$93.2 million is consistent with the increase in size of operations and projects being managed, offsetting these costs is an increase of \$12.9 million in project management income to \$14.4 million.

During the half-year the Group's corporate facility borrowings increased by \$105 million to \$350 million. As a result gearing (as measured by total debt / total debt + equity) has increased to 52% from 46%. This funding was partly used to fund the acquisition of a 50% share in an operating chip mill (\$5.5 million) and plantation timber assets (\$41.7 million).

Cash and cash equivalents at 31 March 2008 is \$83.9 million compared to \$92.8 million at 31 March 2007 and \$207.6 million at 30 September 2007. The operating cash outflow for the half-year was \$33.9 million (2007: inflow \$12.5 million) and is reflective of the timing of sales and sales securitisations which are skewed to the second half of the financial year.

Net Tangible Assets

	31 March 2008	31 March 2007
Total net tangible assets	\$612,832,000	\$636,404,000
Net tangible assets backing per ordinary share	\$1.90	\$2.02

Dividend Payments

In respect of the 30 September 2007 financial year:

Date dividend declared	25 November 2007
Dividend per ordinary share (fully franked)	8 cents
Total Dividend declared and payable	\$25,373,392
Date Dividend paid	17 December 2007
Dividends paid for in cash	\$18,753,396
Dividends satisfied by the issue of shares under the dividend re-investment plan	\$6,619,996

Control gained or lost over entities during the period

N/A

Details of Associates and Joint Venture Entities

During the period the Group entered into a joint venture agreement with Pulpwood International Pty Ltd to acquire a 50% share in Hansol PI Pty Ltd for \$5.5 million, which has been accounted for as a joint venture entity.

Details of Foreign Entities

N/A



GREAT SOUTHERN
LIMITED



ACN 052 046 536

Half-Year Report
31 March 2008

Your directors present their financial report for the half-year ended 31 March 2008.

Directors

The names of the company's directors in office during the period and up to the date of this report are detailed below. Directors were in office for the entire period unless otherwise stated:

D C Griffiths (Chairman)
C A Rhodes (Managing Director)
P C Butlin
J C Young (former Managing Director)
A McCleary
P J Mansell
M L Peacock

Review of Operations and Results

The net loss after tax for the half-year to 31 March 2008 was \$49.1 million compared to a profit of \$14.9 million for the previous corresponding period.

The current half-year loss was heavily influenced by the timing of MIS sales, which are skewed to the second half of the financial year, and by an increase in the level of doubtful debt provisions.

Revenue recognised in the half-year from new MIS sales totalled \$15.1 million compared to \$61.4 million in the prior half-year. This difference of \$46.3 million is primarily due to the Company's decision not to offer a beef cattle project in 2008, due to the significant recent increases in prices for beef cattle properties. Sales in the prior half-year to 31 March 2007 included \$78 million from the 2007 Beef Cattle Project. MIS sales are typically skewed to the second half of the financial year, principally the April to June quarter.

The loss for the half-year also includes a provision for doubtful debts of \$37.2 million, an increase of \$36.4 million on the 2007 half-year. The Group carries on its balance sheet \$137.9 million of unsecured receivables relating to loans provided to investors in its 2007 and prior year MIS projects with \$43.5 million or 31% currently provided for. The increase in the doubtful debt provision reflects recent general market volatility and credit uncertainties and includes provisioning in respect of a particular group of investors who no longer do business with the Group. The majority of loans provided to investors in the Group's projects are securitised with no ongoing recourse to the Group.

The fair value of the Group's investment properties (primarily land used for the Group's MIS plantation projects) increased by \$19.2 million to \$812.4 million. This increase is reflective of the size of the Group's land estate and the nature of the Groups MIS projects. The impact of investment property accounting is more appropriately assessed on a full year basis.

The increase in agriculture and MIS related expenses of \$11.7 million to \$93.2 million is consistent with the increase in size of operations and projects being managed, offsetting these costs is an increase of \$12.9 million in project management income to \$14.4 million.

During the half-year the Group's corporate facility borrowings increased by \$105 million to \$350 million. As a result gearing (as measured by total debt / total debt + equity) has increased to 52% from 46%. This funding was partly used to fund the acquisition of a 50% share in an operating chip mill (\$5.5 million) and plantation timber assets (\$41.7 million).

