

27 February 2009



FEA Half Year Results

- **Earnings impacted by new mill start up costs and delays in receiving Australian Taxation Office product rulings**
- **Strong focus on capital and cost management continues**
- **Favourable outlook for the future, although volatile market conditions**

Forest Enterprises Australia (ASX:FEA) today released its result for the six months ended 31 December 2008 reporting a net loss of (\$4.09m) for the period, compared to the Prior Corresponding Period (PCP) loss of (\$0.54m).

The Chief Executive Officer of FEA, Mr Andrew White said that whilst recognizing that a loss in the first half was still disappointing, it is important to observe that the majority of FEA revenues and earnings currently occur in the second half of the financial year as most of the company's Managed Investment Scheme (MIS) revenue will be taken to account during this period.

Major contributing factors to the result include start up costs at the group's Bell Bay sawmill; delays in issuing of ATO product rulings; together with higher debt usage associated with the long term financing of the business.

Importantly, total revenues for the December half year increased by 98% on the prior PCP to \$72.7m as a result of establishing 2008 record forestry investment sales (with revenue being recognised as establishment works are completed, up 130% on PCP) and timber sales from the sawmill.

"The release of our FEA Plantations Project 2009 will follow the ATO issuing product rulings, which is expected in early April 2009. Product Rulings for Project 2008 (FY09 late growers) were gazetted this week. We have a backlog of FY09 sales than can be accepted in due course. YTD sales will then exceed those achieved in the 8 months to February 2008. This is a positive signal for the potential of sales in this financial year" Mr White said.

"Recently we have seen a number of companies exit or restructure within the agribusiness MIS area. As a result, this provides us with the opportunity for our quality forestry investment product to further improve our market share " Mr White said.

Forest Enterprises Australia Ltd ACN 009 553 548
Tasmanian Plantation Pty Ltd ACN 009 560 463
FEA Timber Pty Ltd ACN 056 534 448

HEAD OFFICE
PO Box 733, Launceston TAS 7250
233B Charles Street, Launceston TAS 7250
T (03) 6334 7811 F (03) 6334 4660

NSW & QLD OPERATIONS
PO Box 6153, South Lismore NSW 2480
6 Carson Street, Goonellabah NSW 2480
T (02) 6625 5600 F (02) 6624 7219



“In relation to the sawmill, delays in the commissioning (including a major supplier entering administration) and subsequent operations were behind schedule and as a result increased short-term contract labour hire costs which are expected to reduce in the June 2009 half. With the Mill progressively ramping up production, inventory levels are now reducing to normal levels and the unit cost of production lowering.” Mr White said.

Financial Summary

	Half year ended 31 Dec 2008	Half year ended 31 Dec 2007*
Operating Revenue	\$72.7m	\$36.7m
EBITDA	\$3.55m	\$1.9m
EBIT	\$1.47m	\$1.0m
NPAT	\$(4.09m)	\$(0.54m)
NTA	73c	68c
EPS (Basic)	(1.01c)	(0.13c)

Net operating cash outflows for the period of \$4.9m reflects a ramp-up in activity in line with the increase in revenue including sawmill commissioning costs, increased borrowing costs and higher tax payments for the period.

In addition to the above NTA, the consolidated franking account as at 31 December 2008, adjusted for franking credits arising from payment of income tax payable, is approximately 10 cents per share.

Administration and other expenses have increased significantly from the prior period due to higher employment and insurance costs consistent with the growth in operations of the group.

Dividend

Consistent with past practice, Directors have determined that an interim dividend will not be paid in relation to the period ended 31 December 2008. Directors will consider their approach to capital management in light of performance in the current half when determining the appropriate full year dividend.

Margin Loan Disclosure

Directors have declared that they do not have any margin loans, nor any financing arrangements where the security is linked to FEA's security price.

* In recent projects lease and management fees have been deferred resulting in cash flows at the end of each project, while revenue is recognised over the life of the project. The results for the December 2007 half year have been restated based on the reassessment of assumptions in relation to timing of revenue over the life of each project, however there is no change in the expected cash flows on completion of the project. For the impact of this change please refer to Note 1(e) in the half-year financial report.



