

5 September 2008

Company Announcements Platform
Australian Stock Exchange Limited

Gunns Limited (ASX: GNS) – 2008 Financial Statements - Amended

Please find attached the financial statements of Gunns Limited for the financial year ended 30 June 2008 (including Notes 1 and 2).

Yours faithfully



Wayne Chapman
Company Secretary

GUNNS LIMITED

**FINANCIAL
STATEMENTS
2008**

DIRECTORS' REPORT

The directors present their report together with the financial report of Gunns Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2008 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Name and qualifications	Age	Experience and special responsibilities
John E Gay	65	Chairman (since 2002) Managing Director Director (since 1986) Director of: <ul style="list-style-type: none"> – AMC Search Limited – Forest Industries Association of Tasmania Limited – Gunns Plantations Limited – Auspine Limited (since 2007)
Robin T Gray B. Ag. Sci. CPM	68	Director (since 1996) Director of: <ul style="list-style-type: none"> – AMC Search Limited – Agribusiness Project Management Pty. Ltd. – Chairman of Botanical Resources Australia Pty Ltd. – Auspine Limited (since 2007)
Robin TJ Holyman Dip. Agric. FAICD MCIT	70	Director (since 1983) Director of: <ul style="list-style-type: none"> – Auspine Limited (since 2007)
David M McQuestin	64	Director (from 1988 to May 2008)
Christopher J Newman B.Ec.	64	Director (since 2001) Director of: <ul style="list-style-type: none"> – Austereo Limited (since 2005) – Coneco Limited (since 2004) – Prime Financial Group Limited (since 2006) – Webjet Limited (since 2006) – Auspine Limited (since 2007)
Cornelis A van der Kley AASA	69	Director (since 1996)
Richard V Millar FCA	64	Director (since 2007)
Paul D Teisseire	53	Director (appointed March 2008) Director of: <ul style="list-style-type: none"> – Austin Exploration Limited – BSA Limited – Mesbon China Nylon Limited.

Company Secretary

Mr Wayne L Chapman (B.Com., CA) was appointed to the position of Company Secretary in 1997. Mr Chapman joined the Company in 1994 and worked in various finance and accounting roles before being appointed to the position of Company Secretary. He has previous experience in finance, administration and secretarial roles.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Audit Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
JE Gay	12	12	-	-	1	1	2	2
RT Gray	11	12	3	3	1	1	2	2
RTJ Holyman	11	12	3	3	1	1	2	2
DM McQuestin	8	10	2	3	1	1	2	2
CA van der Kley	12	12	2	3	1	1	2	2
CJ Newman	12	12	3	3	1	1	2	2
RV Millar	11	12	2	3	1	1	2	2
PD Teisseire	4	4	0	0	0	0	1	1
LEGEND	A = number of meetings attended				B = number of meetings held during the time the director held office during the year			

Principal activities

The principal activities of the consolidated entity during the course of the financial year were forest management and development, milling, processing, merchandising and export of wood products, merchandising of hardware and building supplies, management of forestry and horticultural managed investment schemes, construction and wine production and sale.

Results for the year

The consolidated profit of the consolidated entity for the year, net of income tax expense, attributable to members of Gunns Limited was \$64.5 million (2007: \$76.4 million).

Operating and financial review

Group revenue for the 2008 financial year was \$861.9 million, up 26.3% on the prior year, driven by strong performance of the group's hardwood operations and the consolidation of 10 months of revenue from Auspine's operations following its acquisition in August 2007.

Earnings per share of 14.2 cents compares to 19.6 cents in the prior year.

Net operating cash inflow for the year of \$69.5m compares to an operating cash outflow of \$15.6m in the prior year.

Earnings before interest and tax (EBIT) for the year of \$145.6m was up 4.3% on the prior year result. The EBIT result includes the following non-operating items:

- \$16.3m expense related to pulp mill related financial instruments
- \$5.8m expense related to acquisition and business restructuring costs

Group interest cost for the year was \$80.4m, up 85.9% on the prior year. This increase was due to \$18.5m additional interest expense arising from funding of the cash component of the Auspine acquisition and higher domestic interest rates.

Forest Products revenue for the 2008 financial year was \$634.1 million, an increase of 47.0% on the prior year. EBIT for the division increased by 62.4% to \$104.6 million for the year.

The improved performance for the division was principally driven by an improving Asian wood fibre market and increasing global competition for wood supply. The demand for wood fibre continued to strengthen during the second half of the financial year with sales volume for the full year being 3.7 million gmt compared to 3.45 million gmt in the prior year.

Margins on wood fibre sales increased during the year reflecting an improved pricing environment. The company anticipates further improvements earnings of the Forest Products division with a positive market outlook for the 2009 financial year.

The company's results from the Auspine softwood operations were impacted by significantly weaker trading conditions in the June quarter as a result of slowing domestic construction activity and strong import competition.

The managed investment scheme (MIS) business recorded revenue for the year of \$124.3 million, a 14.1% reduction on the prior year. Woodlot development completed for the year totalled approximately 16,000 hectares (21,000 hectares in the prior year). The reduction in activity levels was in line with management plans.

Sales from the wine and walnut projects increased significantly on the prior year with revenue increasing from \$5.8m in 2007 to \$15.6m. In light of Federal Government announcements in relation to the future of non-forestry MIS projects, management expects that there will be no new project developments in this segment of the business. The business' operating margin was impacted by an increase in the cost of providing forestry establishment services, largely due to increased fuel and fertiliser costs.

The Tasmanian based merchandising, construction and wine business reported revenue of \$103.5 million and EBIT of \$4.3 million for the 2008 financial year. The revenue from construction and merchandising activity was impacted during the year by lower residential construction activity. The Tamar Ridge wine operations performed to expectations with annual case sales increasing by 16% to 67,000 cases.

On 22 February 2008 Gunns Limited completed the acquisition of the Auspine Limited business. The acquisition was a significant strategic step for the Gunns group. Whilst providing an opportunity in the short term to generate synergy benefits the investment provides diversification for the Gunns forestry and timber businesses through expansion into the softwood sector in sawn timber, woodfibre and plantation operations. Importantly the acquisition provides a diversification in the resource base in geographical terms with an interest in a large mature plantation base outside of the group's traditional Tasmanian base.

The Company has continued to invest in the Bell Bay mill development. Expenditure on the project in the 2008 year totalled \$50.4m. This expenditure was primarily associated with the completion of key contractual arrangements for the mill equipment supply and construction, engineering services, securing long lead items of equipment, development of environmental management plans (including ongoing monitoring and compliance programs), and progressing financing arrangements for the development.

State of affairs

The Company has continued with the development of plans to build a plantation-based bleached kraft pulp mill to be located in the Bell Bay Industrial Zone in northern Tasmania, adjacent to the Company's existing wood fibre operations.

The mill project has been subject to separate regulatory approval processes by the Commonwealth and the State of Tasmania. Approvals under both jurisdictions have been obtained, subject to conditions, including the requirement for a number of environmental management plans to be approved by Tasmanian Government agencies and the Federal Minister for the Environment, Heritage and the Arts. Gunns has already satisfied a number of conditions and has received approval for management plans allowing Gunns to commence clearing of vegetation and to undertake bulk earthworks on the mill project site.

The Company is continuing to pursue the financing of the mill project. In addition, discussions are continuing with a number of potential equity parties, including industry participants, who have expressed interest in making a direct equity investment in the mill project. It is Gunns' current intention that a joint venture equity partner will be invited to take up to a 50% interest in the Company's mill project; however, whether this eventuates will depend on the outcome of negotiations between the parties.

The Company is working towards a financing structure which will not require additional equity to be raised from shareholders. The process with potential equity parties will take a period of time to work through and it is not expected that the financing plan to be finalised before the first quarter of 2009, with principal construction activities unlikely to commence before then. Whilst the directors believe it is probable that the mill project will proceed to completion, the financing structure is yet to be finalised and the Company cannot state with certainty that such a structure will be achievable nor can it provide an assurance that the mill project will proceed.

The Company commenced a capital raising on 1 September 2008 with a non-renounceable pro rata entitlement offer to raise between \$300m and \$430m. The proceeds of the offer will be applied to the reduction of group debt facilities.

The Company has announced it was considering the divestment of a tranche of plantation forest. Negotiations regarding the proposed transaction are progressing. The expected consideration from the transaction is approximately \$170 million (pre-tax), with the net proceeds to be used to further reduce Gunns' corporate debt. The proposal provides that Gunns retains the freehold land associated with the standing timber. Gunns' timber supply from the land would not be impacted by the proposed sale.

Dividends

Dividends paid or declared on ordinary shares by the Company to members since the end of the previous financial year were:

Type	Cents Per Share	Total Amount \$'000	Date of Payment	Franked/ Unfranked
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As disclosed in current report:

Paid or declared during the year				
- FORESTS	158c	1,891	15 October 2007	Franked
- FORESTS	166c	1,994	14 January 2008	Franked
- FORESTS	168c	2,019	14 April 2008	Franked
- Interim – ordinary	6c	24,148	21 April 2008	Franked
Paid or declared after end of year				
- FORESTS	180c	2,164	14 July 2008	Franked
- Final – ordinary	4c	16,262	3 October 2008	Franked

In respect of the last year's financial year

Paid or declared during the year				
- FORESTS	151c	1,810	13 October 2006	Franked
- FORESTS	155c	1,855	15 January 2007	Franked
- Interim – ordinary	6c	21,224	5 April 2007	Franked
- FORESTS	154c	1,854	16 April 2007	Franked
Paid or declared after end of year				
- FORESTS	158c	1,891	16 July 2007	Franked
- Final – ordinary	8c	30,637	5 October 2007	Franked

All the dividends paid or declared by the Company since the end of the previous financial year were franked at 30%.

Environmental regulation

The consolidated entity is subject to significant environmental regulation in respect of its manufacturing and forestry activities.

Manufacturing operations, regulated primarily under the Environmental Management and Pollution Control Act, are subject to conditions of specific site operating licences which are developed in consultation with regulatory authorities. Forestry operations are regulated under a range of legislation covering agricultural and forestry activity. This legislation includes the Forest Practices Act, Agricultural and Veterinary Chemicals (control of use) Act, Threatened Species Protection Act 1995 and Historic Cultural Heritage Act.

The consolidated entity has implemented environmental management systems for its forestry operations which are compliant to ISO 14001 standard. These systems are designed to maintain compliance with regulatory requirements and as a basis for continual improvement in environmental performance.

Environmental performance is reviewed by management and reported to the Board of Directors on a regular basis.

The Directors are not aware of any material breaches of environmental regulations during the period covered by this report.

Likely developments

The Company is planning for the development of a 1.1m air dried tonne kraft pulp mill to be located at Bell Bay in Northern Tasmania. It is expected that final approvals will be gained and construction will commence in the 2009 financial year.

Events subsequent to balance date

The Company has commenced a capital raising by a non renounceable prorata entitlement offer. The offer was launched with institutional shareholders on 1 September 2008. The offer will raise between \$300m and \$430m with the proceeds used to repay debt. The institutional offer is scheduled to close on 3 September 2008 with settlement on 11 September 2008. The retail offer is expected to close on 24 September 2008 and complete on 4 October 2008.

Gunns has also announced that it is considering the divestment of a tranche of plantation forest. Negotiations in relation to the transaction are progressing. The expected consideration from the transaction is approximately \$170m (pre tax). The proceeds will be used to further reduce corporate debt.

Remuneration report - Audited

The Board has established a Remuneration Committee to provide advice on remuneration policies and practices generally, and makes specific recommendations on remuneration packages for executive directors, secretaries and other executives.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity, including directors of the Company and executives for the Company and the consolidated entity, including the five most highly remunerated S300A executives of the company and consolidated entity.

Key management personnel of the Company and consolidated entity are the same.

Section 1 – Non-Executive Directors’ Remuneration - Audited

A. Board Policy on remuneration

Non-executive directors’ fees are set by the Board within the maximum aggregate amount paid of \$800,000 approved by shareholders. This amount was approved by shareholders in 2007.

The fees paid to directors are set at levels which reflect both the responsibilities of, and the time commitments required from, each director to discharge their duties. The remuneration of the non-executive directors is not linked to the performance of the Company in order to maintain their independence and impartiality. In setting fee levels, the Remuneration Committee, which makes recommendations to the Board, takes into account:-

- the Company’s existing remuneration policies;
- independent professional advice;
- fees paid by comparable companies;
- the general time commitment required from directors and the risks associated with discharging the duties attaching to the role of director; and
- the level of remuneration necessary to attract and retain directors of a suitable calibre.

Directors receive a fee of \$75,000 per annum in relation to their services as a director. The Executive Chairman, taking into account the greater time commitment required and his executive role as Managing Director, received a total remuneration payment of \$1,030,791 in the 2008 year. Details of the remuneration of John Gay, the Executive Chairman and Managing Director, are found within Section 4, Part A of this report. The salary and fee component of Mr Gay's remuneration was reviewed by the Remuneration Committee within the context of the scope of his role and with consideration of market remuneration levels for similar roles in comparable listed entities. The Company does not pay additional fees for membership of the Board's Committees. Superannuation contributions are also made on behalf of the non-executive directors in accordance with the Company's statutory superannuation obligations.

The Board will continue to review its approach to non-executive director remuneration to ensure it remains in line with general industry practice and best practice principles of corporate governance.

In accordance with rule 19.4 of the constitution, directors are also permitted to be paid additional fees for special duties or exertions. Such fees are not included in the aggregate remuneration cap approved by shareholders. No such fees were paid during the year. Directors are also entitled to be reimbursed for all business related expenses, including travel on company business, as may be incurred in the discharge of their duties.

Non-executive directors do not participate in option schemes or bonus systems. The Company has not adopted a non-executive director option plan.

B. Retirement benefits

The Company pays non-executive director retirement benefits in accordance with the Director Retirement Scheme. A specific allowance is payable to directors on retirement. The calculation of this payment is in accordance with S200 (A) of the Corporations Law. This allowance vests after five years' service as a director. The following amounts are provided under the scheme as at 30 June 2008:

Mr R.T.J. Holyman	\$177,500
Mr R.T. Gray	\$177,500
Mr C.A. van der Kley	\$177,500
Mr C.J. Newman	\$168,625

Entitlements pursuant to the Directors Retirement Scheme were frozen effective from 30 June 2006.

During the year a retirement allowance payment of \$177,500 was made to Mr D.M. McQuestin.

These benefits are in addition to statutory prescribed superannuation entitlements funded by Company contributions.

Section 2 - Executive Director and Senior Executive Remuneration - Audited

Board Policy on remuneration

The Remuneration Committee of the Board has recommended, and the Board has adopted, a policy that remuneration will:

- (a) reinforce the objectives of the Company as set out in the strategic business plans endorsed by the Board;
- (b) provide a common interest between employees and shareholders; and
- (c) be competitive in the markets in which the Company operates in order to attract, motivate and retain high calibre employees.

The remuneration of the Managing Director and senior management is set to attract, retain and motivate appropriately qualified and experienced senior executives. The Board recognises that remuneration packages of senior executives (including the Managing Director) may include both a fixed component and an incentive or performance related component.

The fixed component of remuneration includes salary, superannuation and other benefits such as motor vehicle usage. The level of fixed remuneration is determined to provide a competitive level of regular remuneration compared to similar roles within the relevant business sectors, the nature and scope of the specific executive role and the qualifications, experience and location of the executive. The level of fixed remuneration is reviewed by the Board on an annual basis as a part of the performance review process.

The Board may approve a level of performance based remuneration based on specific business objectives or targets or in recognition of achieved outcomes. Bonus payments are determined by the Board on an annual basis following finalisation of the Company's annual accounts. The level of bonus payments is determined by the Board and is related to actual divisional operating performance (considering factors such as profitability, expenditure control, working capital management) or contribution towards specific Company strategic objectives. Bonus payments made in the 2008 year were based on divisional earnings results achieved in the 2007 financial year.

In fiscal 2008 the proportions of fixed remuneration and performance related remuneration were as follows:

	Fixed remuneration	Performance based remuneration
Executive Director	100%	0%
Other executives	87%	13%
Company Secretary	100%	0%

Specific information on bonus payments made is detailed in the Executive Remuneration Disclosure Table in section 4 Part B of this report.

In general, the total remuneration packages for the Managing Director and senior management are largely based on fixed remuneration entitlements.

Long Term Incentive Programs

The Company's Executive Share Option Plan (Plan) provides for options to be issued to senior executives. This Plan was approved by shareholders in 1993.

The terms of the plan provide for eligible executives to apply for options to acquire shares in the Company upon payment of an exercise price which is set at the market value of a share in the Company at the date of issue of the option.

Company policy requires that future issues under the Plan are subject to specific performance hurdle and exercise constraints. This policy also prohibits the entry by executives into transactions designed to limit risk on unvested options and requires the disclosure of hedging transactions undertaken to limit risk on vested options.

There were no options issued under the Plan in the 2008 year and there are no options outstanding under the Plan as at 30 June 2008.

Service Agreements

Remuneration and other terms of employment for executive officers and other key management personnel are formalised in letters of appointment. The employment arrangements for these personnel are open ended with termination by either party on the provision of one month's notice.

Notice periods and payments on termination

The potential liability of the Company in relation to the termination or cessation of employment of other group executives is dependent upon the circumstances of the termination, and the Company's policies and arrangements. As the potential for liability is dependent upon the circumstances in which an executive ceases employment, it is not possible to quantify the potential future impact of these agreements on the Company's financial position. Typically, the Company is required to pay an executive one months salary in lieu of notice if the Company terminates the executives employment without cause.