Cash and cash equivalents at 31 March 2008 is \$83.9 million compared to \$92.8 million at 31 March 2007 and \$207.6 million at 30 September 2007. The operating cash outflow for the half-year was \$33.9 million (2007: inflow \$12.5 million) and is reflective of the timing of sales and sales securitisations which are skewed to the second half of the financial year.

The Group has prepared this half-year report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Group's accounting policies adopted in the presentation of the financial statements have been consistently applied to all the periods presented, unless otherwise stated.

Rounding of Amounts to the Nearest Thousand Dollars

The Group is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest thousand dollars in accordance with that class order.

Auditor Independence

The auditor of Great Southern Limited, Ernst and Young, has provided us with an independence declaration which forms part of this report and can be found on page 3.

This report is made in accordance with a resolution of the directors.



D Griffiths
Chairman

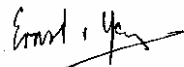


Cameron Rhodes
Managing Director

Perth, 23 May 2008

Auditor's Independence Declaration to the Directors of Great Southern Limited

In relation to our review of the financial report of Great Southern Limited for the half-year ended 31 March 2008, 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.

A stylized signature of the Ernst & Young firm, written in a cursive script.

Ernst & Young

A handwritten signature of R A Kirkby, written in a cursive script.

R A Kirkby
Partner
Perth
23 May 2008

Great Southern Limited
Consolidated Income Statement
For the half-year ended 31 March 2008

	Note	Half-year ended 31 Mar 2008	Half-year ended 31 Mar 2007
		\$'000	\$'000
Revenue and other income	3(i)	140,287	178,380
Commissions, marketing and promotion of product and industry		(19,862)	(27,922)
Agriculture and MIS related expenses		(93,224)	(81,492)
Cost of agricultural produce sold		(1,543)	(4,270)
Non-MIS managed funds		(4,028)	-
Corporate and other expenses		(17,155)	(14,583)
Financing costs	3(ii)	(32,279)	(24,895)
Allowance for doubtful debts	3(ii)	(37,237)	(778)
(Loss)/profit before income tax		(65,041)	24,440
Income tax benefit/(expense)		15,975	(9,513)
(Loss)/profit after income tax		(49,066)	14,927
Earnings per share		Cents	Cents
Basic (loss)/profit per share		(15.29)	4.75
Diluted (loss)/profit per share		(15.29)	4.75

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

Great Southern Limited
Consolidated Balance Sheet
As at 31 March 2008

	Note	31 Mar 2008 \$'000	30 Sept 2007 \$'000	31 Mar 2007 \$'000
Current Assets				
Cash and cash equivalents		83,919	207,640	92,839
Trade and other receivables		78,677	121,468	167,729
Trade receivables – securitised loans	12(a)	2,608	-	-
Biological assets		16,338	21,158	23,221
Inventories		10,769	6,788	6,221
Available-for-sale financial assets		-	36,361	54,264
Other financial assets		13,522	9,932	9,440
Total Current Assets		205,833	403,347	353,714
Non-Current Assets				
Trade and other receivables		81,176	96,342	106,803
Trade receivables – securitised loans	12(a)	29,830	-	-
Other financial assets		66,726	58,557	63,018
Biological assets		173,501	112,399	103,266
Property, plant and equipment		215,707	187,156	170,983
Investment properties	6	812,392	722,310	646,546
Derivative financial instruments		5,370	3,136	-
Goodwill and other intangible assets		95,268	81,196	78,220
Deferred tax assets		70,209	54,925	54,718
Other non-current assets		623	983	625
Total Non-Current Assets		1,550,802	1,317,004	1,224,179
Total Assets		1,756,635	1,720,351	1,577,893
Current Liabilities				
Trade and other payables		101,434	88,364	68,291
Interest-bearing loans and borrowings		602	930	798
Borrowings – securitised loans	12(a)	2,608	-	-
Derivative financial instruments		81	-	24
Provisions		11,223	16,842	11,927
Deferred revenue		87,407	146,202	131,742
Total Current Liabilities		203,355	252,338	212,782
Non-Current Liabilities				
Interest-bearing loans and borrowings		767,402	660,819	617,097
Borrowings – securitised loans	12(a)	29,830	-	-
Provisions		40,598	32,916	25,684
Deferred revenue		7,350	8,316	7,706
Total Non-Current Liabilities		845,180	702,051	650,487
Total Liabilities		1,048,535	954,389	863,269
Net Assets		708,100	765,962	714,624
Equity				
Contributed equity		460,668	447,859	444,918
Reserves		17,308	13,342	8,917
Retained profits		230,124	304,761	260,789
Total Equity		708,100	765,962	714,624