Review of Operations

Forest Products Segment

Revenue from the forest products segment of \$35.2m was 78.9% up on the PCP due to steadily increasing production and timber sales following commissioning of the sawmill.

The mill initially experienced a number of operational issues during the commissioning phase that adversely impacted its financial performance. Contract casual labour was used as a temporary measure to accelerate the increased throughput of the mill, in turn reducing raw material stock levels built up over the commissioning process. The increased throughput was necessary to take advantage of the capability of the mill and achieve a lower fixed cost per unit of production. Now that the productivity of the mill is increasing, the scheduled reduction in variable labour costs is reducing.

Importantly the additional unit production costs in this first half have been taken up in the Income Statement as opposed to increasing the value of finished stock. Under the standard costing methodology, finished stock is valued at a standard unit cost. Any fixed and variable costs above this standard cost are expensed.

Market evidence indicates that FEA has been successful with the sales of its main product, BassPine[®], in Tasmania and Mainland markets. During the September 2008 quarter there was generally a reduction in the demand for timber due to a softening in the construction industry.

During the period, the former sawmill site at Bell Bay was divested for \$3.0m. The group has recognised impairment of \$0.64m in relation to remaining plant and equipment.

SmartFibre

SmartFibre, FEA's joint venture export wood fibre business continued to have sound results in the first half of this year. Whilst margins for softwood were impacted by the volatility of the Australian dollar, foreign exchange management largely mitigated this impact. Demand for hardwood in the first half remained stable. Recent discussions with FEA's long term Japanese customers has indicated that there will be a general slowing in demand for pulp and paper products as a result of a global weakening in business activity.

Accordingly, SmartFibre anticipates that demand for woodfibre in 2009 will reduce, however the business remains well positioned in the market. FEA's plantation based products continuing to be one of the preferred wood fibres in Japan which should lessen the impact of decreased demand.

Managed Investment Schemes (MIS) Segment

FEA has now secured a land bank totalling 18,500 hectares of plantation land in Tasmania, Northern New South Wales and South East Queensland. As a result of 2008 MIS sales, FEA has a target of 18,206 hectares of plantation to establish during this financial year.

Plantation establishment for the half year ended 31 December 2008 exceeded the area planted in the equivalent period in the previous year on account of record MIS sales,

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meeting this target is a reflection on the commitment and professionalism of all operational and plantation staff.

Capital expenditure on forestry land for the first half totalled \$19.4m, compared to \$21.4m for the PCP brings the value of FEA's total landholding to \$296m. Due to the success in land acquisition to date, it is anticipated that capital expenditure on land in the January to June half will be below that of the first half. In addition to freehold land acquisition, a significant proportion of properties in the current land bank have been sourced under long-term lease arrangements.

This land leasing also has an added benefit of providing a secure and diverse income stream to many farming families in regional communities.

FEA achieved record sales in 2008 MIS Projects. The total MIS sales for 2008 were \$114.5m which was an increase of 91% on the previous year's sales. MIS establishment revenue is predominantly recognised during the 2009 financial year in line with establishment activity.

Funding

FEA sold \$13m of MIS loans for 100 cents in the dollar, which we believe is an excellent outcome. FEA's MIS loan book has an excellent repayment history and correspondingly low provisioning for doubtful debts (\$2.0m on a total loan book of \$96.4m). The majority of the proceeds from securitisation have been received in cash and applied to debt, with the remaining 12.5% to be received as deferred consideration. FEA is in the process of selling another \$6m tranche of loan book under similar conditions. Commitments have been received from third parties to provide preferred finance commitments for Project 2009 in excess of \$80m.

As at 31 December 2008, the Group's debt to equity ratio (net debt over net debt and equity) is 40% with net debt of \$197m. This facility with ANZ and CBA will need to be refinanced in 2011. The annual review is in progress with ANZ and CBA, with an in principle agreement which is due to be finalised imminently. The group intends progressing with the disposal of some assets including forestry land/investment property, loan book and sundry assets from the old sawmill site. Forestry land sold as part of this process will be leased by the group under a sale and leaseback arrangement to ensure that the group retains access to quality land estate. We have provided \$1.2m in relation to disposal costs/ impairment.