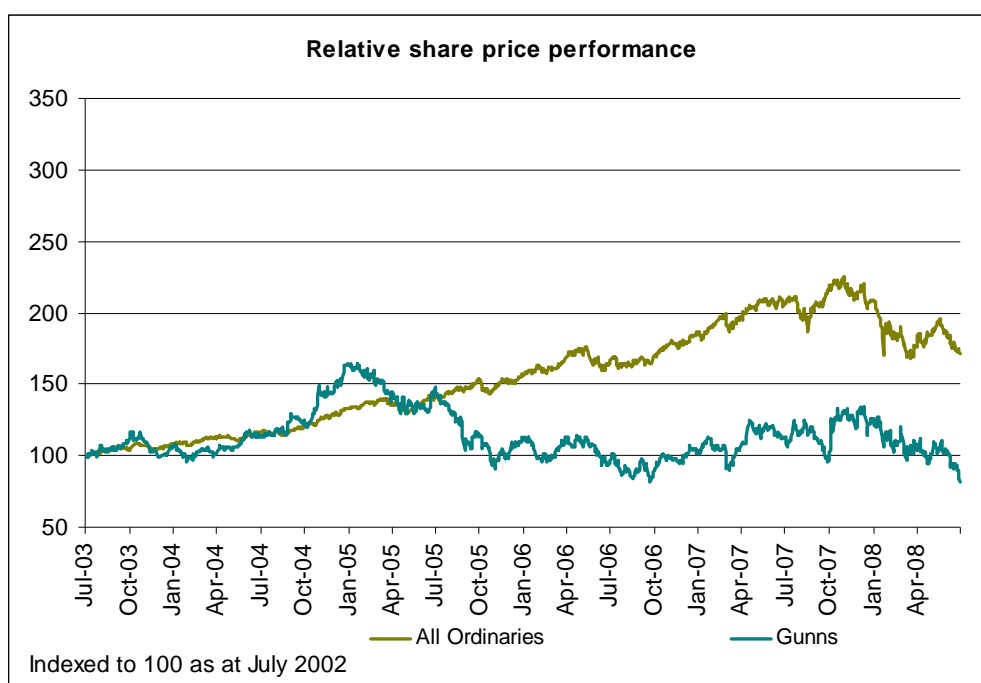
Sign-on payments

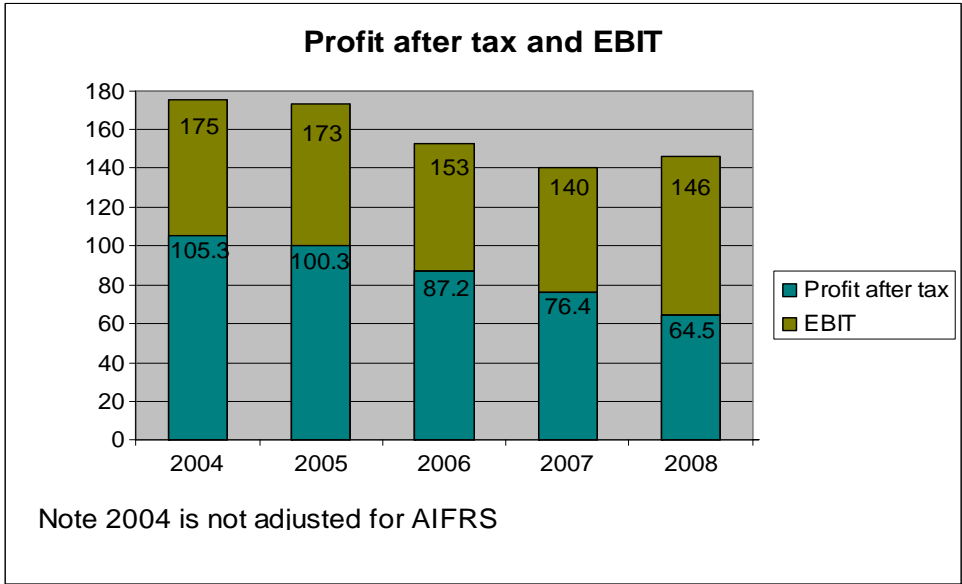
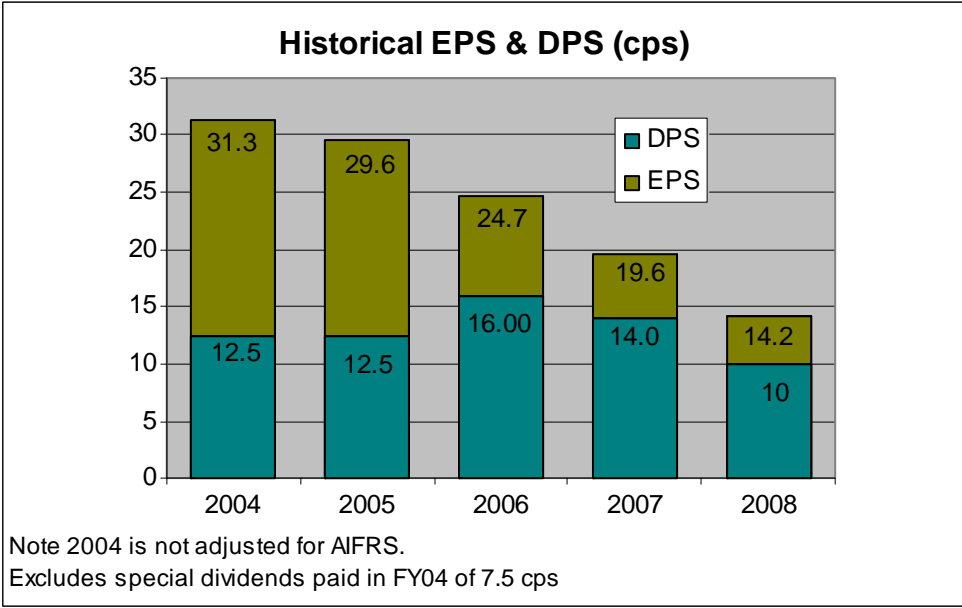
No payments have been made by the Company as consideration for persons agreeing to hold office as an employee of the Company.

Section 3 - Company Performance – AUDITED

Over the past five years the Company has made a significant investment in developing its forest resource both through plantation establishment and acquisition. The Company is well positioned to generate increased shareholder returns in supplying the increasing demand for wood fibre and value added products in the rapidly developing Asian market.

The following charts detail relative share price performance, earnings and dividends, profit after tax and total shareholder return for the company over the past five years. Total shareholder return measures both share price and dividend returns.





Section 4 – Remuneration paid and other specific disclosures - Audited

A Remuneration of Directors

Details of Company and consolidated directors' remuneration for the year ended 30 June 2008 and 30 June 2007 are set out in the following table.

The total amount paid to all directors (executive and non-executive) for the year ended 30 June 2008 was \$1,751,506 (2007: \$1,840,886).

2008		Short-term				Post-employment	Other long-term (3)	Termination benefits	Total
		Salary & fees	STI cash bonus	Non-monetary benefits	Total	Super-annuation benefits (1)			
Non-executive									
RT Gray	2008	75,000	-	4,611	79,611	6,750	-	-	86,361
RTJ. Holyman	2008	75,000	-	4,611	79,611	6,750	-	-	86,361
DM McQuestin	2008	68,750	-	4,611	73,361	6,188	-	177,500	257,049
CA van der Kley	2008	75,000	-	4,611	79,611	6,750	-	-	86,361
CJ Newman	2008	75,000	-	4,611	79,611	6,750	-	-	86,361
RV Millar	2008	75,000	-	4,611	79,611	6,750	-	-	86,361
PD Teisseire	2008	25,000	-	4,611	29,611	2,250	-	-	31,861
Executive									
JE Gay	2008	851,579	-	22,752	874,331	127,736	28,724	-	1,030,791
Total		1,320,329	-	55,029	1,375,358	169,924	28,724	177,500	1,751,506

2007		Short-term				Post-employment	Other long-term (3)	Termination benefits	Total
		Salary & fees	STI cash bonus	Non-monetary benefits	Total	Super-annuation benefits (1)			
Non-executive									
RT Gray	2007	67,500	-	4,573	72,073	6,075	-	-	78,148
RTJ Holyman	2007	67,500	-	4,573	72,073	6,075	-	-	78,148
DM McQuestin	2007	67,500	-	4,573	72,073	6,075	-	-	78,148
CA van der Kley	2007	67,500	-	4,573	72,073	6,075	-	-	78,148
CJ Newman	2007	67,500	-	4,573	72,073	6,075	-	-	78,148
RV Millar	2007	33,750	-	4,573	38,323	3,037	-	-	41,360
Executive									
JE Gay	2007	950,793	-	50,153	1,000,946	124,016	283,824	-	1,408,786
Total		1,322,043	-	77,591	1,399,634	157,428	283,824	-	1,840,886

- 1 Superannuation contributions made on behalf of non-executive directors to satisfy the Company's obligations under applicable Superannuation Guarantee Charge legislation.
- 2 Amounts provided for by the Company during the financial year in relation to the contractual retirement payment to which non-executive directors will be entitled under the Director Retirement Scheme upon retirement from office. The Directors' Retirement Scheme was frozen effective 30 June 2006 with the effect that no additional entitlements will be accrued for the Directors under the scheme from that date.
- 3 Other long term benefits comprise payments for accrued entitlements and the increased value of unused annual and long service leave entitlements.

B Remuneration of Executives

Details of remuneration

Details of the remuneration paid to each of the executive key management personnel (including the 5 named executives of the Company and the consolidated entity with the highest remuneration) during the years ended 30 June 2008 and 30 June 2007 are set out in the following table.

2008	Short-term					Post-employment		Other long term	Termination benefits	Share-based payments options	Total
	Salary & fees	STI cash bonus	Non-Monetary benefits	Other	Total	Super-annuation benefits	Other				
Executives											
WL Chapman <i>Company Secretary</i>	315,314		67,685	-	382,999	34,684	-	12,878	-	-	430,561
LR Baker <i>Executive Director - Gunns Plantations Limited</i>	333,784	75,000	44,599	13,640	467,023	36,716	-	24,026	-	-	527,765
IM Blanden <i>Manager - Gunns Plantations Limited</i>	270,270	75,000	13,413	-	358,683	29,729	-	12,489	-	-	400,901
BE Hayes <i>Manager - Forest Products Division (North West & South)</i>	277,613	86,666	8,445		372,724	24,751	-	11,392	-	-	408,867
RD Coffey <i>(ceased 4/1/08) Manager - Forest Products Division (Marketing)</i>	34,752	25,000	14,250		74,002	4,085	-	63,917	-	-	142,004
GP L'Estrange <i>(appointed 14/4/08) Manager – Timber</i>	65,691	-	1,759		67,450	7,226	-	6,074	-	-	80,750
Total	1,297,424	261,666	150,151	13,640	1,722,881	137,191	-	130,776	-	-	1,990,848

2007	Short-term					Post-employment		Other long term	Termination benefits	Share-based payments options	Total
	Salary & fees	STI cash bonus	Non-Monetary benefits	Other	Total	Super-annuation benefits	Other				
Executives											
W.L. Chapman <i>Company Secretary</i>	292,790	-	45,562	30,318	368,670	32,206	-	48,411	-	-	449,287
I.M. Blanden <i>Manager - Gunns Plantations Limited</i>	228,324	100,000	8,445	11,935	348,704	25,115	-	25,822	-	-	399,641
L.R. Baker <i>Executive Director - Gunns Plantations Limited</i>	315,901	-	18,168		334,069	33,815	-	26,191	-	-	394,075
B.E. Hayes <i>Manager - Forest Products Division (North West & South)</i>	232,316	-	18,668		250,984	23,717	-	(9,041)	-	-	265,660
R.D. Coffey <i>Manager - Forest Products Division (Marketing)</i>	187,203	-	23,045		210,248	22,236	-	(6,649)	-	-	225,835
Total	1,256,534	100,000	113,888	42,253	1,512,675	137,089	-	84,734	-	-	1,734,498

Performance bonus payments are fully vested in the year of issue. Cash bonuses noted represent all bonuses payable to key management personnel and are 100% of available bonuses. The grant date of the cash bonuses was 31 August 2007.

- 1 *Superannuation contributions made on behalf of key management personnel to satisfy the Company's obligations under applicable Superannuation Guarantee Charge legislation.*
- 2 *Other long term benefits comprise payment for accrued entitlements and the increased value of annual and long service leave entitlements.*

THIS IS THE END OF THE REMUNERATION REPORT

Options

At the date of this report there were no unissued ordinary shares of the Company under option.

During and since the end of the financial year the Company has not issued any ordinary shares pursuant to the exercise of share options.

Directors' interests

The relevant interest of each director in the shares and options over such instruments issued by the Company as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Directors	Gunns Limited ordinary shares	Options over ordinary shares	Interest in Managed Investment Schemes
JE Gay	18,753,436	-	338
RT Gray	272,667	-	-
RTJ Holyman	586,953	-	-
PD Teisseire	-	-	-
CA van der Kley	134,326	-	-
CJ Newman	2,775,684	-	-
RV Millar	7,056,016	-	-

Indemnification and insurance of officers

Indemnification

The Company's constitution provides that the Company will indemnify any director or executive officer of the Company to the extent permitted by law against a liability that may arise from their position as a director or officer of the Company except where that liability arises out of conduct involving a lack of good faith.

Insurance premiums

During the financial year the Company has paid premiums under insurance contracts in respect of the directors and executive officers of the Company for liability and legal expenses for the year ended 30 June 2008. The Company has also paid or agreed to pay premiums in respect of such insurance contracts for the year ended 30 June 2009. The directors have not included details of the nature of the liabilities covered or the amount of premium paid in respect of the directors and officers liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

The premiums were paid in respect of the following current and former directors and secretaries of the Company and its controlled entities: Messrs. JE Gay (Chairman), RT Gray, RTJ Holyman, DM McQuestin, CA van der Kley, CJ Newman, RV Millar, RJ Loone, PJ Sullivan, LR Baker, A de Bruin, RH Graham, DS Kerr as directors and WL Chapman, MA McGlone and TD Nguyen as company secretaries.

Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is included in the directors' report.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for non-audit services provided during the year are set out below:-

Services other than statutory audit:	Consolidated 2008 \$
Other regulatory audit service:-	
- workers compensation audit	2,700
- review of export woodchip shipments	3,000
- other	25,792
	31,492
Other services:-	
- tax consolidation accounting services	97,591
- other accounting services	2,000
- taxation compliance services	76,578
- other taxation services	61,200
- services associated with Auspine acquisition	43,932
- services associated with Pulp Mill project	28,390
- transaction services	1,263,388
- other services	7,045
	1,580,124
Total services other than statutory audit	1,611,616

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

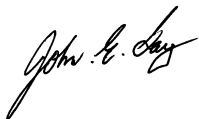
The lead auditor's independence declaration forms part of the Directors' Report for the year ended 30 June 2008.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Launceston this 4th day of September 2008.

Signed in accordance with a resolution of the directors:



JE Gay
Director



RTJ Holyman
Director



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Gunns Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial period ended 30 June 2008, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

M Wallace

Matthew Wallace
Partner

Launceston
4 September 2008



INCOME STATEMENTS For the year ended 30 June 2008

	Notes	Consolidated		The Company	
		2008	2007	2008	2007
		\$'000	Restated \$'000	\$'000	Restated \$'000
Revenue	3(a)	861,949	682,207	475,327	418,965
Other income	3(c)	46,119	25,128	12,697	14,128
Expenses					
Changes in inventories of finished goods and work in progress		3,394	(6,975)	(642)	(4,268)
Raw materials and consumables used		(401,314)	(320,528)	(311,342)	(262,463)
Employee benefit expenses		(125,395)	(80,797)	(76,170)	(69,558)
Depreciation and amortisation	4	(26,708)	(18,716)	(9,918)	(8,938)
Freight and shipment expenses		(26,622)	(15,572)	(16,906)	(17,630)
Plantation establishment expenses		(53,443)	(48,090)	-	-
Selling and marketing expenses		(32,419)	(36,672)	(13,142)	(13,838)
Loss on revaluation of financial instruments		(16,294)	(2,592)	(16,294)	(2,592)
Other expenses	4	(83,577)	(37,716)	(25,945)	(25,399)
Profit before financing costs and tax		145,692	139,677	17,666	28,407
Financial income	3(b)	19,789	8,317	79,393	84,393
Financial expenses	4	(80,484)	(43,276)	(79,332)	(51,257)
Net financing costs		(60,695)	(34,959)	61	33,136
Share of profit of equity accounted investees	36	437	-	-	-
Profit before tax		85,434	104,718	17,726	61,543
Income tax expense	6(a)	(20,958)	(28,294)	20,153	8,134
Profit for the period		64,475	76,424	37,879	69,677
Attributable to equity holders of the Company		62,149	76,424	37,879	69,677
Attributable to minority interests		2,326	-	-	-
Profit for the period		64,475	76,424	37,879	69,677
Basic earnings per share (cents)	7	14.2c	19.6c		
Diluted earnings per share (cents)	7	Non dilutive	19.3c		

The income statements are to be read in conjunction with notes 1-37

STATEMENTS OF RECOGNISED INCOME AND EXPENSE For the year ended 30 June 2008

Notes	Consolidated		The Company		
	2008 \$'000	2007 Restated \$'000	2008 \$'000	2007 Restated \$'000	
Asset revaluation reserve - fair value adjustment	23(a)	31,611	51,125	10,933	15,800
Foreign exchange translation difference	23(c)	(1,337)	823	-	-
Fair value reserve adjustment	23(d)	(47)	-	-	-
Hedge revaluation reserve adjustment	23(e)	(2,386)	-	(2,590)	-
Net income/(expense) recognised directly in equity		<u>27,841</u>	<u>51,948</u>	<u>8,343</u>	<u>15,800</u>
Profit for the period		<u>64,475</u>	<u>76,424</u>	<u>37,879</u>	<u>69,677</u>
Total recognised income and expense for the period		<u>92,316</u>	<u>128,372</u>	<u>46,222</u>	<u>85,478</u>
Total recognised income and expense for the period attributable to equity holders of the parent entity		<u>89,990</u>	<u>128,372</u>	<u>46,222</u>	<u>85,478</u>

Note that net income/(expense) recognised in equity and outlined above is net of taxes.

The income statements are to be read in conjunction with notes 1-37

BALANCE SHEETS As at 30 June 2008

Notes	Consolidated		The Company		
	2008	2007	2008	2007	
	\$'000	Restated \$'000	\$'000	Restated \$'000	
Current assets					
Cash and cash equivalents	9	9,522	17,913	1,309	7,257
Trade and other receivables	10	181,604	146,019	58,514	54,023
Inventories	11	149,895	109,287	84,711	81,345
Biological assets	12	39,370	17,626	13,348	6,439
Income tax receivable	6(b)	4,285	1,879	6,267	1,890
Other, including derivatives	13	2,325	17,483	1,699	17,130
Total current assets		387,002	310,207	165,848	168,084
Non-current assets					
Receivables	10	329,306	269,168	117,831	84,217
Inventories	11	17,151	12,030	17,138	12,030
Biological assets	12	485,235	236,014	64,405	37,558
Investments	14b	11,581	85,648	327,210	412,808
Investments in equity accounted investees	14a	8,756	5,131	8,319	5,131
Property, plant and equipment	15	1,294,132	891,035	498,463	428,567
Intangible assets	16	56,540	3,849	3,862	3,849
Deferred tax assets	6(d)	1,308	1,136	-	-
Other	17	-	-	449,421	91,242
Total non-current assets		2,204,009	1,504,011	1,486,650	1,075,402
Total assets		2,591,011	1,814,218	1,652,498	1,243,486
Current liabilities					
Payables, including derivatives	18	188,928	132,658	121,204	91,746
Interest-bearing loans and borrowings	19	353,142	36,736	344,532	30,270
Provisions	20	15,703	12,675	6,966	8,130
Other	21	19,225	16,201	-	-
Total current liabilities		576,998	198,270	472,702	130,146
Non-current liabilities					
Payables	18	56,481	-	-	-
Interest-bearing loans and borrowings	19	705,312	542,547	461,471	476,731
Deferred tax liabilities	6(c)	251,413	178,264	80,398	56,120
Provisions	20	7,488	2,618	2,705	2,335
Total non-current liabilities		1,020,694	723,429	544,574	535,186
Total liabilities		1,597,691	921,699	1,017,276	665,332
Net assets		993,319	892,519	635,222	578,154
Equity					
Issued capital	22	532,501	458,040	532,501	458,040
Reserves	23	266,050	238,209	72,405	64,062
Retained earnings	24	194,768	196,270	30,316	56,052
Total equity		993,319	892,519	635,222	578,154

The balance sheets are to be read in conjunction with notes 1-37

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2008

Notes	Consolidated		The Company	
	2008	2007	2008	2007
	\$'000	Restated \$'000	\$'000	Restated \$'000
Cash flows related to operating activities				
Cash receipts from customers	902,418	648,411	513,153	461,019
Cash receipts - MIS financing unsecured	27,634	19,176	-	-
Cash receipts - MIS financing securitised	21,346	10,949	-	-
Cash paid to suppliers and employees	(780,273)	(625,479)	(471,937)	(409,262)
Payments for woodlot lease and maintenance	(33,615)	(24,863)	(33,615)	(24,863)
Dividends received	4	57	-	57
Interest received	11,396	8,362	515	317
Borrowing costs paid	(72,397)	(38,915)	(60,738)	(34,172)
Income taxes paid	(6,996)	(13,333)	(7,267)	(13,281)
Net cash from operating activities	32(b) 69,517	(15,635)	(59,889)	(20,185)
Cash flows related to investing activities				
Proceeds on disposal of non-current assets	2,027	2,398	1,827	2,294
Payments for purchases of property, plant and equipment	(105,254)	(81,337)	(77,341)	(68,836)
Payments for standing timber, plantation, orchard and vineyard establishment	(38,437)	(12,461)	(20,891)	(7,819)
Acquisition of investments	(221,224)	(52,350)	(224,245)	(57,083)
Proceeds on disposal of investments	833	-	-	-
Loans repaid by other entities	-	-	97,469	6,051
Net cash from investing activities	(362,055)	(143,750)	(223,181)	(125,393)
Cash flows related to financing activities				
Net proceeds from issues of ordinary shares	-	65,378	-	65,378
Cash receipts from loan securitisation	25,156	22,721	-	-
Cash payments - MIS financing securitised	(21,346)	(10,949)	-	-
Share issue costs	(30)	-	(30)	-
Proceeds from the realisation of interest rate swap	16,030	-	16,030	-
Proceeds from borrowings	560,384	660,247	530,422	645,870
Repayment of borrowings	(298,890)	(508,330)	(280,141)	(503,992)
Finance lease payments	(5,110)	(4,702)	(3,589)	(3,005)
Dividends paid	(38,866)	(33,842)	(32,389)	(33,842)
Net cash from financing activities	237,328	190,523	230,303	170,409
Net increase/(decrease) in cash and cash equivalents	(55,210)	31,138	(52,767)	24,831
Cash and cash equivalents at beginning of period	13,382	(17,756)	2,726	(22,105)
Cash and cash equivalents at end of period	32(a) (41,828)	13,382	(50,041)	2,726

The statements of cash flows are to be read in conjunction with notes 1-37

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FINANCIAL STATEMENTS

1 Statement of significant accounting policies

Gunns Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the 'consolidated entity') and the consolidated entity's interest in associates and jointly controlled assets.