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

Great Southern Limited
Consolidated Statement of Changes in Equity
For the half-year ended 31 March 2008

	Half-year ended 31 Mar 2008	Half-year ended 31 Mar 2007
	\$'000	\$'000
Total equity at the beginning of the period	765,962	682,826
Net gain/(loss) on cash flow hedges taken directly to equity	2,153	3,146
Income tax on items taken directly to equity	(646)	(944)
Net income/(expense) recognised directly in equity	1,507	2,202
(Loss)/profit for the period	(49,066)	14,927
Total recognised income and expense for the period	(47,559)	17,129
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	12,661	12,210
Exercise of options	150	-
Management Performance Rights	1,722	2,459
Options issued, net of transaction costs	735	-
Dividends paid	(25,571)	-
Total equity at the end of the period	708,100	714,624

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

Great Southern Limited
Consolidated Cash Flow Statement

	Note	Half-year ended 31 Mar 2008 \$'000	Half-year ended 31 Mar 2007 \$'000
Cash Flows from Operating Activities			
Receipts from growers/customers*		122,360	92,623
Securitisation of loan receivables		41,496	87,904
Payments to suppliers and employees*		(184,604)	(147,748)
		(20,748)	32,779
Interest received		7,599	9,663
Income taxes paid		(552)	(16,318)
Finance costs paid		(20,214)	(13,659)
Net cash (outflow)/inflow from operating activities		(33,915)	12,465
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(41,585)	(16,810)
Payments for investment property		(75,040)	(118,132)
Proceeds from sale of property, plant and equipment		539	1,129
Proceeds from sale of investment property		2,562	968
Payments for financial instruments		(4,500)	-
Payments for biological assets		(35,599)	(3,081)
Payments for business acquisitions	14	(8,073)	(10)
Payments for joint venture entities		(5,506)	-
Net cash (outflow) from investing activities		(167,202)	(135,936)
Cash Flows from Financing Activities			
Dividends paid		(18,753)	(21,901)
Payments of TREES series coupons		(7,409)	(7,436)
Options exercised		150	-
Receipts from borrowings		105,000	-
Repayment of borrowings		-	(1,085)
Proceeds from issue of options		963	-
Loans to entities outside the Group		(2,555)	-
Net cash inflow/(outflow) from financing activities		77,396	(30,422)
Net (decrease) in cash held		(123,721)	(153,893)
Cash at the beginning of the reporting period		207,640	246,732
Cash at the end of the reporting period		83,919	92,839

*Inclusive of GST

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

Note 1. Summary of significant accounting policies

This general purpose condensed financial report for the half-year ended 31 March 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year financial report does not include all of the information normally included in an annual financial report, and cannot be expected to provide as full an understanding of the financial performance, financial position and the financing and investing activities of the Group as the full financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2007 and any public announcements made by Great Southern Limited during the half-year ended 31 March 2008 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

(a) Basis of preparation

The principal accounting policies adopted are consistent with those used for the preparation of the annual financial statements for the year ended 30 September 2007 and corresponding half-year reporting period ended 31 March 2007, unless otherwise stated. The half-year financial report has been prepared on a historical cost basis, except for investment properties, derivative financial instruments, and available-for-sale investments that have been measured at fair value, and biological assets recorded at fair value less point of sale costs.

The preparation of the financial report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The judgements made by management in applying the Group's accounting policies are consistent with those applied in the annual financial statements as at and for the year ended 30 September 2007.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period. The financial report is prepared in Australian dollars.