FEA has a short-term goal to reduce debt levels and further strengthen balance sheet as part of its capital management policy.



Outlook

Mr White said "We remain cautiously optimistic that our core businesses can continue to generate momentum during the remainder of the financial year and beyond, whilst recognising that the uncertain economic outlook facing all businesses will provide ongoing challenges during the second half.

"We have quality assets diversified by climate and geographical spread, a dedicated and experienced workforce and a sound strategic vision for the future.

"Over the months ahead, the focus will continue to be on stringent cost management, the effective marketing of our MIS project and achievement of operational efficiencies at our sawmilling operations.

"We believe that our 2009 MIS offering, augmented by our new African Mahogany product, will be highly competitive in a market that seeks quality products."

FEA wishes to acknowledge and express its deepest sympathy to people impacted by the recent tragic Victorian bushfires. FEA and our staff have made contributions to public appeals in relation to the fires, and have provided fire fighting crews to support Hancock Victoria Plantations notwithstanding the company has no plantations in the area.

For further information:

Andrew White
Chief Executive Officer
Phone: (03) 6334 7811 or 0418 131 179

Fergus Leicester
Chief Financial Officer
(03) 6334 7811 or 0419 521 001

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About Forest Enterprises Australia Ltd

Forest Enterprises Australia Ltd (FEA) is a publicly listed company and a leading forestry and forest products business operating across the timber processing and agribusiness sectors. The Company was formed in 1985 and has a proud, twenty-three year history as a forestry company. FEA established its own hardwood eucalyptus plantations in Tasmania in 1987 and subsequently on mainland Australia, predominantly the northern rivers region of New South Wales.

FEA Plantations Ltd, a wholly owned subsidiary of FEA, commenced its first managed investment scheme in 1993 and issued 16 consecutive timber investment projects.

In recent years, FEA has expanded its business base to include sawmilling of plantation timber. FEA produces the innovative branded sawn timber products, EcoAsh® and BassPine®, as well as exporting woodchips under the SmartFibre® brand.

Following completion of these current plantation establishment obligations, FEA will have approximately 73,000 hectares of plantation under management for approximately 13,000 growers, providing both a resource supply for FEA's value adding timber businesses and investment returns to growers.

More recently, FEA has developed a number of innovative timber products to service expanding timber markets. FEA has successfully developed a range of domestic and world markets for various decorative and construction timber products. These products are being produced at our new "state-of-the-art" plantation-supplied sawmill at Bell Bay in Northern Tasmania. FEA's overall revenue base is expected to diversify as sales of these products increase.

Early in FY2009 FEA launched the FEA Timberlands Trust. This unit trust invests in productive rural land which will be leased to high quality agribusiness operators. FEA Plantations Ltd is the sole tenant of the initial portfolio of eight properties in Northern NSW and Northern Tasmania which will be used for the establishment of hardwood plantations for FEA forestry investors.

The Company has developed and implemented an Environmental Management System (EMS) for its forestry operations that complies with Australian standards. This EMS is a management framework that ensures all aspects of FEA's operations are identified and managed to ensure protection of the environment. It has been certified to the international standard, ISO 14001:2004. FEA has also achieved Australian Forestry Standard (AFS) certification for its 'defined forest area' in Tasmania, New South Wales and Queensland.

The Company has a commitment to environmentally sustainable plantation forestry and being an employer of choice, both of which are consistent with FEA's strategy of being a premier vertically integrated forestry and forest products company.

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Forest Enterprises Australia Ltd

ABN: 47 009 553 548

Half year report

Half year ended 31 December 2008

(previous corresponding period: half year ended 31 December 2007)

Results for announcement to the market

					\$A'000
Revenues	up/down	98.1%*	to		72,738
Loss from ordinary activities after tax attributable to members	up/down	651.0%*	to		(4,086)
Net loss for the period attributable to members	up/down	651.0%*	to		(4,086)

* The above percentages have been recalculated based on re-stated prior year revenue and loss after tax figures as described in Note 1 (e) of the half year report.