The financial report was authorised for issue by the directors on 4 September 2008.

The significant policies which have been adopted in the preparation of this financial report are:-

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the consolidated entity and the financial report of the company comply with International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the consolidated entity.

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:-

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the consolidated entity's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the consolidated entity's financial report.
- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the consolidated entity's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the consolidated entity's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. The consolidated entity has assessed that this standard will have no material effect on reporting.
- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the consolidated entity's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the consolidated entity's disclosures.

- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the consolidated entity's 30 June 2010 financial statements. In accordance with the transitional provisions the consolidated entity will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. There will be no impact to the consolidated entity.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the consolidated entity's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the consolidated entity's financial report.
- AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has determined that this standard will have no material impact on financial statements.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, available-for-sale financial assets, investments in listed companies, biological assets and freehold land.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(aa).

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and have been applied consistently by all entities in the Group.

(c) Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Associates (equity accounted investees)

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the consolidated entity's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the consolidated entity, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the consolidated entity's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the consolidated entity has an obligation or has made payments on behalf of the investee. In the Company's financial statements, investments in associates are carried at cost.

Joint venture assets

The interest of the Company and of the consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Managed Investment Schemes

Managed investment schemes are not consolidated, refer note 1(aa).

(d) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Sale of goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when the significant risks and rewards of ownership passes to the customer. Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of timber, transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Construction contracts

As soon as the outcome of construction contracts can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to surveys of work performed. An expected loss on contract is recognised immediately in the income statement.

Dividends

Dividend revenue is recognised in profit or loss on the date that the right to receive the dividend is established. Dividends received out of pre-acquisition reserves of controlled entities are eliminated against the carrying amount of the investment and not recognised as revenue.

Managed investment schemes

Woodlot establishment services revenue from applications is recognised in the income statement in proportion to the stage of completion of the transaction at balance date.

The consolidated entity provides services in relation to managed investment schemes. These services comprise maintenance services and land rental on behalf of woodlot growers. The consolidated entity receives consideration through an interest in the proceeds from harvested wood. Significant estimates and assumptions involved in undertaking the impairment testing of this asset are the future inflation and real royalty increase rates per annum, plantation growth rates and future plantation management and lease costs.

Revenue is recognised from maintenance services to the extent that costs are incurred and when recovery of the amounts receivable is probable. Recognition of profit on a stage of completion basis is unlikely to occur earlier than five years prior to harvest. As soon as the outcome of the MIS service contracts can be estimated reliably, revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. An expected loss on a contract is recognised immediately in the income statement. All costs incurred prior to establishment of the woodlots, principally costs associated with establishing the relevant managed investment scheme, have been expensed as incurred.

Vineyard management, supervision and other revenue are recognised in the income statement in proportion to the stage of completion of the transaction at balance date.

Walnut management, supervision and other revenue are recognised in the income statement in proportion to the stage of completion of the transaction at balance date.

The stage of completion is assessed by reference to inspection of the work performed and consideration of the establishment, management, supervision or other relevant costs incurred relative to total estimated costs.

Deferred Revenue

Deferred revenue is recognised to the extent that revenue does not meet the revenue recognition criteria on a percentage of completion basis. Deferred revenue is carried forward to be reversed in future periods.

(e) Other income recognition

Standing timber fair value movement

Increments in the fair value of standing timber are recognised as other income in the financial year in which they occur.

The net increment in the fair value of standing timber recognised as other income is determined as the difference between the fair value of standing timber as at the beginning of the financial year and the fair value of standing timber as at the end of the financial year, after deducting plantation, forest establishment and acquisition expenditure and costs incurred in maintaining and enhancing standing timber for the year and adding back the fair value of standing timber harvested during the year.

Grape vines and fair value movement

Increments in the fair value of grape vines recognised as other income is determined as the difference between the fair value of grape vines as at the beginning of the financial year and the fair value of grape vines as at the end of the financial year after deducting establishment and acquisition expenditure and costs incurred in maintaining and enhancing of grape vines for the year and adding back the fair value of grapes harvested during the year.

Sale of non-current assets

The net gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(f) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheets.

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(g) Foreign currency

Transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Translation of controlled foreign entities

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(h) Derivatives

The consolidated entity uses derivative financial instruments to mitigate its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. Derivative financial instruments (other than cash flow hedges) are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Available-for-sale financial assets

The consolidated entity's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(k)(i)), and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

(i) Net financing costs

Financial income

Interest is recognised as it accrues, taking into account the effective yield on the financial asset.

Financial expenses

Borrowing costs include interest, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised.

Transaction costs directly attributable to the acquisition of a financial liability are accounted for as part of the financial liability over the period the debt is outstanding.

(j) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for; initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Gunns Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand alone-alone taxpayer' approach whereby each entity in the tax-consolidated group measures its current and deferred taxes by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivables (payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(k) Property, plant and equipment

Carrying amount

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see note 1(p)) except for freehold land which is stated at valuation refer note 1(q). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Financial expenses are capitalised to qualifying assets as set out in Note 1(i).

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Leased assets

Leases under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

Finance leases are capitalised. A lease asset and a lease liability equal to the lower of fair value or the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Depreciation

All property, plant and equipment have limited useful lives and are depreciated using the straight line method over their estimated useful lives, with the exception of land. Finance leased plant and equipment is amortised over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Other plant and equipment is depreciated using either straight line, diminishing value or units of production methods.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The consolidated entity constructs roads on freehold land and land owned by other parties in order to provide access to standing timber. Construction expenditure is capitalised and then amortised. Roads on property not owned by the consolidated entity are amortised over the life of the relevant wood supply contract. Roads on freehold land are amortised on the basis of an assessment of effective useful life of the road. This may extend to multiple harvest rotations.

Road maintenance costs are expensed as they are incurred.

The depreciation rates used for each class of asset are as follows:-

	2008	2007
Buildings	2 - 22.5%	2.5 - 17%
Plant and equipment	2 - 50%	2 - 50%
Fixtures and fittings	10 - 33.33%	10 - 33.3%
Roads	Minimum 2.2%	Minimum 2.2 %

(l) Receivables

The collectibility of debtors and loans is assessed at balance date and specific provision is made for any doubtful accounts. Trade debtors and loans are stated at amortised cost less impairment losses.

(m) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Costs are assigned to timber and veneer inventories on the basis of first in first out or average cost methods whichever is the most appropriate for each class of inventory and include expenditure incurred in acquiring or processing the inventory to its existing condition and location. Cost includes an appropriate proportion of both variable and fixed costs, the latter being allocated on the basis of normal operating capacity.

The cost of woodchips on hand reflects an accumulation of both direct and indirect costs associated with their production, transportation and storage. Also where woodchips are a joint product of the timber production process, an estimate of the product cost of the sawmill residue is included as raw material cost. This amount is then deducted from the cost of sawn timber.

Inventories which require a period in excess of twelve months to be processed for sale are classified as non-current.

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the consolidated entity's contract activities based on normal operating capacity.

If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

(n) Investments in controlled entities

Investments in controlled entities are carried in the Company's financial statements at cost less accumulated impairment losses.

(o) Intangibles

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and jointly controlled entities.

Acquisitions on or after 1 January 2003

For acquisitions on or after 1 January 2003, goodwill represents the excess of the cost of the acquisition over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognised immediately in profit or loss.

Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Brand names

Brand names have been acquired with the purchase of a business and are only recognised where title is clear, brand earnings are separately identifiable and the brand could be sold separately from the rest of the business. The value inherent in the brand names is reliant on the ability to generate superior returns for the business. No annual amortisation is provided except where the end of the economic life of the acquired brand names can be foreseen and is limited by technical, commercial or legal factors. Brand names are carried at cost less accumulated impairment losses. The directors believe that brand names have indefinite lives and are not amortised as they have unlimited legal lives and on the basis of current information are unlikely to become commercially or technically obsolete.

Trademarks

Trademarks have limited useful lives and are amortised using the straight line method over their estimated useful lives and are amortised from the date of acquisition.

Other intangibles

Other intangible assets include patents, computer software and franchise fees.

Patents, computer software and franchise fees have limited useful lives and are amortised using the straight line method over their estimated useful lives and are amortised from the date of acquisition.

Water rights are treated as having an indefinite life as the rights are automatically renewed every ten years if their conditions have been met.

Purchase price allocation on Auspine acquisition

During the current financial year, a purchase price allocation exercise on the Auspine acquisition identified a trademark intangible. Key estimates and assumptions involved in identifying and valuing these assets included royalty rates and weighted average cost of capital.

Amortisation

The amortisation rate and method of each intangible asset is reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The amortisation rates used for each class of asset are as follows:-

	2008	2007
Trade marks, patents and franchise fees	5 - 10%	10%
Computer software	33 – 50%	33 – 50%

(p) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

The carrying amounts of the consolidated entity's non-financial assets, other than biological assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(q) Revaluations of non-current assets

Classes of non-current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from fair value at reporting date. Freehold land subject to a sub-lease to a MIS woodlot grower is valued at current market value reduced for the onerous contract represented by the present value of the excess of market rent over the rent payable to the landowner in accordance with the underlying lease. Revaluation increments, on an asset by asset basis, are recognised in the asset revaluation reserve. Revaluation decrements are only offset against revaluation increments relating to the same asset and any excess is recognised as an expense (refer note 1(aa)).

Available-for-sale financial assets

The consolidated entity's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(r) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days. Payables are stated at amortised cost.

(s) Interest bearing loans and borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(t) Employee benefits

Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

Long service leave

The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

Termination benefits

Termination benefits are recognised as an expense when the consolidated entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the consolidated entity has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Superannuation plan

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

(u) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(v) Biological assets

Biological assets are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market. The determination of fair value is further discussed in Note 12.

The consolidated entity has from time to time repurchased covenants from covenant holders. The value of the covenant is the value of the associated standing timber calculated as the fair value less estimated point-of-sale costs in accordance with AASB 141 Biological Assets, consistent with the consolidated entity's standing timber assets. Any change in value is recognised in profit or loss when incurred. When biological assets are harvested, the produce is transferred to inventory at fair value less point of sale costs.

(w) Liquidity

The financial statements as at 30 June 2008 include an excess of current liabilities over current assets of \$190m. The maturity profile of these current liabilities is detailed at Note 26. Current liabilities include a short term debt facility of \$225m utilised to fund the acquisition of Auspine Limited. This facility currently matures on 14 September 2008. The Company plans to repay this facility from the proceeds of an equity raising which commenced on 1 September 2008.

The capital raising is structured as a non-renounceable rights issue. All shareholders will receive a right to participate in the offer on a pro rata basis. The price of the offer will be determined through a bookbuild of bids from institutional investors. The institutional component of the offer (approximately \$300m) was launched on 1 September 2008 and closed on 3 September 2008. The offer to retail shareholders will then be made based on the agreed pricing for the institutional offer. Proceeds of the institutional offer will be settled on 11 September 2008. The settlement proceeds are underwritten on close of the bookbuild by the joint lead managers to the offer. The proceeds of the institutional offer will be used to repay the short term debt facility maturing on 14 September 2008.

The Company plans to reduce debt further in the first half of the 2009 financial year through the proposed divestment of a tranche of plantation forest. The gross proceeds of this divestment are expected to be approximately \$170m. The proceeds of the divestment will be used to repay corporate debt and provide financial flexibility.

(x) Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue. Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

(y) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(z) Share capital

FORESTS

FORESTS, being unsecured, non-cumulative, redeemable and convertible preference notes have been classified as equity instruments as the consolidated entity does not have an unconditional right to avoid the payment of cash or cash equivalents in terms of the principal and related outflows. Distributions are accounted for as a deduction from equity and are discretionary.

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(aa) Accounting estimates and judgments

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Management discussed with the Audit Committee the development, selection and disclosure of the consolidated entity's critical accounting policies, judgements and estimates and the application of these policies, judgements and estimates.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Note 1 (d) describes the approach to the recognition of revenue on construction contracts. Judgment is required in assessing the stage of completion of construction contracts and profit recognition.
- Note 12 contains information about the assumptions, such as estimated cash flows and discount rates, used in determining the value of biological assets.
- Note 1 (d) describes the accounting policy relating to services provided in respect of managed investment schemes. Judgment is required to determine when there is probable recovery of the amounts receivable such that revenue can be recognised and deferred income released.
- Note 1(o) describes the key estimates and assumptions involved in the determination of the purchase price allocation on the Auspine acquisition

- Note 1(p) describes the accounting policy for impairment. This policy requires judgement in assessing whether impairment events have occurred and in determining recoverable amounts based on future cash flows.
- Note 1(h) describes the accounting for derivatives. This policy requires judgement in the assessment of the values of cash flow hedges and derivatives at period end.
- Note 15 describes the ongoing approval and financing process for the Bell Bay pulp mill project. The Company's assessment is that the project is probable of proceeding based on the expectation of obtaining finance and regulatory approvals. If the project were not probable, this would involve the expensing of the \$89.8m included in capital work in progress at 30 June 2008 through the profit and loss.
- Note 1(j) describes accounting for taxation. Estimates and judgement are required in the determination that the consolidated entity will generate sufficient future assessable income to realise the benefits included in the deferred tax asset.
- Note 1(c) describes consolidation accounting. A controlled entity acts as the Responsible Entity for a number of Managed Investments Schemes (MIS). Judgement is required in determining that the consolidated entity does not bear the majority of the risks and benefits in the MIS. As such, the MIS do not form part of the consolidated entity.

Reclassifications and restatements

The following reclassifications and restatements of comparatives have occurred to improve the quality of information for users of the financial statements:

Managed Investment Scheme investor financing

There has been a change in the classification of interest earned from the financing of MIS investors in the income statement. Previously this revenue was disclosed as revenue from the rendering of services. From 30 June 2008, this item will be disclosed as interest revenue. The 2007 comparatives have been adjusted for this change. The effect of this change in 2007 was to reduce the comparative services revenue and increase the interest revenue by \$7,688,000. In addition, a reclassification at 30 June 2007 of \$12,824,000 from loans receivable to loans payable was undertaken to reflect balances which are netted on settlement.

Cash Flow Statement - Payments for woodlot lease and maintenance

There has been a change in classification of payments for woodlot lease and maintenance from investing cash flows to operating cash flows. These payments are the costs of land leases and plantation maintenance on woodlot grower plantations. The woodlot grower pays for this service out of harvest proceeds which will also be classified as operating. The effect of this change on 2007 comparative information has been to reclassify a cash outflow of \$24,863,000 from investing cash flows to operating cash flows.

Cash Flow Statement - securitised woodlot financing

There has been a change in classification of receipts from MIS grower receivable securitisation. This was previously classified as an operating cash flow and is now classified as financing. An operating cash inflow is now recognised in the period when the securitised receivable is repaid by the Grower. Correspondingly a financing cash outflow is also recognised to reflect the repayment of the loan from the financier. The effect of this change on the 2007 comparative information is to reclassify the cash receipts from loan securitisation of \$22,721,000 from operating to financing cash flows. An operating inflow of \$10,949,000 and a financing outflow of \$10,949,000 have also been recognised.

Valuation of land subject to Managed Investment Schemes

The valuation of land (refer note 15) subject to managed investment schemes has been corrected to reduce the market value of that land to reflect the onerous lease contract which is the present value of the excess of market rent over the rent payable to the landowner in accordance with the underlying lease. As the lease expires the discount applied at inception is reversed. The decrease in valuation for each area of land is recognised in asset revaluation reserve to the extent existing revaluations exist, otherwise profit and loss. Reversals of decrements are recognised in the profit and loss to the extent that previous decrements have been made in the profit and loss, otherwise through the asset revaluation reserve. This has been effected from 1 July 2006 resulting in the adjustment to the consolidated comparative figures as follows:-

Consolidated	Original 2007 accounts	Adjustment	Restated Comparative 2007 accounts
	\$'000	\$'000	\$'000
Income Statement			
Gain from reversal of prior impairment	-	2,726	2,726
Profit before tax	101,992	2,726	104,718
Income tax expense	27,476	818	28,294
Profit after tax	74,516	1,908	76,424
Balance Sheet			
Opening retained profits	189,234	(7,023)	182,211
Closing retained profits	201,385	(5,115)	196,270
Asset revaluation reserve	195,038	19,903	214,941
Total equity	877,731	14,788	892,519
Property, plant & equipment	869,909	21,126	891,035
Deferred tax liability	171,926	6,338	178,264
Net assets	877,731	14,788	892,519
Statement of Recognised Income and Expense			
Asset revaluation reserve – fair value adjustment	5,562	45,563	51,125

Company	Original 2007 accounts	Adjustment	Restated Comparative 2007 accounts
	\$'000	\$'000	\$'000
Income Statement			
Gain from reversal of prior impairment	-	2,726	2,726
Profit before tax	58,817	2,726	61,543
Income tax expense	(8,952)	818	(8,134)
Profit after tax	67,769	1,908	69,677
Balance Sheet			
Opening retained profits	55,763	(7,023)	48,740
Closing retained profits	61,167	(5,115)	56,052
Asset revaluation reserve	87,746	(23,684)	64,062
Total equity	606,953	(28,799)	578,154
Property, plant & equipment	469,708	(41,141)	428,567
Deferred tax liability	68,462	(12,342)	56,120
Net assets	606,953	(28,799)	578,154
Statement of Recognised Income and Expense			
Asset revaluation reserve – fair value adjustment	5,469	10,331	15,800

(ab) Loan securitisation

All securitised loans, other than the securitisation which was exempted on the implementation of the AIFRS accounting standards, remain on the balance sheet as a receivable (both current and non-current) and an interest bearing liability (both current and non-current) as the risks and rewards of ownership have not been transferred. Interest earned is included in financing revenue and interest expense is included in financing expense.

(ac) Government grants

Government grants that compensate the consolidated entity for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the consolidated entity for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

2 Change in accounting policy

The accounting policies applied by the consolidated entity in this consolidated financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2007.