Rounding of Amounts to the Nearest Thousand Dollars

The Group is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest thousand dollars in accordance with that class order.

(b) Changes in accounting policies

Since 1 October 2007 the Group has adopted the following Standards and Interpretations. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group:

- AASB 7 *Financial Instruments: Disclosures*
- AASB 2005-10: *Amendments to Australian Accounting Standards* (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023, 1038)
- AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023, 1038)
- AASB 2007-7 *Amendments to Australian Accounting Standards* (AASB 1, 2, 4, 5, 107, 128)
- Interpretation 10 *Interim Financial Reporting and Impairment*
- Interpretation 11 *AASB 2 - Group and Treasury Share Transactions*

The Group has not early adopted any Standards or Interpretations.

Note 2. Financial risk management

The Group's financial risk management policies are consistent with those disclosed in the annual financial statements for the year ended 30 September 2007.

Note 3. Revenues and Expenses

Profit before income tax includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the Group:

(i) Revenue and other income	Note	Half-year ended 31 Mar 2008	Half-year ended 31 Mar 2007
		\$'000	\$'000
Revenue			
Project revenues:			
Revenue earned from current period sales		15,104	61,413
Revenue earned from previous period sales		68,099	68,840
Finance services		8,647	14,336
Management fee income		14,412	1,509
Sale of agricultural produce (note (a))		2,372	5,851
Interest revenue		7,316	5,985
		<u>115,950</u>	<u>157,934</u>
Other income			
Fair value increment to investment property	6	19,221	5,372
Release of project maintenance provision (note (b))		-	6,944
Other income		5,116	8,130
		<u>24,337</u>	<u>20,446</u>
		<u><u>140,287</u></u>	<u><u>178,380</u></u>

(a) Included in Sale of agricultural produce is a net decrement in the fair value of cattle biological assets of \$1,675,000 (31 March 2007: \$91,000).

(b) The release of the onerous contract provision for the 2004 and 2005 beef cattle projects purchased from Environinvest Limited in 2005, following the wind-up of these projects in March 2007.

(ii) Expenses	Half-year ended 31 Mar 2008	Half-year ended 31 Mar 2007
	\$'000	\$'000
Interest and finance charges payable	24,050	16,815
TREES series interest expense	8,229	8,080
Total Finance costs	<u>32,279</u>	<u>24,895</u>
Expense of share based payments	1,722	2,459
Provision for land assessment (note (a))	5,670	9,975
Allowance for doubtful debts (note (b))	37,237	778

Note 3. Revenues and Expenses (continued)

(ii) Expenses (continued)

- (a) The Group has provided investors in its recent plantation projects with an undertaking over the land that it intends to source for use in the projects, specifically that this land is assessed as being capable to produce, when managed as a whole, a target average level of timber produce per hectare of Woodlots (the "Undertaking").

Project land is generally secured following the sale of the project interest to the investor and it is not until all of the land has been sourced that it is possible to assess whether the Undertaking has been met. This assessment is confirmed by the project's independent forester.

If it is determined that the land sourced for the project does not meet the Undertaking then the Group will provide additional resources to the extent required to meet the assessed shortfall. The Group can fulfil this obligation in a number of ways including, for example: establishing additional project plantations; allocating to the project coppiced (second rotation) plantations; and purchasing standing timber and allocating it to the project.

At 30 September 2007 a provision of \$25,515,000 was in place to cover the potential additional operating costs of meeting this requirement. During the current half-year to 31 March 2008 the Group secured approximately 14,700 hectares of plantation assets from Hansol HomeDeco Co Ltd ("Hansol") at a cost of approximately \$42 million. A major purpose of this transaction was to secure standing timber for allocation to existing plantation projects pursuant to the Undertaking. At this time it is expected that Hansol standing timber and second rotation timber, with a purchase price of \$15 million, will be allocated to existing projects.

As at 31 March 2008 the provision required to meet the Undertaking for plantation projects including the 2007 plantation project is \$31,185,000. This provision takes into account the standing timber already secured from Hansol and the expected availability of the Group's coppice plantations. It is possible that in fulfilling the Undertaking that alternative strategies are ultimately taken (including purchasing land on which to establish plantations) which may differ in cost from the amount currently provided.