Dividends	Amount per security	Franked amount per security at 30%
Interim dividend	nil	nil
Final dividend	n/a	n/a

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to attached release for Review of Operations and outlook

Net Tangible Assets

	Current period	Previous corresponding period (restated)*
Net tangible asset backing per ordinary security*	\$0.73	\$0.68

* Prior period net tangible assets has been recalculated based on the restated balance sheet and income statement of the half year report as described in note 1(e).

Dividends

	Amount (cents per share)	Date of Payment	Total amount of dividend (\$A'000)
Interim dividend - year ended 30 June 2008	nil	N/a	nil
Final dividend - year ended 30 June 2008	2.50 cents	7 October 2008	\$10,133

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign sourced dividend
Total dividend: Current Year	nil	nil	n/a
Previous Year	\$0.025	\$0.025	n/a

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Dividends (Continued)

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities - Final dividend	10,133	8,102
Total	10,133	8,102

Details of associates and joint venture entities

Name of associate or joint venture entity

%Securities held

SmartFibre Pty Ltd	50.00%
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Aggregate share of profits (losses) of associates and joint venture entities (where material)

Group's share of associates' and joint venture entities':

	6 months to 31 Dec 2008 \$A'000	6 months to 31 Dec 2007 \$'000
Profit (loss) from ordinary activities before tax	217	339
Income tax on ordinary activities	65	102
Net profit (loss) from ordinary activities after tax	152	237
Adjustments	-	-
Share of net profit (loss) of associates and joint venture entities	152	237

Financial information

The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached), which has been prepared in accordance with International Financial Reporting Standards (IFRS).

Independent review of the financial report

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

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FOREST ENTERPRISES AUSTRALIA LIMITED

ABN 47 009 553 548

AND CONTROLLED ENTITIES

Financial Report for the half-year ended 31 December 2008

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2008.

**FOREST ENTERPRISES AUSTRALIA LTD AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2008**

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DIRECTORS' REPORT

FOREST ENTERPRISES AUSTRALIA LIMITED AND CONTROLLED ENTITIES

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Forest Enterprises Australia Ltd and the entities it controlled, for the half-year ended 31 December 2008 and the independent review report thereon. This financial report has been prepared in accordance with Australian equivalents of International Financial Reporting Standards.

DIRECTORS

The names of the Directors of the Company during or since the end of the half-year are:

Name	Age	Period of Directorship
Mr W.D. Edwards (Chairman)	41	Director since 2002
Mr A.M. Cannon	53	Director since 1985
Mr M.J. Williams	49	Director since 2002
Mr D.P. King	71	Director since 2002
Mr L.P. Wozniczka	53	Director since 2005. Resigned 13 October 2008
Mr V.E. Erasmus	51	Director since 2007
Mr D.C. Taylor	57	Director since 2007. Resigned 15 October 2008

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

REVIEW OF OPERATIONS

The Group's consolidated loss after income tax for the half year is \$4.09m (2007: adjusted loss of \$0.54m). During the period, the consolidated entity continued to engage in its existing activities, the results of which are disclosed in the financial statements.

Changes to last year's published profit are attributable to the change in methodology used for calculating the deferred lease and management fees as disclosed in note 1(e). Comparatives have been restated to ensure that all movements are comparable.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is included on page 2 of the condensed financial report for the half-year.

ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the Directors



Director

Launceston, 27 February 2009

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Forest Enterprises Australia Limited

In relation to the half year independent review for the six months to 31 December 2008, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001.
- (ii) No contraventions of any applicable code of professional conduct.