3 Revenue and other income

Notes	Consolidated		The Company	
	2008	2007	2008	2007
	\$'000	Restated \$'000	\$'000	Restated \$'000

(a) Revenue

Sale of goods	700,552	493,668	440,858	375,634
Rendering of services	161,397	188,539	34,469	43,331
	<u>861,949</u>	<u>682,207</u>	<u>475,327</u>	<u>418,965</u>

(b) Financial income

Interest:

Related parties	-	-	8,877	4,019
Other parties	19,785	8,260	516	317

Dividend:

Related parties	-	-	70,000	80,000
Other parties	4	57	-	57

	<u>19,789</u>	<u>8,317</u>	<u>79,393</u>	<u>84,393</u>
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(c) Other income

Gain from change in fair value of biological assets	12	36,641	17,766	8,605	6,583
Reversal of impairment on land valuation		2,396	2,726	2,396	2,726
Fair value adjustment - investment		-	1,232	-	1,232
Other incomes					
Related parties		-	-	303	303
Other parties		7,082	3,404	1,393	3,284
Total other income		<u>46,119</u>	<u>25,128</u>	<u>12,697</u>	<u>14,128</u>

Notes	Consolidated		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

4 Profit before income tax expense

Profit before income tax expense has been arrived at after charging/ (crediting) the following items:

Cost of goods sold	655,850	480,534	384,570	313,123
Depreciation of:				
Buildings	2,492	1,598	1,978	1,071
Plant and equipment	16,921	11,194	7,351	7,282
Amortisation of:				
Forest roads	5,736	5,923	582	584
Intangible assets	1,558	1	7	1
Total depreciation and amortisation	<u>26,708</u>	<u>18,716</u>	<u>9,918</u>	<u>8,938</u>
Financial expenses:				
Bank loans and overdrafts, other loans and deposit scheme	78,272	41,635	78,682	50,696
Finance charges on capitalised leases	2,212	1,641	650	561
Total financial expenses	<u>80,484</u>	<u>43,276</u>	<u>79,332</u>	<u>51,257</u>
Net bad and doubtful debts expense including movements in provision for doubtful debts	<u>4,132</u>	<u>2,746</u>	<u>(407)</u>	<u>1,244</u>
Net expense from movements in provision for employee entitlements	<u>(806)</u>	<u>1,714</u>	<u>(794)</u>	<u>1,415</u>
Operating lease rental expense:				
Minimum lease payments	<u>3,364</u>	<u>1,208</u>	<u>585</u>	<u>881</u>
Research expensed as incurred	<u>530</u>	<u>703</u>	<u>49</u>	<u>138</u>
Net foreign exchange loss/(gain)	<u>4</u>	<u>1,134</u>	<u>66</u>	<u>1,023</u>
Loss from change in fair value of financial instruments	<u>16,294</u>	<u>2,592</u>	<u>16,294</u>	<u>2,592</u>
Other expenses				
Other expenses includes repairs and maintenance, power and insurance.				

5 Auditors' remuneration

Audit services:

Auditors of the Company – KPMG				
– audit and review of financial reports	715	384	447	297
– other regulatory audit services	31	14	-	13
	<u>746</u>	<u>398</u>	<u>447</u>	<u>310</u>

Other auditors:

– audit and review of financial reports	23	-	-	-
	<u>23</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>769</u>	<u>398</u>	<u>447</u>	<u>310</u>

Other services:

Auditors of the Company – KPMG				
– other services	145	274	142	193
– taxation services	172	60	106	58
– transaction services	1,263	-	1,263	-
	<u>1,580</u>	<u>334</u>	<u>1,511</u>	<u>251</u>

6 Taxation

Notes	Consolidated		The Company	
	2008	2007	2008	2007
	\$'000	Restated \$'000	\$'000	Restated \$'000

(a) Income tax expense

Recognised in the income statement

Current Tax Expense

- Current year	5,028	15,359	(31,009)	(20,998)
- Adjustment for prior years	(1,953)	(233)	481	274
	<u>3,075</u>	<u>15,126</u>	<u>(30,528)</u>	<u>(20,724)</u>

Deferred Tax Expense

Origination and reversal of temporary differences	<u>17,883</u>	<u>13,168</u>	<u>10,375</u>	<u>12,590</u>
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Total income tax expense in income statement	<u>20,958</u>	<u>28,294</u>	<u>(20,153)</u>	<u>(8,134)</u>
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Numerical reconciliation between tax expense and pre-tax net profit

Profit before tax	85,434	104,718	17,726	61,543
Prima facie income tax expense calculated at 30% (2007: 30%) on profit	25,630	31,415	5,319	18,463

Increase/(decrease) in income tax expense due to:

Impact of tax rate change in other jurisdictions	(30)	(33)	-	-
Net lease adjustment	(4,485)	(2,151)	(4,485)	(2,151)
Non-deductible expenses	687	97	151	117
Equity raising costs write-off	(269)	(537)	(269)	(537)
Non-assessable dividends received from wholly-owned subsidiaries	-	-	(21,000)	(24,000)
Research and development	(398)	(390)	(398)	(300)
Deferred tax liability transferred from subsidiaries	-	-	(9,707)	-
Recovery of deferred tax liability under tax funding agreement	-	-	9,707	-
Other	17	126	131	-

Income tax expense related to current tax transactions of the wholly owned subsidiaries in the tax-consolidated group	-	-	33,050	31,410
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Recovery of income tax expense under tax funding agreement	-	-	(33,050)	(31,410)
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Add/(less): Income tax under/(over) provided in prior year	(194)	(233)	398	274
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Income tax expense attributable to profit	<u>20,958</u>	<u>28,294</u>	<u>(20,153)</u>	<u>(8,134)</u>
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Current tax recognised directly in equity

Relating to share issue costs	-	(26)	-	(26)
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Deferred tax recognised directly in equity

Revaluation of property, plant and equipment	13,508	21,910	4,686	6,771
Foreign currency translation reserve	10	(17)	-	-
Relating to share issue costs	-	(101)	-	(101)
Relating to financial instruments cash flow hedge	(1,168)	-	(964)	-
	<u>12,349</u>	<u>21,792</u>	<u>3,721</u>	<u>6,670</u>

6 Taxation (continued)

Notes	Consolidated		The Company	
	2008	2007	2008	2007
	\$'000	Restated \$'000	\$'000	Restated \$'000

(b) Current tax assets and liabilities

The current tax asset for the consolidated entity of \$4,285,000 (Company: \$6,267,000) represents the amount of income taxes recoverable in respect of prior periods and that arise from the payment of tax in excess of the amounts due to the relevant tax authority.

The current tax asset for the consolidated entity last year of \$1,879,000 (Company: \$1,890,000) represents the amount of income taxes recoverable in respect of prior periods and that arise from the payment of tax in excess of the amounts due to the relevant tax authority.

In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax asset initially recognised by the members in the tax consolidated group.

(c) Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

Property, plant & equipment	113,369	91,882	45,959	25,808
Deferred woodlot expenditure	34,881	24,797	35,349	25,265
Biological assets	114,937	66,892	6,013	4,980
Consumable stores	1,766	1,723	106	82
Financial instruments - option premium and interest rate swaps	2,469	4,084	-	4,084
Leased assets	772	510	635	441
Other	752	441	1,802	151
	<u>268,947</u>	<u>190,329</u>	<u>89,864</u>	<u>60,811</u>
Transfer from deferred tax asset	17,534	12,065	9,466	4,691
	<u>251,413</u>	<u>178,264</u>	<u>80,398</u>	<u>56,120</u>

(d) Deferred tax assets

Deferred tax assets are attributable to the following:

Employee entitlements	6,399	4,214	2,901	3,139
Seasonally dependent agriculture application fees	5,618	4,860	-	-
Doubtful debts	2,845	1,813	1,010	1,363
Forest road and other expenditure capitalised for tax	120	359	-	-
Financial instruments - option premium and interest rate swaps	-	-	4,886	-
Other	3,860	1,955	669	189
	<u>18,842</u>	<u>13,201</u>	<u>9,466</u>	<u>4,691</u>
Transfer to deferred tax liabilities	17,534	12,065	9,466	4,691
	<u>1,308</u>	<u>1,136</u>	<u>-</u>	<u>-</u>

(e) Investments in tax consolidated subsidiaries

The Company currently has no intention to sell any of its tax consolidated subsidiaries and it is expected that they will remain in the tax consolidated group for the foreseeable future. As a result, no temporary differences arise in relation to investments in those subsidiaries as all transactions between a tax consolidated subsidiary and its parent are disregarded for tax purposes.

6 Taxation (continued)

(f) Movement in temporary differences during the year

	Consolidated						The Company					
	Balance 1/7/2006	Recognised in income	Acquired through business combination	Transfers to Subsidiaries	Recognised in equity	Balance 30/6/2007	Balance 1/7/2006	Recognised in income	Acquired through business combination	Transfers to Subsidiaries	Recognised in equity	Balance 30/6/2007
Deferred tax liabilities												
Property, plant & equipment	66,788	3,184	-	-	21,910	91,882	18,370	667	-	-	6,771	25,808
Deferred woodlot expenditure	17,338	7,459	-	-	-	24,797	17,806	7,459	-	-	-	25,265
Biological assets	66,974	(82)	-	-	-	66,892	5,736	(756)	-	-	-	4,980
Consumable stores	1,393	330	-	-	-	1,723	-	82	-	-	-	82
Financial instruments - option premium and interest rate swaps	-	4,084	-	-	-	4,084	-	4,084	-	-	-	4,084
Leased assets	(518)	1,028	-	-	-	510	550	(109)	-	-	-	441
Other	210	231	-	-	-	441	8	143	-	-	-	151
	<u>152,185</u>	<u>16,234</u>	<u>-</u>	<u>-</u>	<u>21,910</u>	<u>190,329</u>	<u>42,470</u>	<u>11,570</u>	<u>-</u>	<u>-</u>	<u>6,771</u>	<u>60,811</u>
Deferred tax assets												
Employee entitlements	4,241	(27)	-	-	-	4,214	2,715	424	-	-	-	3,139
Seasonally dependent agriculture application fees	5,022	(162)	-	-	-	4,860	-	-	-	-	-	-
Doubtful debts	1,200	613	-	-	-	1,813	1,073	290	-	-	-	1,363
Forest road and other expenditure capitalised for tax	1,179	(820)	-	-	-	359	-	-	-	-	-	-
Other	937	900	-	-	118	1,955	67	21	-	-	101	189
	<u>12,579</u>	<u>504</u>	<u>-</u>	<u>-</u>	<u>118</u>	<u>13,201</u>	<u>3,855</u>	<u>735</u>	<u>-</u>	<u>-</u>	<u>101</u>	<u>4,691</u>
	Balance 1/7/2007	Recognised in income	Acquired through business combination	Transfers to Subsidiaries	Recognised in equity	Balance 30/6/2008	Balance 1/7/2007	Recognised in income	Acquired through business combination	Transfers to Subsidiaries	Recognised in equity	Balance 30/6/2008
Deferred tax liabilities												
Property, plant & equipment	91,882	1,983	5,997	-	13,508	113,369	25,808	5,759	-	9,707	4,686	45,959
Deferred woodlot expenditure	24,797	10,084	-	-	-	34,881	25,265	10,084	-	-	-	35,349
Biological assets	66,892	2,558	45,487	-	-	114,937	4,980	1,033	-	-	-	6,013
Consumable stores	1,723	43	-	-	-	1,766	82	24	-	-	-	106
Financial instruments - option premium and interest rate swaps	4,084	(447)	-	-	(1,168)	2,469	-	-	-	-	-	-
Leased assets	510	257	5	-	-	772	441	194	-	-	-	635
Other	441	(283)	594	-	-	752	151	1,651	-	-	-	1,802
	<u>190,329</u>	<u>14,195</u>	<u>52,083</u>	<u>-</u>	<u>12,339</u>	<u>268,947</u>	<u>56,727</u>	<u>18,745</u>	<u>-</u>	<u>9,707</u>	<u>4,686</u>	<u>89,864</u>
Deferred tax assets												
Employee entitlements	4,214	(132)	2,317	-	-	6,399	3,139	(238)	-	-	-	2,901
Seasonally dependent agriculture application fees	4,860	758	-	-	-	5,618	-	-	-	-	-	-
Doubtful debts	1,813	1,006	26	-	-	2,845	1,363	(353)	-	-	-	1,010
Forest road and other expenditure capitalised for tax	359	(239)	-	-	-	120	-	-	-	-	-	-
Financial instruments - option premium and interest rate swaps	-	-	-	-	-	-	(4,084)	8,006	-	-	964	4,886
Other	1,955	(331)	2,246	-	(10)	3,860	189	480	-	-	-	669
	<u>13,201</u>	<u>1,062</u>	<u>4,589</u>	<u>-</u>	<u>(10)</u>	<u>18,842</u>	<u>607</u>	<u>7,895</u>	<u>-</u>	<u>-</u>	<u>964</u>	<u>9,466</u>

7 Earnings per share

Consolidated	
2008	2007

Weighted average number of ordinary shares used as the denominator

Number for basic earnings per share	399,216,745	352,215,187
Effect of FORESTS	36,849,378	43,799,617
Number for diluted earnings per share	<u>436,066,123</u>	<u>396,014,804</u>

Earnings reconciliation

	\$'000	\$'000
Profit for the period	64,475	76,424
Effect of FORESTS distributions	<u>(7,795)</u>	<u>(7,230)</u>
Basic earnings	<u>56,680</u>	<u>69,194</u>
Diluted earnings	<u>64,475</u>	<u>76,424</u>

Basic earnings per share	14.2c	19.6c
Diluted earnings per share	Non dilutive	19.3c

Refer Note 22 for further information on conversion of FORESTS.

8 Segment reporting

Primary Reporting

	Forest Products	Managed Investment Schemes	Other	Consolidated Total
	2008 \$'000	2008 \$'000	2008 \$'000	2008 \$'000
Business Segments				
Segment Revenue *	634,095	124,332	103,522	861,949
				<u>861,949</u>
Segment Results *	104,556	44,742	4,319	153,617
Unallocated costs				(7,488)
Net financing costs				(60,695)
Profit before income tax expense				<u>85,434</u>
Income tax expense				(20,958)
Net profit				<u>64,475</u>
Segment Assets	2,182,078	304,392	98,948	2,585,418
Unallocated assets				5,593
Consolidated total assets				<u>2,591,011</u>
Segment Liabilities	(1,086,234)	(194,356)	(27,281)	(1,307,871)
Unallocated liabilities				(289,821)
Consolidated total liabilities				<u>(1,597,691)</u>
Other Segment Information				
Capital expenditure	159,376	11,234	6,695	177,305
Depreciation and amortisation	25,318	10	1,380	26,708
Harvest of biological assets	(34,979)	-	(1,296)	(36,275)
Change in fair value of biological assets	35,856	-	785	36,641
Secondary Reporting				
Geographical Segments	<u>Australia & NZ</u>	<u>Asia</u>	<u>Other</u>	<u>Consolidated Total</u>
Segment revenue*	451,997	403,630	6,322	861,949
Segment assets	2,591,011	-	-	2,591,011
Capital expenditure	177,305	-	-	177,305

* Segment revenue represents external revenue from operating activities. It is reported net of intersegment sales as they are considered immaterial.

8 Segment reporting (continued)

Primary Reporting

	Forest Products	Managed Investment Schemes	Other	Consolidated Total
	2007 Restated \$'000	2007 Restated \$'000	2007 Restated \$'000	2007 Restated \$'000
Business Segments				
Segment Revenue *	431,938	144,762	105,507	682,207
				<u>682,207</u>
Segment Results *	64,443	69,611	6,025	140,079
Unallocated costs				(402)
Net financing cost				(34,959)
Profit before income tax expense				<u>104,718</u>
Income tax expense				(28,294)
Net profit				<u>76,424</u>
Segment Assets	1,434,282	283,416	76,808	1,794,506
Unallocated assets				19,712
Consolidated total assets				<u>1,814,218</u>
Segment Liabilities	(488,260)	(224,433)	(11,453)	(724,146)
Unallocated liabilities				(197,553)
Consolidated total liabilities				<u>(921,699)</u>
Other Segment Information				
Capital expenditure	85,400	24,648	8,613	118,661
Depreciation and amortisation	17,403	5	1,308	18,716
Harvest of biological assets	(29,794)	-	(985)	(30,779)
Change in fair value of biological assets	16,000	-	1,766	17,766
Secondary Reporting				
Geographical Segments	<u>Australia & NZ</u>	<u>Asia</u>	<u>Other</u>	<u>Consolidated Total</u>
Segment revenue*	338,497	332,763	10,947	682,207
Segment assets	1,814,218	-	-	1,814,218
Capital expenditure	118,661	-	-	118,661

* Segment revenue represents external revenue from operating activities. It is reported net of intersegment sales as they are considered immaterial.

8 Segment reporting (continued)

Segment Reporting

Segment assets and liabilities have been allocated according to the application of specific items to the relevant segment. Unallocated items comprise tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:

Forest products - Forestry management and the processing, manufacture and sale of forest products including timber, veneers, woodchips and other manufactured products.

Managed investment schemes - Establishment and financing of managed woodlots, vinelots and orchards and the provision of related forestry and horticultural services.

Other - Merchandising, construction services, vineyard management and wine production and sale.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. The consolidated entity's business segments operate geographically as follows:

Asia - sales of forest products and wine.

Australia and New Zealand - manufacture and sale of forest products, establishment of managed woodlots, vinelots and orchards and provision of related forestry and horticultural services, sale of building materials and hardware products, provision of construction services, vineyard management and wine production and sale.

Other - sales of forest products and wine.

Notes	Consolidated		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

9 Cash and cash equivalents

Cash at bank and on hand	9,522	17,913	1,309	7,257
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10 Trade and other receivables

Current

Trade debtors		88,767	49,863	53,799	47,984
Less: Accumulated impairment losses		(3,366)	(4,544)	(3,366)	(4,544)
Trade debtors		85,401	45,319	50,433	43,440
Loans receivable	10(i)	79,206	87,913	2,097	2,773
Less: Accumulated impairment losses		(688)	(111)	-	-
Loans receivable	10(i)	78,518	87,802	2,097	2,773
Other debtors		17,686	12,898	5,984	7,810
		<u>181,604</u>	<u>146,019</u>	<u>58,514</u>	<u>54,023</u>

Non-Current

Loans receivable	10(i)	211,847	181,312	-	-
Less: Accumulated impairment losses		(5,401)	(1,389)	-	-
Loans receivable	10(i)	206,446	179,923	-	-
Deferred loan consideration	10(ii)	6,590	6,590	-	-
Receivable for services in relation to MIS		116,270	82,655	117,831	84,217
		<u>329,306</u>	<u>269,168</u>	<u>117,831</u>	<u>84,217</u>

(i) Includes loans to managed investment scheme investors

(ii) Amounts due as deferred consideration under securitisation programmes.