It is expected that the Great Southern Plantations 2007 Project will be the last of the Group's plantation forestry MIS projects that will require the acquisition of additional timber resource.

- (b) The loss for the half-year includes a provision for doubtful debts of \$37,237,000 (31 March 2007: \$778,000). The Group carries on its balance sheet \$137,871,000 of unsecuritised receivables relating to loans provided to investors in its 2007 and prior year MIS projects with \$43,507,000 or 31% currently provided for. The increase in the doubtful debt provision reflects recent general market volatility and credit uncertainties and includes provisioning in respect of a particular group of investors who no longer do business with the Group. The majority of loans provided to investors in the Group's projects are securitised with no ongoing recourse to the Group.

Note 4. Seasonality of Operations

The majority of the Group's MIS project sales occur in the second half of the financial year, principally during the month of June. Accordingly, the majority of revenue from new sales is also recognised in the second half of the financial year.

Agricultural activity and expenditure relates to the management of the Group's and project investors' existing estate and the development and management of new agri-business projects for sale in the current financial year

The major agricultural operation is forestry and the level and timing of forestry expenditure is dependant upon a number of factors such as the level and timing of planting and maintenance expenditure, which in turn is dependant upon a number of seasonal factors.

Generally, the majority of plantation establishment activities tend to be performed in the second half of the year, with the exception of establishment activities on the Tiwi Islands which take place in the first half due to climate conditions. Generally forestry maintenance activities take place evenly through the year.

The timing of the majority of sales, marketing and commission costs reflects the timing of sales which generally occurs in the second half of the year. General overhead costs are, as a general rule, incurred relatively evenly throughout the year.

Note 5. Property, Plant and Equipment

For the half-year ended 31 March 2008, additions and disposals of property, plant and equipment totalled \$36,526,000 and \$218,000 respectively (half-year ended 31 March 2007: \$19,354,000 and \$1,277,000 respectively).

Note 6. Investment Properties

	31 March 2008	30 Sept 2007	31 March 2007
	\$'000	\$'000	\$'000
At fair value			
Opening balance	722,310	522,569	522,569
Additions – cost	75,824	166,758	120,328
Fair value adjustment	19,221	37,592	5,372
Disposals	(4,963)	(4,609)	(1,723)
Closing balance at 31 March	<u>812,392</u>	<u>722,310</u>	<u>646,546</u>
 Plantation properties	 798,713	 708,949	 634,208
Cattle properties (note (d))	<u>13,679</u>	<u>13,361</u>	<u>12,338</u>
	<u>812,392</u>	<u>722,310</u>	<u>646,546</u>

- (a) The fair value of investment properties reflects the nature and characteristics of the property and the prevailing market conditions at the reporting date.
- (b) The nature of the Group's plantation projects, and in particular the deferral of the payment of property lease rental fees until the end of the project (approximately 10 – 11 years from project commencement), is such that the fair value of a property will reduce when it is leased to growers (encumbered) in the project. This reduction is recorded in the income statement as an investment property fair value adjustment. During the half-year to 31 March 2008 the Group recorded a fair value reduction of \$24,474,000 (30 Sept 2007: \$98,597,000).

Each subsequent year the fair value of existing investment property is expected to increase as the lease period reduces (known as the "unwinding of the discount") and this gain is also recorded in the income statement as an investment property fair value adjustment. The increases in fair value from the discount unwind of properties encumbered at the beginning of the year totalled \$39,330,000 (30 Sept 2007: \$61,823,000).

Note 6. Investment Properties (continued)

- (c) For the 30 September 2007 financial report, the fair value of investment properties was determined by an independent expert using a discounted cash flow (DCF) model and, in accordance with Group policy, with the benefit of independent valuations (on an unencumbered basis) of approximately one third of the Group's properties.