PITCHER PARTNERS
Melbourne



D B RANKIN
27 February 2009

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CONDENSED CONSOLIDATED INCOME STATEMENT
for the half-year ended 31 December 2008

FOREST ENTERPRISES AUSTRALIA LTD and controlled entities		Consolidated	
		Half-year ended 31 December 2008 \$'000	Half-year ended 31 December 2007 \$'000
	Note		
Revenue		72,738	36,727
Total Revenue	2	72,738	36,727
Share of profits/(losses) of associates and jointly controlled entities accounted for using the equity method		152	237
Forestry CoGS		(13,846)	(6,588)
Sawmilling CoGS		(19,240)	(9,018)
Forestry Services Expenses		(21,407)	(9,217)
Woodlot Marketing Expenses		(843)	(788)
Depreciation and amortisation expense		(2,083)	(871)
Finance costs		(7,716)	(1,970)
Impairment of non-current assets		(640)	-
Administration		(8,689)	(6,147)
Other expenses		(4,669)	(3,325)
Loss before income tax expense		(6,243)	(960)
Income tax benefit		2,157	416
Net loss for the period attributable to members of the parent		(4,086)	(544)
Earnings/(loss) per share:			
Basic (cents per share)		(1.01)	(0.13)
Diluted (cents per share)		(0.98)	(0.13)

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CONDENSED CONSOLIDATED BALANCE SHEET
as at 31 December 2008

	Consolidated	
	31 December 2008 \$'000	30 June 2008 \$'000
FOREST ENTERPRISES AUSTRALIA LTD and controlled entities		
Current Assets		
Cash and cash equivalents	9,654	11,974
Trade and other receivables	46,094	74,196
Other financial assets	15,279	70,177
Inventories	14,881	8,665
Standing timber	2,185	1,922
Other	7,322	4,392
Current tax asset	1,110	-
Non-current assets classified as held for sale	59,023	2,900
Total current assets	155,549	174,226
Non-current assets		
Trade and other receivables	55,847	76,711
Investments accounted for using the equity method	3,111	5,209
Other financial assets	15,761	11,959
Standing timber	19,408	18,310
Property, plant and equipment	110,414	105,393
Investment property	243,891	274,392
Other intangibles	1,801	12
Deferred tax assets	27,943	19,673
Total non-current assets	478,176	511,659
Total assets	633,725	685,885
Current liabilities		
Trade and other payables	29,588	102,216
Short term borrowings	1,518	2,044
Current portion of long term borrowings	52,167	2,109
Other financial liabilities and provisions	2,435	1,056
Current tax payables	-	10,281
Other current liabilities	42,366	69,539
Total current liabilities	128,074	187,245
Non-current liabilities		
Long term borrowings	153,129	137,668
Other non-current financial liabilities	14,077	344
Deferred tax liabilities	39,132	37,234
Other non-current liabilities	1,580	1,854
Total non-current liabilities	207,918	177,100
Total liabilities	335,992	364,345
Net assets	297,733	321,540
Equity		
Share Capital	179,804	179,701
Other Reserves	(2,363)	7,368
Retained Earnings	120,252	134,471
Total equity attributable to equity holders of the company	297,693	321,540
Minority interest	40	-
Total Equity	297,733	321,540

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2008

FOREST ENTERPRISES AUSTRALIA LTD and controlled entities	Fully Paid Ordinary Shares \$'000	Asset Revaluation Reserve \$'000	Equity-settled employee benefits reserve \$'000	Hedge Reserve \$'000	Retained earnings \$'000	Minority Equity Interest \$'000	Total \$'000
Balance at 1 July 2007	179,627	4,034	176	-	98,718	-	282,555
Share based payments	-	-	117	-	-	-	117
Related income tax	-	-	-	-	-	-	-
Net income recognised directly in equity	-	-	117	-	-	-	117
Loss for the period	-	-	-	-	(544)	-	(544)
Total recognised income and expense	-	-	117	-	(544)	-	(427)
Issue of shares	74	-	-	-	-	-	74
Payment of dividends	-	-	-	-	(8,102)	-	(8,102)
Balance at 31 December 2007	179,701	4,034	293	-	90,072	-	274,100
Balance at 1 July 2008	179,701	6,308	411	649	134,471	-	321,540
Gain/(Loss) on property revaluation	-	(34)	-	-	-	-	(34)
Gain/(Loss) on cashflow hedges	-	-	-	(13,915)	-	-	(13,915)
Share based payments	-	-	228	-	-	-	228
Related income tax	-	10	-	3,980	-	-	3,990
Net income/(expense) recognised directly in equity	-	(24)	228	(9,935)	-	-	(9,731)
Loss for the period	-	-	-	-	(4,086)	-	(4,086)
Total recognised income and expense	-	(24)	228	(9,935)	(4,086)	-	(13,816)
Issue of shares	103	-	-	-	-	40	143
Payment of dividends	-	-	-	-	(10,133)	-	(10,133)
Balance at 31 December 2008	179,804	6,284	639	(9,286)	120,252	40	297,733