11 Inventories

Current

Raw materials and stores - at cost		14,869	11,414	8,680	5,291
Work in progress					
- at cost		31,817	35,903	31,653	35,604
- at net realisable value		795	51	795	51
Finished goods					
- at cost		91,156	52,666	32,326	31,146
- at net realisable value		318	13	318	13
Construction work in progress (net)		207	242	207	242
Merchandising stock - at cost		10,733	8,998	10,733	8,998
		<u>149,895</u>	<u>109,287</u>	<u>84,711</u>	<u>81,345</u>

Non-current

Work in progress - at cost		16,056	11,675	16,056	11,675
Finished goods - at cost		1,095	355	1,082	355
		<u>17,151</u>	<u>12,030</u>	<u>17,138</u>	<u>12,030</u>
Total inventories		<u>167,046</u>	<u>121,317</u>	<u>101,849</u>	<u>93,375</u>

Construction work in progress comprises:

Contract costs incurred to date		207	293	207	293
Less: Progress billings		-	(51)	-	(51)
Net construction work in progress		<u>207</u>	<u>242</u>	<u>207</u>	<u>242</u>

12 Biological assets

Notes	Consolidated		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

(a) Standing timber - at fair value

Current	39,370	17,626	13,348	6,439
Non-current	453,796	223,004	32,966	24,548
	<u>493,166</u>	<u>240,630</u>	<u>46,314</u>	<u>30,987</u>
Timber volume ('000 cubic metres)	20,915	16,098	3,081	2,298
Timber volume harvested ('000 tonnes)	<u>1,865</u>	<u>1,296</u>	<u>598</u>	<u>491</u>

(b) Horticultural assets - at fair value

Current	-	-	-	-
Non-current	31,439	13,010	31,439	13,010
	<u>31,439</u>	<u>13,010</u>	<u>31,439</u>	<u>13,010</u>
Horticultural assets (hectares)	1,762	390	1,762	390
Fruit volume harvested (tonnes)	<u>1,255</u>	<u>666</u>	<u>1,255</u>	<u>666</u>

(c) Total

Current	39,370	17,626	13,348	6,439
Non-current	485,235	236,014	64,405	37,558
	<u>524,605</u>	<u>253,640</u>	<u>77,753</u>	<u>43,997</u>

(d) Reconciliation of movements in biological assets

	Consolidated			Company		
	Timber \$'000	Horti- culture \$'000	Total \$'000	Timber \$'000	Horti- culture \$'000	Total \$'000
Balance at 1 July 2006	244,935	8,532	253,467	31,363	8,532	39,895
Acquisitions	6,502	-	6,502	4,229	-	4,229
Expenses capitalised	2,987	3,697	6,684	619	3,697	4,316
Harvest	(29,794)	(985)	(30,779)	(10,041)	(985)	(11,026)
Change in fair value	16,000	1,766	17,766	4,817	1,766	6,583
Balance at 30 June 2007	240,630	13,010	253,640	30,987	13,010	43,997
Balance at 1 July 2007	240,630	13,010	253,640	30,987	13,010	43,997
Acquisitions	22,502	-	22,502	19,201	-	19,201
Transfers from work in progress	-	17,216	17,216	-	17,216	17,216
Acquisition of controlled entities	216,585	-	216,585	-	-	-
Expenses capitalised	12,572	1,724	14,296	809	1,724	2,533
Harvest	(34,979)	(1,296)	(36,275)	(12,503)	(1,296)	(13,799)
Change in fair value	35,856	785	36,641	7,820	785	8,605
Balance at 30 June 2008	493,166	31,439	524,605	46,314	31,439	77,753

12 Biological assets (continued)

(e) Method of determining fair value of standing timber

The directors consider there is no active and liquid market for large areas of native forest and plantation estates. However, as the consolidated entity intends to utilise this resource in its future production activities, the best indication of fair value of the standing timber expected to be harvested in the future is based on the following:

- Direct and indirect costs of establishment in the early years of the plantation.
- Net present value of future cash flows for plantation timber.
- Net present value of future cash flows for all native forest.

Accordingly fair value has been determined using the following significant assumptions:

- (i) Harvestable volumes have been determined as the estimated future volume as at expected harvest date for plantations and the estimated current standing volume for native forest. The methodology used to assess the volume of plantation standing timber is based on the following inputs and assumptions: the net planted area, estimated growth rates, estimated yield per hectare and expected year of harvest. The native forest estate has been assessed using generally accepted forest measurement techniques.
- (ii) The costs associated with the land owned by the consolidated entity on which native forests and plantations are grown are rates, land tax and other costs.
- (iii) The valuation assumes the continuation of existing practices with regard to silviculture and harvesting.
- (iv) Current market royalty rates have been used.
- (v) A real discount rate of 9% (2007: 10%) has been applied to the estimated future cash flows in arriving at net present value. This discount rate has been determined with reference to the consolidated entity's market determined discount rate for this asset type based on advice from an independent expert. The after tax increase to profit as a result of this was \$13,260,000.

The financial risks associated with standing timber are mitigated by the geographical diversification of the asset and management strategies including fire management strategies and regular inspection for pest infestation.

(f) Method of determining fair value of horticultural plants and fruit

The valuation methodology for grape vines and olive trees and their fruit is similar to that used for standing timber, with the distinction that these plants are a bearer biological asset. A bearer biological asset is one where the non-living produce (fruit) is extracted and the biological asset (grape vines and olive trees) remains.

The fair value of grape vines and olive trees has been determined as the difference between the net present value of the cash flows expected to be generated by the produce harvested from the assets and the net market value of the other integral fixed assets associated with the vineyards and groves. In determining the fair value, directors have had regard to certain assumptions including the market price, yield and quality of the fruit.

The fair value of fruit has been determined by the directors having regard to the market value for fruit sold to non-related parties in arms-length transactions.

The financial risks associated with horticultural plants and fruit are mitigated by the geographical diversification of the asset, in-house provision of maintenance services and regular inspection for disease.

A real discount rate of 10% has been applied to the estimated future cash flows in arriving at net present value. This discount rate has been determined with reference to the consolidated entity's market determined discount rate for this asset type. The rate has not changed from that used last year.

Walnut orchards have been recognised for the first time in the current year. This asset is at cost which approximates fair value.

Notes	Consolidated		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

13 Other current assets

Prepayments		2,325	786	1,699	433
Derivative at fair value	26	-	16,697	-	16,697
		<u>2,325</u>	<u>17,483</u>	<u>1,699</u>	<u>17,130</u>

14 Investments

a	<i>Investments in equity accounted investees</i>	31	<u>8,756</u>	<u>5,131</u>	<u>8,319</u>	<u>5,131</u>
b	<i>Non-current investments</i>					
	Investments in controlled entities - unlisted shares at cost		-	-	327,160	327,160
	Auspine Limited - listed shares at fair value		-	85,648	-	85,648
	Investments in covenants at fair value		11,495	-	-	-
	Listed equities available for sale		36	-	-	-
	Other investments - unlisted shares at cost		50	-	50	-
			<u>11,581</u>	<u>85,648</u>	<u>327,210</u>	<u>412,808</u>

Auspine Limited

On 15 May 2007 Gunns Limited acquired a 25.1% interest in the equity of Auspine Limited. The interest was acquired through a tender process. The shares were purchased at a cost of \$6.15 per share or 1.83 Gunns Limited shares per Auspine share. The total cost of the acquisition was \$83.3 m. Consideration was paid in the form of cash (\$47.2m excluding acquisition costs) and the issue of 10,742,997 Gunns Limited shares. The cash consideration was subsequently funded by the placement of 15,000,000 Gunns Limited shares at a price of \$3.36 per share. Prior to the tender acquisition Gunns Limited held a 0.7% interest in Auspine Limited.

As at 30 June 2007 Gunns Limited held a 25.8% interest in Auspine Limited.

Subsequent to the tender acquisition, Gunns Limited made an initial off market offer to acquire all of the shares in Auspine Limited. This offer was on identical terms to the tender offer, that is \$6.15 cash or 1.83 Gunns Limited shares per Auspine share. This offer closed on 31 August 2008 with Gunns acquiring a 60.82% interest in Auspine Limited.

A second off market offer was made with \$7.00 cash offered for each Auspine Limited share. This second offer resulted in more than 90% of shareholders accepting and Gunns proceeded to compulsory acquisition. Compulsory acquisition resulted in 100% ownership on 21 February 2008.

Total consideration for the shares acquired has been in the form of cash (\$268.9m) and issue of Gunns Limited shares (23.7m shares).

15 Property, plant and equipment

Notes	Consolidated		The Company	
	2008	2007	2008	2007
	\$'000	Restated \$'000	\$'000	Restated \$'000

Freehold land

At fair value	876,318	597,480	282,749	257,839
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Buildings

At cost	100,339	55,482	58,649	44,796
Accumulated depreciation	(20,833)	(7,080)	(6,170)	(4,543)
	79,506	48,402	52,479	40,253

Plant and equipment

At cost	338,699	189,790	111,805	105,551
Accumulated depreciation	(171,282)	(69,860)	(61,345)	(54,833)
	167,417	119,930	50,460	50,718

Forest roads

At cost	106,382	99,262	18,373	18,373
Accumulated amortisation	(38,722)	(40,464)	(5,623)	(5,041)
	67,660	58,798	12,750	13,332

Capital works in progress

At cost	103,231	66,425	100,025	66,425
Total property, plant and equipment at net book value	1,294,132	891,035	498,463	428,567

Valuation of freehold land

Freehold land is measured on a fair value basis, being the amount for which the assets could be exchanged between knowledgeable and willing parties in an arm's-length transaction, having regard to the highest and best use of the asset for which other parties would be willing to pay. The current year's valuation for Tasmanian operating sites was an independent valuation (based on prevailing market prices) at 30 June 2008. The current year valuation of Tasmanian forestry land was a directors' valuation based on data from an independent valuer. The approach to valuation of forestry land has changed in the current year - refer note 1 (aa). The current year's valuation for other sites was determined by the directors and is consistent with assessments at 30 June 2007 with subsequent additions valued at cost.

Significant assumptions in valuation of Tasmanian forestry land subject to MIS grower sub-leases

Discount rate	9%	9%	9%	9%
Market rent (as a % of land value)	6%	6%	6%	6%

Land carrying amount if valued at cost	451,338	304,053	172,649	160,352
Land revaluation surplus	424,980	293,427	110,100	97,487
	876,318	597,480	282,749	257,839

The consolidated entity leases plant and equipment under a number of finance lease agreements. At the end of each lease, the consolidated entity has the option to purchase the equipment. At 30 June 2008, the carrying amount of leased plant and equipment was \$36,022,000 (2007: \$31,788,000).

Capital works in progress

Capital works in progress includes \$89.8m (2007: \$39.4m) relating to the proposed Bell Bay pulp mill. The project is the construction of a bleached kraft pulp mill in Tasmania. The costs capitalised are those costs incurred after establishing the commercial viability of the project and which are directly attributable to the development of the project. They include preliminary environmental monitoring and engineering work, costs associated with the planning approval process for the mill and equipment purchases.

The directors have considered the probability of the project proceeding by assessing the commercial viability of the project and the requirements of the regulatory processes. The directors are of the opinion that the proposed pulp mill will be financed and that it is probable that the project will proceed to completion, refer note 1(aa).

Notes	Consolidated		The Company	
	2008	2007	2008	2007
	\$'000	Restated \$'000	\$'000	Restated \$'000

15 Property, plant and equipment (continued)

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Freehold land

Carrying amount at beginning of year	597,480	504,591	257,839	216,493
Additions	18,603	18,113	7,575	16,789
Acquired through business combination	213,564	-	-	-
Revaluation to fair value	47,708	76,264	18,202	25,798
Impact of movements in foreign exchange	(65)	48	-	-
Disposals	(972)	(1,536)	(867)	(1,241)
Carrying amount at end of year	<u>876,318</u>	<u>597,480</u>	<u>282,749</u>	<u>257,839</u>

Buildings

Carrying amount at beginning of year	48,402	39,436	40,253	30,906
Additions	20,275	12,024	15,139	12,024
Acquired through business combination	14,445	-	-	-
Disposals	(935)	(1,606)	(935)	(1,606)
Depreciation	(2,492)	(1,598)	(1,978)	(1,071)
Impact of movements in foreign exchange	(189)	146	-	-
Carrying amount at end of year	<u>79,506</u>	<u>48,402</u>	<u>52,479</u>	<u>40,253</u>

Plant and Equipment

Carrying amount at beginning of year	119,930	122,059	50,718	51,570
Additions	7,437	6,734	6,645	4,305
Transfer from capital works in progress	12,990	2,861	737	2,838
Acquired through business combination	44,708	-	-	-
Disposals	(394)	(808)	(289)	(713)
Impact of movements in foreign exchange	(333)	278	-	-
Depreciation	(16,921)	(11,194)	(7,351)	(7,282)
Carrying amount at end of year	<u>167,417</u>	<u>119,930</u>	<u>50,460</u>	<u>50,718</u>

Forest roads

Carrying amount at beginning of year	58,798	56,054	13,332	13,916
Additions	7,965	8,667	-	-
Acquired through business combination	6,633	-	-	-
Amortisation	(5,736)	(5,923)	(582)	(584)
Carrying amount at end of year	<u>67,660</u>	<u>58,798</u>	<u>12,750</u>	<u>13,332</u>

Capital works in progress

Carrying amount at beginning of year	66,425	29,958	66,425	29,935
Additions	69,371	39,328	61,436	39,328
Acquired through business combination	7,524	-	-	-
Disposals	(9,883)	-	(9,883)	-
Transfers to biological assets	(17,216)	-	(17,216)	-
Transfers to property, plant and equipment	(12,990)	(2,861)	(737)	(2,838)
Carrying amount at end of year	<u>103,231</u>	<u>66,425</u>	<u>100,025</u>	<u>66,425</u>

16 Intangibles

Notes	Consolidated		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Goodwill at cost	31,818	-	-	-
Impairment charge	(2,557)	-	-	-
	<u>29,261</u>	<u>-</u>	<u>-</u>	<u>-</u>
Brand Names at cost	3,246	3,246	3,246	3,246
Trademarks at cost	23,569	-	-	-
Accumulated amortisation	(1,850)	-	-	-
	<u>21,719</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other - at cost	4,520	607	627	607
Accumulated amortisation	(2,206)	(4)	(11)	(4)
	<u>2,314</u>	<u>603</u>	<u>616</u>	<u>603</u>
Total intangibles	<u>56,540</u>	<u>3,849</u>	<u>3,862</u>	<u>3,849</u>

Notes	Consolidated		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Goodwill				
Carrying amount at beginning of year	-	-	-	-
Additions	29,261	-	-	-
Acquired through business combination	-	-	-	-
Amortisation	-	-	-	-
Carrying amount at end of year	<u>29,261</u>	<u>-</u>	<u>-</u>	<u>-</u>
Brand Names				
Carrying amount at beginning of year	3,246	2,700	3,246	2,700
Additions	-	546	-	546
Acquired through business combination	-	-	-	-
Amortisation	-	-	-	-
Carrying amount at end of year	<u>3,246</u>	<u>3,246</u>	<u>3,246</u>	<u>3,246</u>
Trademarks				
Carrying amount at beginning of year	-	-	-	-
Additions	21,783	-	-	-
Acquired through business combination	1,033	-	-	-
Amortisation	(1,097)	-	-	-
Carrying amount at end of year	<u>21,719</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other				
Carrying amount at beginning of year	603	322	603	322
Additions	210	283	20	283
Acquired through business combination	1,962	-	-	-
Amortisation	(461)	(2)	(7)	(2)
Carrying amount at end of year	<u>2,314</u>	<u>603</u>	<u>616</u>	<u>603</u>

For the purpose of impairment testing, goodwill is allocated to the consolidated entity's operating divisions which represent the lowest level within the consolidated entity at which the goodwill is monitored for internal management purposes. The aggregate goodwill attributable to Auspine is \$29,261. The impairment test for Auspine was based on fair value. A price to earnings (PE) multiple was applied to net profit after tax for the CGU (excluding SGARA). The PE multiple was based on comparable companies. Land and trees (at valuation), less debt, were included to arrive at a value for the CGU. This demonstrated an excess of value over the carrying amount of the investment. Management considers that it is not reasonably possible for the assumed price to earnings ratio to change so significantly as to eliminate this excess.

Consolidated		The Company	
2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000

17 Other non-current assets

Loans to controlled entities	35	-	-	449,421	91,242
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18 Payables

Current

Trade creditors	93,221	61,218	68,130	60,206
Derivative at fair value	10,497	19,289	10,497	19,289
Cash flow hedge at fair value	3,754	-	3,754	-
Other creditors and accruals	81,456	52,151	38,822	12,251
	<u>188,928</u>	<u>132,658</u>	<u>121,204</u>	<u>91,746</u>

Non-current

Covenant holder liability in relation to standing timber and land interests	56,481	-	-	-
	<u>56,481</u>	<u>-</u>	<u>-</u>	<u>-</u>

Total payables	<u>245,409</u>	<u>132,658</u>	<u>121,204</u>	<u>91,746</u>
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A controlled entity historically issued Covenants entitling the holders to a contractual interest in a revenue stream based on yields from specific forestry developments. Some Covenant holders also invested in the movement of land values (for land owned by the consolidated entity and used for forest development under the Covenant schemes) whereby an amount equivalent to the market value of the land is payable upon clearfell of the forest. The net present value of the amounts payable is included as a liability for Covenant holder standing timber and land interest.

No payments are due before 30 June 2009.

19 Interest bearing loans and borrowings and financing arrangements

Notes	Consolidated		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current				
Bank overdrafts - secured	51,350	4,531	51,350	4,531
Bank loans - secured	225,000	-	225,000	-
Lease liabilities - secured	5,035	4,734	3,174	3,626
Trade facilities - secured	41,600	-	41,600	-
Other loans - secured	15,634	13,606	15,634	13,606
MIS securitisation loans - secured	6,749	5,358	-	-
Other deposits and borrowings - unsecured	7,774	8,507	7,774	8,507
	<u>353,142</u>	<u>36,736</u>	<u>344,532</u>	<u>30,270</u>
Non-current				
Bank loans - secured	558,868	396,877	396,803	396,877
Lease liabilities - secured	28,297	25,355	6,171	5,723
Other loans - secured	58,497	74,131	58,497	74,131
MIS securitisation loans - secured	59,650	46,184	-	-
	<u>705,312</u>	<u>542,547</u>	<u>461,471</u>	<u>476,731</u>
	<u>1,058,454</u>	<u>579,283</u>	<u>806,003</u>	<u>507,001</u>

Transaction costs associated with borrowings of \$3,197,000 (2007 \$3,123,000) have been offset against bank loans payable.

Financing arrangements

The consolidated entity has access to the following secured lines of credit:

Total facilities available:

Bank overdrafts and trade facilities	19(i) & (iii)	97,496	42,864	97,496	42,864
Bank loans	19(ii) & (iii)	793,593	400,000	625,000	400,000
Lease liabilities and other loans	19(iii) & (iv)	111,874	134,687	87,290	110,687
		<u>1,002,963</u>	<u>577,551</u>	<u>809,786</u>	<u>553,551</u>

Facilities utilised at balance date:

Bank overdrafts and trade facilities	92,950	4,531	92,950	4,531
Bank loans	787,065	400,000	625,000	400,000
Lease liabilities and other loans	107,463	117,824	83,476	97,084
	<u>987,478</u>	<u>522,355</u>	<u>801,426</u>	<u>501,615</u>

Facilities not utilised at balance date:

Bank overdrafts and trade facilities	4,546	38,333	4,546	38,333
Bank loans	6,528	-	-	-
Lease liabilities and other loans	4,411	16,863	3,814	13,603
	<u>15,485</u>	<u>55,196</u>	<u>8,360</u>	<u>51,936</u>

- (i) Working capital is provided under a revolving facility subject to annual review. Interest on bank overdrafts is charged at prevailing market rates.
- (ii) The \$400m bank debt facility has scheduled repayments of \$40m in 2011 and 2012, with the balance repayable in January 2012. Bank and other loans bear interest at the lenders' prime rates. Interest is payable on a quarterly cycle. The \$225m bank debt facility currently has a maturity of 14 September 2008. The \$162m bank debt facilities have maturities ranging from 2009 to 2014. Interest is repayable on a monthly and quarterly basis. Normal commercial credit margins are applied in addition to the underlying interest rates.
- (iii) The total finance facilities of the consolidated entity are secured by fixed and floating charges over assets of entities in the consolidated group with the exclusion of property held by Gunns Limited as custodian of Woodlot Projects, property held by Gunns Plantations Limited in its capacity as Responsible Entity of Woodlot Projects and property held by any entity in the group as agent for growers (other than other members of the group) participating in Woodlot Projects.
- (iv) Asset finance is provided under a revolving facility with terms of up to ten years. Interest is charged at the prevailing market rates on inception of the asset financing. Asset finance includes a financing transaction entered into in the prior year secured over certain forest products plant and equipment with monthly repayment until 2011. The balance of this finance at 30 June 2008 was \$74,131,000 (2007: \$87,735,000).