The DCF model used to determine the fair value of investment properties at 30 September 2007 was updated by the Group to determine the fair values at 31 March 2008. The DCF model as at 31 March 2008 and 31 March 2007 used the following major assumptions:

	Assumption range	Valuation assumption
Present value land valuation basis	Unencumbered best available use	Unencumbered best available use
Length of project lease	10 – 11 years	10 – 11 years
Average annual real price growth of land	1% to 3% per annum	2.0% per annum
CPI	2.5% to 3% per annum	2.75% per annum
Lease rental fees	2.5% of estimated project net harvest proceeds	2.5% of estimated project net harvest proceeds
Post harvest – remediation costs	\$550 - \$1000	Average of \$786 (31 Mar 07: \$750) per hectare
Discount rate	9.5% - 10.5% per annum	10.5% per annum

- (d) In accordance with Group policy Cattle properties are identified as investment properties only when an insignificant portion of the cattle on the property are being managed to the Group's account. At balance date the majority of Cattle properties are classified in property, plant and equipment.

Note 7. Dividends

	Half-year ended 31 Mar 2008	Half-year ended 31 Mar 2007
	\$'000	\$'000
<i>Dividends paid during the period:</i>		
Final dividend for the year ended 30 September 2007 fully franked: 8 cents (Year ended 30 June 2006: 11 cents)	25,571	34,111
<i>Dividends proposed and not recognised as a liability:</i>		
Interim dividend for the year ended 30 September 2008 fully franked: 3 cents (2007: 4 cents)	9,696	12,608

Note 8. Equity and Debt Securities Issued

	Half-year ended 31 Mar 2008	Half-year ended 31 Mar 2007	Half-year ended 31 Mar 2008	Half-year ended 31 Mar 2007
	No. (000's)	No. (000's)	\$'000	\$'000
(i) Issue of ordinary shares:				
Exercise of options during the period	100	-	150	-
Dividend re-investment plan issues	3,562	5,094	6,817	12,210
Shares issued as consideration for property acquisition fees	2,513	-	5,655	-
	<u>6,175</u>	<u>5,094</u>	<u>12,622</u>	<u>12,210</u>
(ii) Issue of management performance rights	-	3,245	-	320
(iii) Issue of debt securities	-	-	-	-

Note 9. Related Party Transactions

The nature of the Group's related party transactions during the period ended 31 March 2008 are consistent with those noted in the financial report for the year ended 30 September 2007.

Great Southern Limited
Notes to the Half-Year Financial Statements
For the half-year ended 31 March 2008

Note 10. Segment Reporting

Primary reporting format – Business segments (The Group operates solely within one geographical segment, being Australia).

31 March 2008	MIS Forestry \$'000	MIS Horticulture \$'000	MIS Cattle \$'000	Lending Services \$'000	Non-MIS Managed Funds \$'000	Other \$'000	Inter-segment eliminations \$'000	Consolidated \$'000
Revenue								
Sales to external customers	51,288	15,474	16,441	-	-	-	-	83,203
Other revenue	1,278	10,502	-	8,647	2,723	2,281	-	25,431
Total segment revenue	52,566	25,976	16,441	8,647	2,723	2,281	-	108,634
Other income	3,557	1,086	323	-	26	124	-	5,116
Interest revenue								7,316
Increment on investment property								19,221
Total consolidated revenue and income								140,287
Result								
Segment results	6,606	1,695	(3,968)	(29,116)	(1,279)	9,928	527	(15,607)
Corporate and other expenses								(17,155)
(Loss)/profit before tax and finance costs								(32,762)
Finance costs								(32,279)
(Loss)/profit before tax								(65,041)
Income tax benefit/(expense)								15,975
Net (loss)/profit after tax								(49,066)
31 March 2007	MIS Forestry \$'000	MIS Horticulture \$'000	MIS Cattle \$'000	Lending Services \$'000	Non-MIS Managed Funds \$'000	Other \$'000	Inter-segment eliminations \$'000	Consolidated \$'000
Revenue								
Sales to external customers	66,834	14,634	48,785	-	-	-	-	130,253
Other revenue	4,435	2,864	61	14,336	-	-	-	21,696
Total segment revenue	71,269	17,498	48,846	14,336	-	-	-	151,949
Other income	3,434	237	7,023	-	-	4,380	-	15,074
Interest revenue								5,985
Increment on investment property								5,372
Total consolidated revenue and income								178,380
Result								
Segment results	14,371	6,318	29,579	13,459	-	92	99	63,918
Corporate and other expenses								(14,583)
Profit/(loss) before tax and finance costs								49,335
Finance costs								(24,895)
Profit/(loss) before tax								24,440
Income tax (expense)/benefit								(9,513)
Net profit/(loss) after tax								14,927