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ended 31 December 2008

FOREST ENTERPRISES AUSTRALIA LTD and controlled entities	Consolidated	
	Half-year ended 31 December 2008 \$'000	Half-year ended 31 December 2007 \$'000
Cash flows from operating activities		
Receipts from customers	116,135	55,805
Payments to suppliers and employees	(102,594)	(45,720)
Interest received	253	2,029
Interest and other costs of finance paid	(7,147)	(2,126)
Income tax paid	(11,617)	(4,079)
Net cash provided by/(used in) operating activities	(4,970)	5,909
Cash flows from investing activities		
Funding of term debtors	(58,904)	(27,763)
Payment for investment properties	(19,415)	(21,453)
Proceeds from sale of investment properties	636	-
Proceeds from sale of property, plant & equipment	3,000	388
Payment for property, plant and equipment	(11,961)	(33,552)
Payment for standing timber	(86)	(533)
Payment for intangibles	(546)	-
Repayment of term debtors	32,806	24,470
Repayment of related party loans	2,250	-
Net cash provided by/(used in) investing activities	(52,220)	(58,443)
Cash flows from financing activities		
Proceeds from issues of equity securities	4	4
Proceeds from borrowings	75,929	13,902
Repayment of borrowings	(10,451)	(339)
Proceeds from units in FEA Timberlands Fund	40	-
Dividends paid:- members of the parent entity	(10,127)	(8,085)
Net cash provided by financing activities	55,395	5,482
Net (decrease) in cash and cash equivalents	(1,795)	(47,052)
Cash and cash equivalents at the beginning of the half-year	9,930	42,546
Cash and cash equivalents at the end of the half-year	8,135	(4,506)

**FOREST ENTERPRISES AUSTRALIA LIMITED
and controlled entities**

1 Basis of Preparation of the Half-year Financial Report

This half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2008 and any public announcements made by Forest Enterprises Australia Limited during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The half-year financial report was authorised for issue by the directors on 27 February 2009.

(a) Basis of preparation of the half-year financial report

This general purpose half-year financial report has been prepared in accordance with Accounting Standard AASB134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) Summary of the significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008 except as detailed in Note 1(e).

(c) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, that Forest Enterprises Australia Limited controlled from time to time during the year and at balance date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

(d) Rounding Amounts

The company is of a kind referred to in ASIC Class Order CO 98/0100 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(e) Reassessment of deferred lease and management fee income

The group has reassessed the methodology by which managed investment scheme income is recognised under its revenue recognition policies. Managed investment scheme income comprises deferred lease and management fees, which are accrued over the life of each plantation based on the expected plantation yield discounted to present value at the reporting date. The amount of revenue generated is closely linked with the growth and harvesting of biological assets, and consequently accrued income calculations are derived from assumptions as determined by management. The revised methodology has the impact of reducing revenues in the early stages of the plantation life. The company believes this methodology provides a more appropriate measure for revenue recognition. Managed investment scheme accrued revenue is reported as a component of "other non-current financial assets" in the balance sheet.

This reassessment has resulted in a prior period adjustment to amounts previously reported for the half-year ended 31 December 2007, reducing revenue and profit before income tax by \$3.263m, tax expense by \$0.979m and profit after tax by \$2.284m. This reassessment also reduces the amounts previously reported at 30 June 2008 for consolidated "other financial assets" and consolidated non-current assets by \$14.493m, for deferred tax liability by \$4.348m and retained earnings by \$10.145m.

Earnings per share for the prior period have been restated as a result of this reassessment. The previously reported EPS has reduced by 0.56 cents per share.

There is no cash flow impact of these adjustments.