Notes	Consolidated		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

20 Provisions

Current

Employee benefits	33	14,944	12,145	6,966	8,130
Insurance		722	530	-	-
Other		37	-	-	-
		<u>15,703</u>	<u>12,675</u>	<u>6,966</u>	<u>8,130</u>

Non-current

Employee benefits	33	6,376	2,618	2,705	2,335
Insurance		1,112	-	-	-
		<u>7,488</u>	<u>2,618</u>	<u>2,705</u>	<u>2,335</u>
		<u>23,191</u>	<u>15,293</u>	<u>9,671</u>	<u>10,465</u>

Insurance

This provision represents the amounts set aside to cover potential claims against both general and workers compensation insurance risks held by the consolidated entity as an insurer/self-insurer.

21 Other current liabilities

Deferred woodlot establishment revenue		16,315	16,201	-	-
Other		2,910	-	-	-
		<u>19,225</u>	<u>16,201</u>	<u>-</u>	<u>-</u>

22 Issued capital

Issued and paid-up share capital

406,561,405 (2007: 382,969,165) ordinary shares, fully paid		416,976	342,515	416,976	342,515
1,200,000 (2007: 1,200,000) FORESTS, fully paid		115,525	115,525	115,525	115,525
		<u>532,501</u>	<u>458,040</u>	<u>532,501</u>	<u>458,040</u>

Share movement

Balance at the beginning of year		458,040	327,907	458,040	327,907
Shares issued					
- 10,664,046 ordinary shares (2007:18,113,980) from Dividend Reinvestment Plan		31,198	43,629	31,198	43,629
- 12,928,194 ordinary shares (2007: 10,742,997) as consideration for share purchase		43,263	36,104	43,263	36,104
- nil ordinary shares (2007: 15,000,000) from share placement		-	50,400	-	50,400
Balance at the end of year		<u>532,501</u>	<u>458,040</u>	<u>532,501</u>	<u>458,040</u>

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any remaining proceeds of liquidation.

As part of the Auspine Limited takeover, 12,928,194 (2007: 10,742,997) shares were issued to shareholders of Auspine Limited as consideration for the purchase of their shares. These shares were issued at a ratio of 1.83 Gunns shares for each Auspine share.

On 14 October 2005, 1,200,000 FORESTS were issued by the Company raising \$120m prior to costs. FORESTS are subordinated notes which pay a quarterly distribution at a margin of 2.5% to the 90 day bank bill swap rate. FORESTS are treated as equity for accounting and taxation purposes. FORESTS may be redeemed or converted to ordinary shares of the Company on the occurrence of a Tax Event, Accounting Event, Change of Law Event or Takeover Event (as defined in the Trust Deed).

Note 33 provides details of shares issued on exercise of options.

23 Reserves

Notes	Consolidated		The Company	
	2008	2007	2008	2007
	\$'000	Restated \$'000	\$'000	Restated \$'000
Asset revaluation	246,552	214,941	74,995	64,062
Maintenance	23,300	23,300	-	-
Foreign currency translation	(1,369)	(32)	-	-
Fair value	(47)	-	-	-
Hedge revaluation	(2,386)	-	(2,590)	-
	<u>266,050</u>	<u>238,209</u>	<u>72,405</u>	<u>64,062</u>
Movements during the year				
(a) Asset revaluation				
Balance at beginning of year	214,941	163,816	64,062	48,262
Revaluation increment on freehold land	31,611	51,125	10,933	15,800
Balance at end of year	<u>246,552</u>	<u>214,941</u>	<u>74,995</u>	<u>64,062</u>
(b) Maintenance				
Balance at beginning of year	23,300	23,300	-	-
Transfer from retained profits	-	-	-	-
Balance at end of year	<u>23,300</u>	<u>23,300</u>	<u>-</u>	<u>-</u>
(c) Foreign currency translation				
Balance at beginning of year	(32)	(855)	-	-
Net translation adjustment	(1,337)	823	-	-
Balance at end of year	<u>(1,369)</u>	<u>(32)</u>	<u>-</u>	<u>-</u>
(d) Fair value				
Balance at beginning of year	-	-	-	-
Total recognised income and expense	(47)	-	-	-
Balance at end of year	<u>(47)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(e) Hedge revaluation				
Balance at beginning of year	-	-	-	-
Revaluation adjustment	(2,386)	-	(2,590)	-
Balance at end of year	<u>(2,386)</u>	<u>-</u>	<u>(2,590)</u>	<u>-</u>

Nature and purpose of reserves

Asset revaluation

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of freehold land in accordance with AASB 116 Property, Plant & Equipment.

Maintenance

The maintenance reserve is a specific reserve retained by Gunns Plantations Limited for the provision of future maintenance services under Gunns Plantations Limited's woodlot projects.

Foreign currency translation

The foreign currency translation reserve records the foreign currency differences arising from the translation of the financial statements of foreign operations.

Fair value

The fair value reserve includes the cumulative change in the fair value of available-for-sale investments until the investment is derecognised.

Hedge revaluation

The hedge revaluation reserve records the movement in fair value of effective cash flow hedges.

24 Retained profits

Retained profits at beginning of year
 Opening retained profits adjustment
 Net profit attributable to members of the parent entity
 Dividends recognised during the year
 Retained profits at the end of the year

Notes	Consolidated		The Company	
	2008	2007	2008	2007
	\$'000	Restated \$'000	\$'000	Restated \$'000
	196,270	182,211	56,052	48,740
	(36)	-	-	-
	62,149	76,424	37,879	69,677
25	(63,615)	(62,365)	(63,615)	(62,365)
	<u>194,768</u>	<u>196,270</u>	<u>30,316</u>	<u>56,052</u>

25 Dividends

Dividends recognised in the current year by the Company are:

	Cents per share	Total amount \$'000	Date of payment	Franked / Unfranked
2008				
<i>Ordinary shares</i>				
Interim 2008	6.0c	24,148	21 Apr 08	Franked
Final 2007	8.0c	31,672	5 Oct 07	Franked
Total	14.0c	55,820		
<i>FORESTS distributions</i>				
July quarter	157.59c	1,891	16 Jul 07	Franked
October quarter	157.62c	1,891	15 Oct 07	Franked
January quarter	166.20c	1,994	14 Jan 08	Franked
April quarter	168.27c	2,019	14 Apr 08	Franked
Total	649.68c	7,795		
2007				
<i>Ordinary shares</i>				
Interim 2007	6.0c	21,224	5 Apr 07	Franked
Final 2006	10.0c	33,911	6 Oct 06	Franked
Total	16.0c	55,135		
<i>FORESTS distributions</i>				
July quarter	142.58c	1,711	14 Jul 06	Franked
October quarter	150.85c	1,810	13 Oct 06	Franked
January quarter	154.62c	1,855	15 Jan 07	Franked
April quarter	154.48c	1,854	16 Apr 07	Franked
Total	602.53c	7,230		

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

Subsequent events

Since the end of the financial year, the directors have declared the following dividends:

Final - ordinary	4.0c	16,262	3 Oct 08	Franked
July quarter - FORESTS	180.37c	2,164	14-Jul-08	Franked

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2008 and will be recognised in subsequent financial reports. The declaration and subsequent payment of these dividends have no income tax consequences.

Dividends were paid out of current GAAP profits (post AIFRS changes).

Dividend franking account

As a result of Gunns Limited and certain wholly-owned subsidiaries adopting the Taxation Consolidation legislation with effect from 1 July 2003, a single franking account is created for the tax consolidated group. The amount of franking credits available to shareholders of the parent entity (being the head entity in the tax-consolidated group) at 30 June 2008 has been measured under the new legislation as those available from the tax consolidated group. As a result, the franking credits available to Gunns Limited as at 30 June 2008, adjusted for franking credits that will arise from the receipt of the amount of the receivable for income tax at year end is \$39,954,636 (2007: \$54,067,000).

It is expected that sufficient franking credits will be available for the payment of the dividends declared above as well as the payment of a fully franked dividend in respect of the next financial year.

26 Financial risk management

The Company and consolidated entity have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's and consolidated entity's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's and consolidated entity's risk management framework. The Board functions as a Business Risks Group to identify areas of significant business risk, and monitors and manages that risk. Major business risks arise from such matters as action by competitors, changes in market dynamics, government policy changes, resource supply and the management of information systems.

The Company's and consolidated entity's risk profile and risk management strategies are reviewed by the Board on a regular basis. Where significant changes in the risk profile or management strategies are identified an action plan is instigated and corrective action taken as soon as practicable.

Prior to the adoption of financial reports the Managing Director and Company Secretary are required to state to the Board in writing that the reports are based on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

(a) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's and consolidated entity's receivables from customers and borrowers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at reporting date for the consolidated entity and the Company is represented by the carrying amount of each financial asset in the Balance Sheets. Credit risk arising from significant balances to the consolidated entity and Company are discussed below.

Trade and loan receivables

The consolidated entity and Company minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various countries and by performing extensive due diligence procedures on major new customers, including creditworthiness checks. There have been no material bad debts written off in 2008 or 2007.

The consolidated entity's loans receivable related to investors in MIS projects comprises 74% (2007: 66%) of the total receivables balance. These full recourse loans are secured by mortgage over the grower's interest in the MIS.

Other than the concentration of credit risk described above, the consolidated entity is not materially exposed to any geographic area, industry or individual customer except for the Japanese pulp and paper industry which represents 19.5% (2007: 19%) of trade debtors at 30 June 2008.

A letter of credit is in place that covers \$4m receivable at 30 June 2008, being the entire balance due from one customer (2007: None).

There have been no renegotiation of significant trade or loan receivables at 30 June 2008 (2007: None).

Impairment losses

The aging of trade receivables at reporting date was:

	Consolidated				Company			
	2008		2007		2008		2007	
	Gross	Impairment	Gross	Impairment	Gross	Impairment	Gross	Impairment
Not past due	49,032	-	30,308	-	28,320	-	28,631	-
Past due 0-30 days	19,877	-	7,529	-	10,320	-	7,334	-
Past due 31-60 days	4,395	-	2,964	-	2,975	-	2,961	-
Past due 61-90 days	5,954	-	1,491	-	2,785	-	1,491	-
Past due +91 days	9,509	(3,366)	7,571	(4,544)	9,399	(3,366)	7,567	(4,544)
Total	88,767	(3,366)	49,863	(4,544)	53,799	(3,366)	47,984	(4,544)

The aging of loan receivables at the reporting date was:

	Consolidated				Company			
	2008		2007		2008		2007	
	Gross	Impairment	Gross	Impairment	Gross	Impairment	Gross	Impairment
Not past due	273,037	-	260,068	-	2,097	-	2,773	-
Past due 0-30 days	1,646	-	903	-	-	-	-	-
Past due 31-60 days	715	-	146	-	-	-	-	-
Past due 61-90 days	708	-	129	-	-	-	-	-
Past due +91 days	14,947	(6,089)	7,979	(1,500)	-	-	-	-
Total	291,053	(6,089)	269,225	(1,500)	2,097	-	2,773	-

The movement in the allowance for impairment in respect of trade & loan receivables during the year was as follows:

	Consolidated		Company	
	2008	2007	2008	2007
Balance at 1 July	6,044	3,576	4,544	3,576
Impairment loss recognised	3,411	2,468	(1,178)	968
Balance at 30 June	9,455	6,044	3,366	4,544

The impairment loss recognised at 30 June 2008 for trade receivables fully provides \$3.2m for a customer in +91 days where payment is considered unlikely. An additional \$0.2m has been provided for trade receivables that are past due +91 days where collection is considered unlikely. The remainder of trade debtors are considered recoverable.

The loan receivables for the consolidated entity at 30 June 2008 show a significant balance past due +91 days. These loans receivables relate to loans advanced to MIS growers, and are subject to security over the growers interest in the relevant project. An independent valuation of the defaulting growers' interest in the MIS was undertaken at 30 June 2008, and from this the provision for impairment of \$6,089,000 was raised. Given the nature of the security held, the value of such security increases as the various projects mature, and the shortfall between the valuation and carrying amount is expected to reverse.

Receivable for services in relation to MIS

	Consolidated		Company	
	2008	2007	2008	2007
Receivable for services in relation to MIS	116,270	82,655	117,831	84,217

The accounting policy for this receivable is outlined in Note 1 (d). An impairment model is maintained which analyses the deferred woodlot establishment receivable to determine whether there is an impairment based on the expected value of future net cash flows as compared to the carrying amount of the receivable. No impairment was identified for the receivable at 30 June 2008 (2007:nil).

Derivatives

The consolidated entity limits its exposure to credit risk by only using instruments from rated bank counterparties.

(b) Liquidity risk

Liquidity risk is the risk that the Company or consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Cash flow requirements are closely monitored to ensure sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, access to lines of credit are maintained as detailed in Note 19.

The consolidated entity's management of liquidity risk and funding and refinancing risks in particular during the period has been adversely affected by volatility in capital markets and delays in negotiating facilities to fund major capital expenditures, financial commitments and refinance maturing bridging loans. Refer notes 1 (w), 15, 19 and 26.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements (in AUD '000):

30 June 2008 - Consolidated

Year of maturity	Carrying amount **	Contractual cash flows	0 - 1 year	1-2 years	2-5 years	More than 5 years	
Non-derivative financial liabilities							
Securitized MIS loans	2025	66,398	102,764	11,618	11,182	38,958	41,006
Bank overdraft	2008	51,350	51,350	51,350	-	-	-
Other deposits	2008	7,774	7,774	7,774	-	-	-
Asset finance	2016	107,463	140,188	32,480	34,814	60,241	12,653
Trade finance	2008	41,600	41,807	41,807	-	-	-
Bridging finance	2008	225,000	226,904	226,904	-	-	-
Trade and other payables (current)*	2008	174,677	174,677	-	-	-	-
Trade and other payables (non-current)*	2013	56,481	56,481	-	10,000	46,481	-
Secured bank loans	2013	562,065	743,468	53,578	208,240	481,651	-
		1,292,809	1,545,413	600,187	264,236	627,331	53,659

* = Excludes derivatives (shown separately)

** = Excludes capitalised transaction costs

Currency	Carrying amount	Contractual cash flows	0 - 1 year	1-2 years	2-5 years	More than 5 years	
Derivative financial instruments							
Interest rate swaps	USD	(5,166)	(21,898)	(2,366)	(2,366)	(7,105)	(10,061)
Interest rate swaps	AUD	1,076	(45,500)	(41,500)	(4,000)	-	-
Forward exchange contracts:							
Outflow	AUD	(9,086)	(187,224)	(141,707)	(45,517)	-	-
Inflow	EUR						

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur:

Currency	Carrying amount	Contractual cash flows	0 - 1 year	1-2 years	2-5 years	More than 5 years
Forward exchange contracts						
Outflow	AUD	3,754	(77,970)	(77,970)	-	-
Inflow	EUR					

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss:

Currency	Carrying amount	Contractual cash flows	0 - 1 year	1-2 years	2-5 years	More than 5 years
Forward exchange contracts						
Outflow	AUD	3,754	(77,970)	(77,970)	-	-
Inflow	EUR					

30 June 2008 - Company

Year of maturity	Carrying amount **	Contractual cash flows	0 - 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Bank overdraft	2008	51,350	51,350	51,350	-	-
Other deposits	2008	7,774	7,774	7,774	-	-
Bank loan	2012	400,000	561,826	40,457	40,457	480,913
Asset financing	2014	83,476	106,754	28,775	31,109	46,389
Trade finance	2008	41,600	41,807	41,807	-	-
Trade and other payables *	2008	106,953	106,953	106,953	-	-
Bridging finance	2008	225,000	226,904	226,904	-	-
		916,153	1,103,369	504,019	71,566	527,302

* = Excludes derivatives (shown separately)

** = Excludes capitalised transaction costs

Currency	Carrying amount	Contractual cash flows	0 - 1 year	1-2 years	2-5 years	More than 5 years	
Derivative financial instruments							
Interest rate swaps	USD	(5,166)	(21,898)	(2,366)	(2,366)	(7,105)	(10,061)
Forward exchange contracts:							
Outflow	AUD	(9,086)	(187,224)	(141,707)	(45,517)	-	-
Inflow	EUR						

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur:

Currency	Carrying amount	Contractual cash flows	0 - 1 year	1-2 years	2-5 years	More than 5 years
Forward exchange contracts						
Outflow	AUD	(3,754)	(77,970)	(77,970)	-	-
Inflow	EUR					

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss:

Currency	Carrying amount	Contractual cash flows	0 - 1 year	1-2 years	2-5 years	More than 5 years
Forward exchange contracts						
Outflow	AUD	(3,754)	(77,970)	(77,970)	-	-
Inflow	EUR					

30 June 2007 - Consolidated

Non-derivative financial liabilities		Year of maturity	Carrying amount **	Contractual cash flows	0 - 1 year	1-2 years	2-5 years	More than 5 years
Securitised MIS loans		2025	51,542	79,762	7,323	7,009	28,007	37,422
Bank overdraft		2007	4,531	4,531	4,531	-	-	-
Other deposits		2007	8,507	8,507	8,507	-	-	-
Bank loan		2012	400,000	555,635	31,127	31,127	493,381	-
Asset financing		2016	117,825	165,369	31,921	34,852	83,755	14,841
Trade and other payables*		2007	113,369	113,369	113,369	-	-	-
			695,774	927,173	196,778	72,989	605,143	52,263

* = Excludes derivatives (shown separately)

** = Excludes capitalised transaction costs

Derivative financial instruments			Carrying amount	Contractual cash flows	0 - 1 year	1-2 years	2-5 years	More than 5 years
Interest rate swaps		AUD	12,910	6,694	1,578	1,573	3,543	-
		USD	3,785	2,477	248	248	743	1,238
Options:								
Outflow		AUD	(19,289)	(21,009)	(21,009)	-	-	-

30 June 2007 - Company

Non-derivative financial liabilities		Year of maturity	Carrying amount **	Contractual cash flows	0 - 1 year	1-2 years	2-5 years	More than 5 years
Bank overdraft		2007	4,531	4,531	4,531	-	-	-
Other deposits		2007	8,507	8,507	8,507	-	-	-
Bank loan		2012	400,000	555,635	31,127	31,127	493,381	-
Asset financing		2012	97,085	131,510	29,251	29,182	73,077	-
Trade and other payables *		2007	72,457	72,457	72,457	-	-	-
			582,580	772,640	145,873	60,309	566,458	-

* = Excludes derivatives (shown separately)

** = Excludes capitalised transaction costs

Derivative financial instruments			Carrying amount	Contractual cash flows	0 - 1 year	1-2 years	2-5 years	More than 5 years
Interest rate swaps		AUD	12,910	6,694	1,578	1,573	3,543	-
		USD	3,785	2,477	248	248	743	1,238
Options:								
Outflow		AUD	(19,289)	(21,009)	(21,009)	-	-	-

Covenant Arrangements

The consolidated entity's finance facilities are provided by a number of different financial institutions. Each of these financial institutions have a number of undertakings and covenants which apply to their facilities.