Note 11. Capital Commitments

31 March 2008 \$'000	30 Sept 2007 \$'000
-------------------------------------	------------------------------------

Commitments for the acquisition of land and other capital assets contracted for at the reporting date, but not recognised as liabilities, payable:

Conditional contracts not later than one year	25,898	49,424
---	---------------	---------------

For the 9 month period ended 31 March 2008, the Group sold a total of 4,255 woodlots in its 2007 Plantation Project, and executed the related Land and Management Agreements (LMA's) for these woodlots in March 2008, which will require the Group to issue Land Interests relating to these woodlots to the Project growers on or before the 9 month anniversary of the execution of LMA's. At the date of this report, the Group has not yet issued any Land Interests in respect of these woodlots but has secured sufficient plantation land to issue Land Interests for all 4,255 woodlots.

Note 12. Contingent Liabilities

Changes to the estimated value of contingent liabilities previously disclosed in the 30 September 2007 financial statements are as follows:

	31 March 2008 \$'000	30 Sept 2007 \$'000
1. Rothschild Australia previous securitisation arrangements	6,369	6,508
2. Unsecured guarantees provided by the Group for the provision of banking facilities	8,475	6,874
3. Adelaide Bank securitisation arrangements (note (a))	7,504	-
(a) The Group has a loan securitisation arrangement in place with Bendigo and Adelaide Bank Limited (previously Adelaide Bank Limited) under which there is no credit recourse to the Group on any loan securitised (the "Off Balance Sheet facility"). During the period, the Group entered into an additional securitisation arrangement with Bendigo and Adelaide Bank Limited for the securitisation of certain loans that are not able to be securitised under the Off Balance Sheet facility. Under this new arrangement the Group is required to deposit funds as security against loan default. During the current period the Group securitized \$33.0 million of principal and interest loans under this new arrangement, and received \$25.5M in funding with \$7.5m deposited as collateral. The Group has determined that the majority of the risks and benefits of ownership have not been transferred to the purchaser, so the loans cannot be derecognised from the Group's financial statements and a corresponding liability is booked in interest bearing liabilities. The net impact to the net assets of the Group at balance date is zero. The maximum exposure of the Group to default in these loans is limited to the \$7.5m held as collateral.		

Note 13. Events Occurring After the Balance Sheet Date

Interim dividend

An interim dividend of 3 cents per share has been declared by the directors on the 23rd of May 2008 (2007: 4c per share). The record date is the 18th of June 2008 and the dividend will be paid on the 16th of July 2008.

Issue of management performance rights

On 16 May 2008, the Group issued 3,550,000 management performance rights to senior executives pursuant to the Group's Management Performance Rights Plan.

Land acquisition

Since 31 March 2008, the Group has entered into new contracts for the purchase of land which are now either conditional or unconditional, amounting to approximately \$23,302,000. The Group will continue to identify and acquire land throughout the year for use in future projects.

Note 14. Business Combinations

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

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

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

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

Cost of the business combination:

Cash paid	8,073
Present value of deferred cash consideration	<u>10,595</u>
Total cost	<u>18,668</u>

Goodwill:

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

Cash flow:

The cash outflow on acquisition is as follows:

Net cash acquired with the subsidiary	-
Cash paid	<u>8,073</u>
Net consolidated cash outflow	<u>8,073</u>

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

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

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 16 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Australian Accounting Standard AASB 134 "*Interim Financial Reporting*" and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Group's financial position as at 31 March 2008 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the period ended on that date; and
- (b) there are reasonable grounds to believe that Great Southern Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



D Griffiths
Chairman

Perth
23 May 2008



Cameron Rhodes
Managing Director

To the members of Great Southern Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Great Southern Limited (the company), which comprises the balance sheet as at 31 March 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration, of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of Great Southern Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

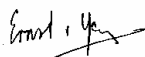
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Great Southern Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2008 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



R A Kirkby
Partner
Perth
23 May 2008