FOREST ENTERPRISES AUSTRALIA LIMITED
and controlled entities

2 Revenue	31 December 2008 \$'000	31 December 2007 \$'000
Revenue	72,738	36,727
Other Income	-	-
Total Revenue (Prior period re-stated refer to Note 1(e))	<u>72,738</u>	<u>36,727</u>

	Half-year ended 31 December 2008		Half-year ended 31 December 2007	
	Cents per share	Total \$'000	Cents per share	Total \$'000
3 Dividends				
Recognised amounts				
Fully paid ordinary shares				
Final Dividend	2.50	10,133	2.00	8,102
	<u>2.50</u>	<u>10,133</u>	<u>2.00</u>	<u>8,102</u>

4 Segment information	31 December 2008 \$'000	31 December 2007 \$'000
Segment Revenue		
Forest Products	35,199	19,673
Managed Investment Schemes	37,183	16,143 *
Total of all segments	<u>72,382</u>	<u>35,816</u>
Unallocated	356	937
Inter-Segment Revenues	-	(26)
Consolidated	<u>72,738</u>	<u>36,727</u>
Segment Result		
Forest Products	(2,723)	663
Managed Investment Schemes	7,136	1,883 *
Total of all segments	<u>4,413</u>	<u>2,546</u>
Finance costs	(7,716)	(1,970)
Unallocated	(2,940)	(1,536)
Loss before income tax expense	<u>(6,243)</u>	<u>(960)</u>
Income tax benefit	2,157	416
Loss for the period	<u>(4,086)</u>	<u>(544)</u>

* Prior period re-stated refer to Note 1(e).

5 Issuances, repurchases and repayments of securities

During the half-year reporting period, Forest Enterprises Australia Ltd issued 198,000 ordinary shares for \$103,039 (2007: 119,000 for \$73,911) under its employee share plan.

During the half-year reporting period, no ordinary shares were issued (2007: nil) on exercise of share options issued under its executive and employee share option plans.

During the half-year reporting period, Forest Enterprises Australia Ltd, issued 16,980,000 (2007: 300,000) share options under its executive and employee share option plans.

6 Acquisitions and Disposals / Assets classified as available for sale

The following significant acquisitions have occurred over the half-year reporting period:

Investment properties	19,415	21,453
Property plant and equipment	11,961	33,552
	<u>31,376</u>	<u>55,005</u>

The following significant items have been reclassified as available for sale during the half-year reporting period:

Investment properties	52,813	-
Property plant and equipment	1,410	2,900
Non-current loans and receivables	6,000	-
Costs of disposal and impairment recognised	(1,200)	-
	<u>59,023</u>	<u>2,900</u>

Non-current assets classified as available for sale includes forestry land (\$53M) loan book (\$6M) and other assets (\$1M).

It is intended that all of the above forestry land would be sold under sale and leaseback arrangements whereby we can retain access to a quality land estate. The Company has sold a \$13M tranche of loans prior to 31 December 2008 and is in the process of selling a second tranche of \$6M. Notwithstanding the results to date, the Company has made a \$1.2M provision for disposal costs and impairment.

7 Subsequent Events

The Directors are not aware of any subsequent event that has taken place since balance date which could have a material impact on the financial statements as at 31 December 2008.

8 Contingent Liabilities

There have been no changes to contingent liabilities in the period from 30 June 2008.

DIRECTORS' DECLARATION

FOREST ENTERPRISES AUSTRALIA LIMITED

The directors declare that the financial statements and notes set out on pages 3 to 8 in accordance with the Corporations Act 2001:

- (a) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001, and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2008 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Forest Enterprises Australia Ltd will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



W.D. Edwards
Director

Launceston, 27 February 2009

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF FOREST ENTERPRISES AUSTRALIA LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Forest Enterprises Australia Limited, which comprises the condensed consolidated balance sheet as at 31 December 2008, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Forest Enterprises Australia Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Forest Enterprises Australia Limited is not in accordance with the *Corporations Act 2001* including:

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



PITCHER PARTNERS
Melbourne



D B RANKIN
Partner
27 February 2009