At 30 June 2008, a controlled entity was in breach of two covenants with one financial institution and one covenant with another financial institution in relation to facilities provided to it. Both financial institutions provided formal waivers in relation to these breaches at 30 June 2008 and therefore this debt is disclosed as a non-current liability at this date. Based on current forecasts the company does not expect any breaches of loan covenants in the next twelve months. These loans represent \$162m of the non-current bank loans disclosed in note 19.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The consolidated entity buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board.

Currency risk

The consolidated entity is exposed to foreign currency risks on sales and capital purchases that are denominated in currencies other than Australian dollars. The currencies giving rise to this risk are primarily US dollars and Euros. The consolidated entity uses forward exchange options to hedge its foreign currency risk. The forward exchange options typically have maturities of less than one year and where still required, are rolled over at maturity.

The consolidated entity's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2008				30 June 2007			
	AUD	NZ	USD	Euro	AUD	NZ	USD	Euro
Trade & loan receivables	369,000	726	9,750	-	336,696	1,169	632	-
Trade payables	(87,834)	(151)	-	(3,178)	(60,915)	(583)	-	(191)
Net exposure	281,166	575	9,750	(3,178)	275,781	586	632	(191)

The Company's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2008				30 June 2007			
	AUD	NZ	USD	Euro	AUD	NZ	USD	Euro
Trade & loan receivables	55,387	425	164	-	50,274	436	60	37
Trade payables	(62,798)	(151)	-	(3,178)	(60,915)	(583)	-	(191)
Net exposure	(7,411)	274	164	(3,178)	(10,641)	(147)	60	(154)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2008	2007	2008	2007
AUD				
euro	0.6184	0.6092	0.6096	0.6311
USD	0.9042	0.7905	0.9626	0.8487

Interest rate risk

The consolidated entity enters into interest rate swaps and interest rate options to manage cash flow risks associated with the interest rates on borrowings that are floating.

Interest rate swaps allow the consolidated entity to swap floating rate borrowings into fixed rates.

Each contract involves quarterly payment or receipt of the net amount of interest. Floating rates were at bank bill rates plus the consolidated entity's credit margin.

Principal	Currency	Consolidated		Consolidated	
		2008	2007	2008	2007
		Fixed rate (%)		Maturity (year)	
41,500,000	AUD	5.87 - 6.13	-	2010	-
100,000,000	USD	5.125	5.125	2017	2017
400,000,000	AUD	-	6.025	-	2011

Equity price risk

From 1 July 2007 to 22 August 2007, the consolidated entity valued its investment in Auspine at fair value. Thus during this period the consolidated entity was exposed to movement in the share price of Auspine.

(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors significant shareholders, as well as the return on capital, which the consolidated entity regards its capital as including ordinary share capital, FORESTS, asset revaluation reserve, maintenance reserve and retained profits. The consolidated entity is bound by the statutory requirement to only pay dividends/distributions out of 'profits'. The above requirements have been complied with. There has been no change in the above since the prior period.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a consistent return on shareholder's equity of between 10 and 15 percent.

The consolidated entity will satisfy its ongoing capital expenditure requirements and meet its working capital needs through cash generated from operations, together with cash and borrowings made available under existing and new financing facilities.

(e) Net fair values of financial assets and liabilities

Recognised financial instruments

The carrying amounts of cash assets, receivables, investments in other entities, payables, bank overdrafts, bank and other loans, lease liabilities and employee entitlements approximate net fair value. The net fair value of investments in shares in controlled entities is determined by reference to the underlying assets and assessment of future maintainable earnings and cash flow.

Interest rate swaps

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at measurement date.

Foreign exchange options

The fair value of options is based on a mark to market valuation, using the Garman and Kohlhagen valuation model.

(e) Sensitivity analysis**Foreign Exchange Risk**

The following table summarises the impact of reasonably possible changes in foreign exchange rates on the net profit and equity. For the purposes of this disclosure, the sensitivity analysis assumes a 5% increase and decrease on currencies. Sensitivity analysis also assumes designations and hedge effectiveness test results as at 30th June 2008 remain unchanged. This analysis assumes that all other variables remain constant.

The consolidated entity's post tax impact of the change in spot exchange rate on net currency position

30 June 2008			
EUR			
-5%		+5%	
Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2,032	1,618	(2,043)	(1,645)

30 June 2007			
EUR			
-5%		+5%	
Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
(7)	-	6	-

The Company's post tax impact of the change in spot exchange rate on net currency position

30 June 2008			
EUR			
-5%		+5%	
Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2,032	1,618	(2,043)	(1,645)

30 June 2007			
EUR			
-5%		+5%	
Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
(6)	-	5	-

Interest rate risk**Fair value interest rate risk on derivatives**

The following table summarises the impact of reasonably possible changes in interest rates on the net profit and equity relating to derivatives measured at fair value through the profit and loss. For the purpose of this disclosure, the sensitivity analysis assumes a 1% increase and decrease on currency interest rates on the fair value of interest rate swap contracts. This analysis assumes that all other variables remain constant including interest rate and option volatilities.

The consolidated entity's interest rate swaps

30 June 2008			
Interest rate swap			
-100 bps		+100 bps	
Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
(5,772)	-	5,298	-

30 June 2007			
Interest rate swap			
-100 bps		+100 bps	
Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
(15,748)	-	14,744	-

The Company's interest rate swaps

30 June 2008			
Interest rate swap			
-100 bps		+100 bps	
Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
(5,772)	-	5,298	-

30 June 2007			
Interest rate swap			
-100 bps		+100 bps	
Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
(15,748)	-	14,744	-

The 2008 sensitivities are based on the nine years that this swap had remaining at 1 July 2008. The 2007 sensitivities are based on the four years that this swap had remaining at 1 July 2007. However, this swap was terminated in December 2007.

Cash flow interest rate risk for variable rate debt

The following table summarises the impact of reasonably possible changes in interest rates on the net profit and equity relating to variable rate debt. For the purpose of this disclosure, the sensitivity analysis assumes a 50 basis points increase and decrease in BBSW on interest expense for the year. This analysis assumes that all other variables remain constant.

The consolidated entity's variable rate debt

30 June 2008			
Variable rate debt			
-100 bps		+100 bps	
Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
1,862	-	(1,862)	-

30 June 2007			
Variable rate debt			
-100 bps		+100 bps	
Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
1,406	-	(1,406)	-

The Company's variable rate debt

30 June 2008			
Variable rate debt			
-100 bps		+100 bps	
Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
1,862	-	(1,862)	-

30 June 2007			
Variable rate debt			
-100 bps		+100 bps	
Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
1,406	-	(1,406)	-

27 Commitments

Notes	Consolidated		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

Capital expenditure commitments for property, plant and equipment

Contracted but not provided for and payable:

Within one year	24,641	6,794	20,790	2,540
-----------------	--------	-------	--------	-------

Non-cancellable operating lease expense commitments

Future operating lease commitments not provided for in the financial statements and payable:

Within one year	19,181	9,763	6,439	1,111
One year or later and no later than five years	80,473	36,191	23,784	1,801
Later than five years	137,731	82,019	51,668	94
	<u>237,385</u>	<u>127,973</u>	<u>81,891</u>	<u>3,006</u>

Finance lease payment commitments

Finance lease commitments are payable:

Within one year	7,472	6,844	3,767	4,174
One year or later and no later than five years	24,142	19,680	6,585	6,332
Later than five years	12,653	14,841	481	-
	<u>44,267</u>	<u>41,365</u>	<u>10,833</u>	<u>10,506</u>

Less: Future lease finance charges

Within one year	2,437	2,110	593	548
One year or later and no later than five years	7,157	6,970	829	609
Later than five years	1,341	2,196	66	-
	<u>10,935</u>	<u>11,276</u>	<u>1,488</u>	<u>1,157</u>
	<u>33,332</u>	<u>30,089</u>	<u>9,345</u>	<u>9,349</u>

Lease liabilities provided for in the financial statements:

Current	5,035	4,734	3,174	3,626
Non-current	28,297	25,355	6,171	5,723
Total lease liability	<u>33,332</u>	<u>30,089</u>	<u>9,345</u>	<u>9,349</u>

Operating leases as lessee:

The consolidated entity and Company leases plant and equipment under operating leases expiring from one to five years. The consolidated entity leases forestry land under operating leases expiring from one to twenty years.

Some operating lease contracts contain market review clauses in the event that the consolidated entity exercises its option to renew for an extended term. The consolidated entity does have an option to purchase some leased assets at the expiry of the lease period at market value.

Operating leases as lessor:

The consolidated entity is also the lessor on operating leases of land to managed investment woodlot growers. These leases are payable by the growers as a share of harvest proceeds.

The minimum lease payments under these arrangements are not considered to be material.

Finance leases:

The consolidated entity and Company leases production plant and equipment under finance leases expiring from one to ten years.

At the end of the lease term, the consolidated entity has the option to purchase the equipment.

28 Contingent liabilities

Details of contingent liabilities where the directors consider the probability of future payments are remote are set out below. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Consolidated		The Company	
2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000

Guarantees

- | | | | | |
|--|-------|-------|-------|-------|
| (i) Under the terms of a Deed of Cross Guarantee, described in Note 29, the Company has guaranteed the repayment of all current and future creditors in the event any of the entities party to the Deed are wound up. No deficiency in net assets exists in these companies. | - | - | - | - |
| (ii) The Company's banker has provided performance guarantees to certain third parties as per contractual arrangements. These relate to construction contracts: | 7,270 | 7,136 | 6,048 | 4,305 |

Indemnities

Indemnities have been provided to directors of the Company and controlled entities in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements:

- - - -

Joint and several liability

Associated Forest Holdings Pty. Limited, as a 62% venturer in the Tamar Tree Farms Joint Venture operation, is jointly and severally liable for 100% of all liabilities incurred by the joint venture. The assets of the joint venture are sufficient to meet such liabilities. The joint venture liabilities not already reflected in the balance sheets are:

203 35 - -

The Company, as a 15% venturer in the Plantation Platform Tasmania Joint Venture operation, is jointly and severally liable for 100% of all liabilities incurred by the joint venture. The assets of the joint venture are sufficient to meet such liabilities. The joint venture liabilities not already reflected in the balance sheets are:

- - - -

29 Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998 the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit, and lodgement of financial reports with the exception of Gunns Finance Pty. Ltd., TBVIC Pty. Ltd. and Northern Forest Investments Pty. Ltd. which are ineligible for relief under the Class Order as they were small proprietary companies during the financial year and thus already exempt from the above mentioned reporting requirements.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees, to each creditor, payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Kauri Timber Company Ltd.
- Gunns New Zealand Pty. Ltd.
- Gunns Forest Products Pty. Ltd.
- Associated Forest Holdings Pty. Ltd.
- Wesley Vale Engineering Pty. Ltd.
- Tasmanian Pulp & Forest Holdings Ltd.
- Sorisdale Pty. Ltd.
- TBVIC Pty. Ltd.
- Gunns Finance Pty. Ltd.

The consolidated income statement and consolidated balance sheet, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at reporting date is set out below:

Income Statement

Profit before income tax

Income tax expense

Net profit

Retained profits at beginning of year

Dividends recognised during the year

Retained profits at end of year

Consolidated	
2008	2007
\$'000	Restated \$'000
17,704	27,895
930	5,279
16,774	22,616
65,835	105,584
(63,616)	(62,365)
18,993	65,835

29 Deed of cross guarantee (continued)

	Consolidated	
	2008	2007
	\$'000	Restated \$'000
Balance Sheet		
Cash and cash equivalents	2,158	12,803
Trade and other receivables	92,785	73,133
Inventories	110,880	109,287
Biological assets	31,728	17,596
Income tax receivable	7,115	1,897
Other	2,312	17,481
Total current assets	246,978	232,197
Trade and other receivables	502,344	269,168
Inventories	17,138	12,030
Biological assets	244,985	236,014
Investments	8,806	90,779
Property, plant and equipment	1,006,526	887,843
Intangible assets	3,861	3,849
Deferred tax assets	1,104	1,136
Other	-	-
Total non-current assets	1,784,764	1,500,819
Total assets	2,031,742	1,733,016
Payables	94,075	99,668
Interest-bearing loans and borrowings	390,838	36,736
Other	2,414	2,255
Provisions	10,752	12,145
Total current liabilities	498,079	150,804
Payables	-	110,596
Interest-bearing loans and borrowings	539,603	555,371
Deferred tax liabilities	208,133	182,477
Provisions	3,021	2,618
Total non-current liabilities	750,757	851,062
Total liabilities	1,248,836	1,001,866
Net assets	782,906	731,150
Issued capital	527,376	452,915
Reserves	236,536	212,400
Retained profits	18,993	65,835
Total equity	782,906	731,150

30(a) Controlled entities

Note	Ordinary Shares Consolidated Entity	
	Interest	
	2008 %	2007 %

Particulars in relation to significant controlled entities

Name

Gunns Limited

Controlled entities

Kauri Timber Company Ltd.	(i)	100%	100%
Gunns New Zealand Pty. Ltd.	(i) (ii)	100%	100%
Gunns Finance Pty. Ltd.	(i)	100%	100%
Gunns Plantations Ltd.		100%	100%
Gunns Forest Products Pty. Ltd.	(i)	100%	100%
Associated Forest Holdings Pty. Ltd.	(i)	100%	100%
Wesley Vale Engineering Pty. Ltd.	(i)	100%	100%
Tasmanian Pulp & Forest Holdings Ltd.	(i)	100%	100%
Sorisdale Pty. Ltd.	(i)	100%	100%
Evergreen Insurance Pte. Ltd.		100%	100%
East Coast Pastoral Pty. Ltd.		100%	100%
LBVIC Pty. Ltd.		100%	100%
MMVIC Pty. Ltd.		100%	100%
KVVIC Pty. Ltd.		100%	100%
Auspine Limited	(iv)	100%	-
Auspine Tree Farms Pty Ltd	(iv)	100%	-
Timbersales Pty Ltd	(iv)	100%	-
South East Afforestation Services Pty Ltd	(iv)	100%	-
S.E.A.S. Plantations Pty Ltd	(iv)	100%	-
S.E.A.S. Estates Pty Ltd	(iv)	100%	-
Manna Holdings Pty Ltd	(iv)	100%	-
S.E.A.S. Sapfor Investment Services Pty Ltd	(iv)	100%	-
Tasmanian Softwoods Pty Ltd	(iv)	100%	-
Taspine Pty Ltd	(iv)	100%	-
S.E.A.S. Sapfor Forests Pty Ltd	(iv)	100%	-
Sapfor Trading Pty Ltd	(iv)	100%	-
S.E.A.S. Sapfor Harvesting Pty Ltd	(iv)	100%	-
Auspine Plantations Limited	(iv)	100%	-
AUSPINE International Pte Ltd	(iv)	100%	-
Kanawinka Trusts	(iv)	100%	-

All of the above named entities are incorporated in Australia except as noted below.

Notes

- (i) Refer to Note 29 for details of Deed of Cross Guarantee.
- (ii) Gunns New Zealand Pty. Ltd. was incorporated in Australia but carries on business in New Zealand.
- (iii) Evergreen Insurance Pte Ltd was incorporated in Singapore.
- (iv) Referred to as Auspine Group

30(b) Acquisition of controlled entities

During the year ended 30 June 2008, the consolidated entity gained 100% of the voting shares of Auspine on 21 February 2008. Control was obtained on 22 August 2007.

The fair value of assets acquired and liabilities assumed were as follows:

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Cash	3,025	-	3,025
Current assets	89,119	-	89,119
Property, plant and equipment	286,874	-	286,874
Biological assets	216,585	-	216,585
Intangible assets	2,787	21,783	24,570
Other non-current assets	15,859	-	15,859
Current liabilities	(41,329)	(517)	(41,846)
Interest bearing loans	(165,349)	-	(165,349)
Deferred tax liability	(81,374)	31,790	(49,584)
Other non-current liabilities	(59,344)	-	(59,344)
	<u>266,853</u>	<u>53,056</u>	<u>319,909</u>
Goodwill on acquisition			<u>28,353</u>
			<u>348,262</u>
Less non-cash consideration			<u>(79,366)</u>
Cash consideration			<u>268,896</u>
Less cash acquired from Auspine Ltd			<u>(3,025)</u>
			<u>265,871</u>
Less cash paid in prior periods			<u>(49,015)</u>
Net cash outflow in current period.			<u>216,856</u>

Pre-acquisition carrying amounts were determined based on applicable AASB's immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values (see note 1 for methods used in determining fair values). In determining the fair values of intangible assets identified, a discount rate of 18.83% was applied. This acquisition has been provisionally accounted for.

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business' work force and the synergies expected to be achieved from integrating the Company into the existing operation of the consolidated entity.

The contribution of Auspine to the consolidated entity's profit from ordinary activities during the period attributable to members was \$10,723,000. The impact on the consolidated entity's results had Auspine been controlled for the entire year would have been an increase in revenue of \$38,809,000 and increase in profit after tax of \$2,835,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 July 2007.

31 Interest in joint venture operations

Name of Entity	Principal Activity	Interest	Interest
		2008	2007
		%	%
Tamar Tree Farms	Plantation establishment	62	62
Plantation Platform of Tasmania	Plantation establishment	15	15
Australian Forestry Plantations Trust	Land leasing	30	30
Australian Forestry Plantations Trust No. 2	Land leasing	30	0

The consolidated entity's interest in assets employed in the above joint venture operations is detailed below. The amounts are included in the consolidated financial statements under their respective asset categories.

	Consolidated	
	2008	2007
	\$'000	\$'000
Current assets		
Cash assets	199	578
Receivables	221	142
Total current assets	<u>420</u>	<u>720</u>
Non-current assets		
Standing timber	38,439	36,476
Property, plant and equipment	5,355	4,617
Total non-current assets	<u>43,794</u>	<u>41,093</u>
Total assets	<u>44,214</u>	<u>41,813</u>
Current liabilities		
Payables	331	700
Total liabilities	<u>331</u>	<u>700</u>
Net assets	<u>43,883</u>	<u>41,113</u>
Total payments (net) from the Company to the joint ventures	(310)	(320)
Receivable from the joint ventures	195	1,038

Transactions with the joint ventures are on the same terms and conditions as arm's-length transactions.

The contribution of the joint ventures to the profit of the consolidated entity was a loss of \$1,821,000 (2007: loss of \$1,110,000).

The value of the consolidated entity's share of timber harvested during the year was \$nil (2007: \$nil).

Refer to note 28 for details of contingent liabilities.

32 Notes to the statements of cash flows

(a) Reconciliation of cash

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheets as follows:

Notes	Consolidated		The Company		
	2008	2007	2008	2007	
	\$'000	Restated \$'000	\$'000	Restated \$'000	
Cash assets	9	9,522	17,913	1,309	7,257
Bank overdraft	19	(51,350)	(4,531)	(51,350)	(4,531)
		(41,828)	13,382	(50,041)	2,726

(b) Reconciliation of profit after income tax to net cash provided by operating activities

Profit after income tax		64,475	76,424	37,879	69,677
<u>Add/(less) items classified as investing/ financing activities:</u>					
(Profit)/loss on sale of non-current assets		(26)	664	76	675
Net (increment)/decrement - biological assets		(867)	12,303	4,353	3,735
<u>Add/(less) non-cash items:</u>					
Amortisation of goodwill & other intangibles		1,558	1	1	1
Revaluation of hedge		16,231	2,592	16,231	2,592
Deferred tax impact of asset revaluations		(13,508)	(2,383)	(4,686)	(2,341)
Deferred tax impact of hedge revaluations		1,168	-	965	-
Deferred tax impact of equity raising costs		-	101	-	101
Current tax impact of equity raising costs		-	26	-	26
Revaluation of assets through income statement		(2,396)	(3,958)	(2,396)	(3,958)
Amounts set aside to provision for doubtful debts, loans and claims		3,411	2,468	(1,178)	968
Other income		279	-	-	-
Share of profit of equity accounted investees		(437)	-	-	-
Net foreign exchange differences		(49)	-	-	-
Interest expense		128	-	-	-
Amounts set aside to sundry provisions		(1,429)	1,001	-	-
Depreciation and amortisation of property, plant, equipment and forest roads		25,149	18,715	9,910	8,937
Amortisation of borrowing costs		1,905	4,362	1,905	4,362
Net interest to/(from) controlled entities		-	-	7,877	8,704
Net management fee (revenue)/expense		-	-	500	500
Rent received from controlled entities		-	-	(303)	(303)
Dividends from controlled entities		-	-	(70,000)	(80,000)
(Decrease)/increase in income taxes payable		1,875	(871)	(4,377)	(867)
(Decrease)/increase in deferred taxes payable		12,874	18,718	24,280	13,077
(Increase)/decrease in deferred tax assets		11,893	(723)	-	-
Net cash provided by operating activities before change in assets and liabilities		122,235	129,440	21,037	25,886
Change in assets and liabilities during the financial year:					
(Increase)/decrease in inventories		(8,011)	9,144	(8,474)	7,157
(Increase)/decrease in prepayments		(1,536)	(163)	(1,262)	159
(Increase)/decrease in receivables		(62,561)	(170,973)	(36,932)	(27,608)
(Increase)/decrease in other assets		(499)	-	-	-
(Decrease)/increase in accounts payable		17,306	16,768	10,338	4,415
(Decrease)/increase in loans with controlled entities		-	-	(43,802)	(31,607)
(Decrease)/increase in deferred revenue		3,024	(540)	-	-
(Decrease)/increase in provision for employee benefits		(441)	689	(794)	1,413
Net cash provided by operating activities		69,517	(15,635)	(59,889)	(20,185)

(c) Non-cash financing and investing activities

During the financial year the consolidated entity acquired property, plant and equipment with an aggregate fair value of \$3,585,000 (2007: \$3,130,000) by means of finance leases.

33 Employee benefits

Notes	Consolidated		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

Aggregate liability for employee benefits including on-costs

Current

- Employee benefits provision	20	14,944	12,145	6,966	8,130
- Other creditors and accruals	18	352	930	254	534

Non-current

- Employee benefits provision	20	6,376	2,618	2,705	2,335
		<u>21,672</u>	<u>15,693</u>	<u>9,925</u>	<u>10,999</u>

The present values of employee entitlements (other than non-executive directors) not expected to be settled within twelve months of reporting date have been calculated using the following weighted averages:

Assumed rate of increase in wage and salary rates	3.0%	2.5%	3.0%	2.5%
Discount rate	5.6%	5.6%	5.6%	5.6%
Settlement term (years)	15	15	15	15

33 Employee benefits (continued)

Executive Share Option Plan

The Company has an Executive Share Option Plan ('Plan') approved at the annual general meeting on 19 October 1993.

The Plan provides for the Board of Directors to invite applications by executives to receive options over ordinary shares for no consideration with the exercise price for the option equivalent to the quoted price of the Company shares as at the date the options are granted.

Each option is convertible to one ordinary share. There are no voting rights attached to the unissued ordinary shares. Voting rights attach to the unissued ordinary shares when the options have been exercised.

The Plan is subject to a limitation that the number of share options issued over a five year period must not exceed 5% of the total number of issued shares of that class at the time of an offer.

The fair value of shares issued as a result of exercising the options during the reporting period is the market price of shares of the Company on the Australian Stock Exchange as at close of trading on their issue date.

All options expire on the earlier of their expiry date, which as per the executive share option plan is 5 years from the date the options are issued, or termination of the employee's employment.

Company policy requires that future issues under the Plan are subject to specific performance hurdle and exercise constraints. This policy also prohibits the entry by executives into transactions designed to limit risk on unvested options and requires the disclosure of hedging transactions undertaken to limit risk on vested options.

There were no unissued ordinary shares under option during the 2008 or 2007 financial year.

The total proceeds received on the exercise of options were \$nil (2007: \$nil). The fair value at the date of issue of the shares was \$nil (2007: \$nil).

No options expired during the year ended 30 June 2008 (2007: nil).

There are no amounts recognised in the financial statements of the Company and consolidated entity in relation to employee share options exercised during the financial year.

34 Key management personnel disclosures

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Directors

J.E Gay	Executive Chairman	
R.T.J Holyman	Non-Executive	
D.M. McQuestin	Non-Executive	Deceased 24 May 2008
R.T. Gray	Non-Executive	
C.A. van der Kley	Non-Executive	
C.J. Newman	Non-Executive	
R.V. Millar	Non-Executive	Appointed 24 January 2007.
P.D. Teisseire	Non-Executive	Appointed 27 March 2008

Executives

L.R. Baker	(Manager - Forest Products Division; Executive Director - Gunns Plantations Ltd)	
W.L. Chapman	(Company Secretary)	
R.D. Coffey	(Manager - Forest Products Division Marketing)	Ceased 4 January 2008
B.E. Hayes	(Manager - Forest Products Division)	
I.M. Blanden	(Manager - Gunns Plantations Limited)	
G. P. L'Estrange	(CEO - Timber)	Appointed 14 April 2008

Key management personnel compensation

The key management personnel compensation included in employee benefit expenses on the face of the Income Statement are as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	3,090	2,913	3,090	2,913
Other long term benefits	150	368	150	368
Post-employment benefits	302	294	302	294
Termination benefits	160	-	160	-
Equity compensation benefits	-	-	-	-
	<u>3,702</u>	<u>3,575</u>	<u>3,702</u>	<u>3,575</u>

Individual directors and executives compensation disclosure

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the Directors' report.

Apart from the details disclosed in this note or the Directors' Report, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

34 Directors and executive disclosures (continued)

Key management personnel loans

Details regarding loans outstanding at the reporting date to key management personnel and their related parties, where the individual's aggregate loan balance exceeded \$100,000 in relation to investments in managed investment projects are as follows:

	Balance at 1 July 2007	Balance at 30 June 2008	Interest charged	Highest in period
L.R.Baker	857,390	888,645	85,045	888,645
J.E. Gay	676,364	-	-	676,364

	Balance at 1 July 2007	Balance at 30 June 2008	Interest charged	Number in group at 30 June
Aggregate for key management personnel	1,666,223	934,628	89,943	3

For all loans to key management personnel, interest is payable at the rate of 9.9%-11.73% (2007: 9.5%-10.5%) which represents a commercial rate of interest. No interest is payable on 12 month terms arrangements which are interest free. Loans (including terms arrangements) are on the same terms and conditions as loans provided to woodlot growers for investment in the respective Gunns Plantations Ltd projects. Loans are secured against the interest in the respective Project and by recourse to the investor. All balances are considered fully collectible.

Key management personnel equity holdings

The movement during the reporting period in the number of ordinary shares of Gunns Limited held, directly, indirectly or beneficially, by each key management person, including their personally-related entities is as follows:

	Balance at 1 July 2007	Net (sold) / purchased	Balance at 30 June 2008
Directors			
J.E Gay	18,422,207	331,229	18,753,436
R.T.J Holyman	571,931	15,022	586,953
D.M. McQuestin	2,263,512	(200,000)	2,063,512
R.T. Gray	260,063	12,604	272,667
C.A. van der Kley	134,326	-	134,326
C.J. Newman	2,775,684	-	2,775,684
R.V. Millar	6,888,433	167,583	7,056,016
Executives			
L.R. Baker	53,456	458,000	511,456
W.L. Chapman	257,874	12,500	270,374
R.D. Coffey	40,000	(10,000)	30,000
B.E. Hayes	84,000	-	84,000
I.M. Blanden	91,230	4,418	95,648

34 Directors and executives disclosures (continued)

Other transactions with key management personnel

From time to time key management personnel of the Company or its controlled entities or their personally-related entities may purchase goods from the consolidated entity. These purchases are on the same terms and conditions as those entered into by consolidated entity employees or customers and are trivial or domestic in nature.

Directors

Messrs J. E. Gay, C. A. van der Kley, D. M. McQuestin, R. T. J. Holyman, R.V. Millar and R. T. Gray and their director related entities have funds on deposit with the Gunns Limited Unsecured Note Scheme. The aggregate amount of these deposits is \$4,282,990 (2007: \$4,893,277) for the consolidated entity and the Company which is included within "Other deposits and borrowings - unsecured" in Note 19. Interest paid on these deposits totalled \$340,592 (2007: \$334,720) for the consolidated entity and the Company. The terms and conditions relating to these deposits are the same as apply to all depositors in the Scheme.

A division of Gunns Ltd is undertaking construction services for Mr J.E. Gay valued at \$758,772 (2007: \$33,873) for the year ended 30 June 2008. At 30 June 2008, \$366,139 (2007: \$22,131) remained outstanding (paid in full in July 2008). Construction services were provided to a relative of D.M. McQuestin. This work was valued at \$22,000 for the year ended 30 June 2008. All work was undertaken on normal commercial terms.

Mr J.E. Gay invested in the Gunns Plantations Limited managed investment schemes at an aggregate value of \$nil (2007 \$910,550). These investments were purchased on the same terms as apply to all investors under the projects.

An entity associated with Mr. R.V. Millar operates several car dealerships. During the year, the consolidated entity purchased goods and services valued at \$326,000 (2007: \$368,000) from the entity and sold vehicles valued at \$nil (2007: \$27,000) to the entity based on normal commercial terms and conditions. At 30 June 2008, the consolidated entity owed the entity \$7,000 (2007: \$11,000) .

During the year Mr P. D. Teisseire engaged the group to perform afforestation work for an annual charge of \$1,856 (2007: \$1,779) and received proceeds from plantation thinning of \$22,944 (2007: \$1,146). Amounts received and billed were based on normal market rates for such services and were received and payable under normal receivable and payment terms.

Executives

Mr L.R. Baker and Mr W.L. Chapman have funds on deposit with the Gunns Limited Unsecured Note Scheme. The aggregate amount of these deposits is \$1,036,610 (2007: \$247,559) for the consolidated entity and the Company which is included within "Other deposits and borrowings - unsecured" in Note 19. Interest paid on these deposits totalled \$54,983 (2007: \$17,015) for the consolidated entity and the Company. The terms and conditions relating to these deposits are the same as apply to all depositors in the Scheme.

Mr L. R. Baker and Mr I.M. Blanden invested in the Gunns Plantations Limited managed investment schemes at an aggregate value of \$nil (2007: \$145,920). These investments were purchased on the same terms as apply to all investors under the projects.

35 Other related parties

The classes of non-key management personnel related parties are directors of related parties and their director related entities, and wholly-owned controlled entities.

Directors of related parties and their director related entities

From time to time directors of related parties or their director-related entities may purchase goods and services from the consolidated entity. These purchases are on the same terms and conditions as those entered into by consolidated entity employees or customers and are trivial or domestic in nature.

Wholly-owned group

Details of dealings with these entities are set out below.

Notes	Consolidated		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

The aggregate amounts included in the profit before tax that resulted from transactions with non-director related parties are:

Wholly-owned controlled entities:

Dividend revenue	-	-	70,000	80,000
Interest expense	-	-	16,753	12,723
Interest revenue	-	-	8,877	4,019
Management fee expense	-	-	500	500
Rent revenue	-	-	303	303

The balances outstanding with wholly owned controlled entities are:

Loan to Gunns Forest Products Pty. Ltd.	-	-	229,314	110,552
Loan to Gunns New Zealand Pty. Ltd.	-	-	6,776	5,540
Loan from Evergreen Insurance Pte. Ltd.	-	-	(2,475)	(2,333)
Loan to Gunns Finance Pty. Ltd.	-	-	97,003	70,365
Loan to East Coast Pastoral Pty. Ltd.	-	-	4,204	-
Loan to Gunns Consolidated Investments Pty. Ltd.	-	-	349,918	-
Loan from Auspine Ltd.	-	-	(1,117)	-
Loan from Gunns Plantations Ltd.	-	-	(233,371)	(93,244)
Loan to Sorisdale Pty. Ltd.	-	-	6,531	7,278
Loan from Kauri Timber Company Ltd.	-	-	(7,363)	(6,916)
	-	-	449,421	91,242

Intercompany loan accounts have no fixed term and are repayable on demand but this is not envisaged in the next twelve months. Interest may be charged on these loans.

The net intercompany receivables (2007: receivables) are included in non-current assets in Note 17 (2007: non-current assets in Note 18).

Ultimate parent entity

The ultimate parent entity is Gunns Limited, a public company incorporated in Tasmania.

36 Equity accounted investees

The consolidated entity's share of profit in equity accounted investees is \$437,000 (2007: nil).

During the year, the consolidated entity acquired a 30% interest in the Australian Forestry Plantations Trust No. 2 (2007: Australian Forestry Plantations Trust). The Trusts were established to acquire plantation land for leasing to the consolidated entity. Based on an evaluation of the risks and rewards of the Trusts, they are not consolidated by the consolidated entity. The Trusts lease land to the consolidated entity.

Summary financial information for the Trusts, not adjusted for the ownership percentage of the consolidated entity:

	2008 \$'000	2007 \$'000
Current assets	882	469
Non-current assets	67,904	39,945
Total assets	68,786	40,414
Current liabilities	2,234	2,842
Non-current liabilities	37,312	20,417
Total liabilities	39,546	23,259
Net assets	29,240	17,155
Revenues	4,175	294
Expenses	2,718	241
Profit	1,457	53

37 Events subsequent to balance date

(a) Dividends

For dividends declared after 30 June 2008 see Note 25.

(b) Pulp Mill Project

Note 15 details the current status for the Bell Bay pulp mill project

(c) Capital Raising

Gunns have announced an accelerated non-renounceable pro-rata entitlement offer to raise between \$300m and \$430m, refer note 1 (w).

(d) Plantation Divestment

Gunns has announced that it is considering the divestment of a tranche of plantation forest and that negotiations in respect of the transaction are progressing. It is expected that the consideration will be approximately \$170m (pre-tax) which will be used to further reduce corporate debt.


Other than the abovementioned items, there have been no material events subsequent to balance date.

Directors' Declaration

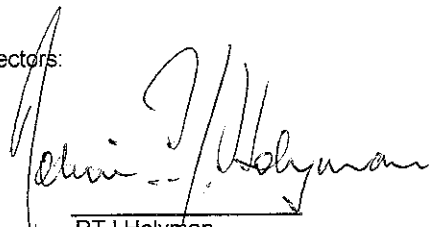
1. In the opinion of the directors of Gunns Limited ("the Company"):
 - (a) the income statements, statements of recognised income and expense, balance sheets, statements of cash flows and notes thereto and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2008 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1 (a);
 - (c) the remuneration disclosures that are contained in the Remuneration report in the Directors' reports comply with Australian Accounting Standard AASB 124 Related Party Disclosures and Corporations Regulations 2001; and
 - (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the controlled entities identified in Note 29 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.
3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and the chief financial officer for the financial year ended 30 June 2008.

Dated at Launceston this

Signed in accordance with a resolution of the directors:



JE Gay
Director



RTJ Holyman
Director



Independent auditor's report to the members of Gunns Limited

Report on the financial report

We have audited the accompanying financial report of Gunns Limited (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 37 and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company 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 control 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.

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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 control. 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.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.





Auditor's opinion

In our opinion:

(a) the financial report of Gunns Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their 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.

Significant uncertainty regarding the carrying value of capitalised Bell Bay pulp mill costs included in capital work in progress

Without qualification to the above opinion, we draw attention to Note 15 to the financial statements.

The recoverability of the \$89.8 million of capitalised pulp mill expenditure is dependent on a number of key assumptions, including, the project will obtain final regulatory approvals, financing will be obtained for the project, and that the project is commercially viable. The Group is currently in negotiations with a number of potential financiers and investors to obtain financing to complete construction of the Bell Bay pulp mill and with the government to obtain the necessary regulatory approvals.

The outcome of these negotiations cannot presently be determined with certainty. Accordingly there is significant uncertainty as to whether the carrying value of capitalised pulp mill expenditure can be recovered for the amount stated and as to whether additional obligations will be incurred in relation to committed project costs.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Gunns Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Matthew Wallace
Partner

Launceston

4 September 2008

Additional Information

ASX Additional Information

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

20 Largest Shareholders as at 31 July 2008

Shareholder	Number of Shares held	% of Capital Held
The 20 largest shareholders hold 73.45% of the ordinary shares of the Company.		
1 NATIONAL NOMINEES LIMITED	64,682,272	15.91
2 J P MORGAN NOMINEES AUSTRALIA LIMITED	49,170,325	12.09
3 RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED PIPOOLED A/C	40,942,352	10.07
4 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,320,311	6.47
5 CITICORP NOMINEES PTY LIMITED	15,756,369	3.88
6 RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED BKCUST A/C	11,890,035	2.92
7 COGENT NOMINEES PTY LIMITED	9,832,974	2.42
8 ANZ NOMINEES LIMITED CASH INCOME A/C	9,420,573	2.32
9 AUSTRALIAN REWARD INVESTMENT ALLIANCE	8,903,014	2.19
10 JOHN EUGENE GAY	8,256,713	2.03
11 RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED PIIC A/C	7,724,007	1.90
12 UBS NOMINEES PTY LTD	6,843,055	1.68
13 CITICORP NOMINEES PTY LIMITED CFSIL CWLTH AUST SHS 4 A/C	6,783,967	1.67
14 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	6,395,771	1.57
15 CITICORP NOMINEES PTY LIMITED CFS FUTURE LEADERS FUND A/C	5,594,358	1.38
16 AMP LIFE LIMITED	5,457,038	1.34
17 JEG MANAGEMENT PTY LTD	4,817,310	1.18
18 BFI PTY LTD	3,431,576	0.84
19 QUEENSLAND INVESTMENT CORPORATION	3,254,823	0.80
20 UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	3,194,259	0.79
Top 20 holders of ORDINARY FULLY PAID SHARES 31 Jul 2008	<u>298,671,102</u>	<u>73.45</u>

Total number of shares on issue: 406,561,405

Additional Information (continued)

Shareholders

SUBSTANTIAL SHAREHOLDERS

The number of shares held by substantial shareholders and their associates are set out below:

<u>SHAREHOLDER</u>	<u>No. of Shares</u>
Perpetual Trustees Australia Limited	58,497,411
Concord Capital Ltd	42,877,865
Schroder Investment Management Group	26,771,492
Capital Group Companies Inc	21,598,109
Commonwealth Bank of Australia	20,400,047
DFA Group	20,220,894

CLASS OF SHARES AND VOTING RIGHTS

Refer to note 22.

As at 31 July 2008 there were nil options over unissued ordinary shares granted to executives under the Executive Share Option Scheme.

DISTRIBUTION OF SHAREHOLDERS

as at 31 July 2008

	NUMBER OF SHAREHOLDERS	
	Ordinary	Options
1 - 1,000 shares	1,222	-
1,001 - 5,000 shares	2,624	-
5,001 - 10,000 shares	979	-
10,001 - 100,000 shares	1,126	-
100,001 Shares and over	149	-
TOTAL	<u>6,100</u>	<u>-</u>

Number of shareholders holding less than a marketable parcel at 31 July 2008 was 247.