

30 August 2007

The Manager  
Company Announcements Platform  
Australian Stock Exchange  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam,

Attached is the Gunns Limited preliminary final report and statement on behalf of the board of directors for the year ended 30 June 2007.

Yours faithfully,



WAYNE CHAPMAN  
COMPANY SECRETARY

**Gunns Limited**

ABN 29 009 478 148

**Appendix 4E****Preliminary final report****Financial year ended 30 June 2007****Results for announcement to the market**

				\$A'000
Revenues from ordinary activities	up	8.2%	to	689,895
Profit from ordinary activities after tax attributable to members	up	1.0%	to	88,019
Net profit for the period attributable to members	up	1.0%	to	88,019

Dividends and Distributions	Amount per security	Franked amount per security (at 30%)
Interim dividend - ordinary shares	6.0c	6.0c
Final dividend - ordinary shares	8.0c	8.0c
	<u>14.0c</u>	<u>14.0c</u>
Previous corresponding period		
Interim dividend	6.0c	6.0c
Final dividend	<u>10.0c</u>	<u>10.0c</u>
	<u>16.0c</u>	<u>16.0c</u>

Record date for determining entitlements:	Ordinary
Date payable:	21 September 2007
	5 October 2007

Note: The previous corresponding period is the financial year ended 30 June 2006.

Condensed consolidated income statement

	Note	2007 \$A'000	2006 \$A'000
Revenue	2(a)	689,895	637,583
Other operating income	2(b)	39,099	35,465
Expenses			
Changes in inventories of finished goods and work in progress		(6,975)	(5,043)
Raw materials and consumables used		(335,748)	(328,881)
Employee benefits expenses		(80,797)	(81,576)
Depreciation and amortisation		(18,716)	(18,042)
Freight and shipment costs		(15,572)	(20,940)
Sales and marketing costs		(36,672)	(21,342)
Other expenses		(70,585)	(43,767)
<b>Profit before financing costs</b>		<b>163,928</b>	<b>153,457</b>
Financial income		629	801
Financial expenses		(43,276)	(30,636)
<b>Net financing cost</b>		<b>(42,647)</b>	<b>(29,835)</b>
<b>Profit before tax</b>		<b>121,281</b>	<b>123,622</b>
Income tax expense		(33,262)	(36,435)
<b>Net profit attributable to members of the parent entity</b>		<b>88,019</b>	<b>87,187</b>

Earnings per share (EPS)

Basic EPS (cents)	24.0c	24.7c
Diluted EPS (cents)	22.2c	23.8c

The income statement is to be read in conjunction with the notes set out on pages 6 to 13.

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**Condensed consolidated statement of recognised income and expense**

	Note	Year ended Jun 2007 \$A'000	Year ended Jun 2006 \$A'000
Asset revaluation reserve - fair value adjustment		5,562	(60)
Foreign exchange hedge - fair value adjustment		(7,164)	-
FORESTS costs		-	(4,475)
Foreign exchange translation differences		<u>822</u>	<u>(929)</u>
<b>Net income recognised directly in equity</b>		<b>(780)</b>	<b>(5,464)</b>
<b>Profit for the period</b>		<b><u>88,019</u></b>	<b><u>87,187</u></b>
<b>Total recognised income and expense for the period</b>		<b><u>87,239</u></b>	<b><u>81,723</u></b>
<b>Total attributable to equity holders of the parent</b>		<b><u>87,239</u></b>	<b><u>81,723</u></b>

The condensed consolidated statement of recognised income and expense is to be read in conjunction with the notes set out on pages 6 to 13.

Condensed consolidated balance sheet

	Note	As at 30 Jun 2007 \$A'000	As at 30 Jun 2006 \$A'000
<b>Current assets</b>			
Cash and cash equivalents		17,913	5,434
Trade and other receivables		158,844	154,038
Inventories		109,287	118,516
Biological assets		17,626	25,718
Prepaid corporate tax		1,853	1,008
Other		786	622
<b>Total current assets</b>		<b>306,309</b>	<b>305,336</b>
<b>Non-current assets</b>			
Receivables		186,513	35,993
Inventories		12,030	11,945
Biological assets		236,014	227,749
Other financial assets		90,779	1,595
Property, plant and equipment		882,034	798,788
Intangible assets		3,849	3,022
Deferred tax assets		1,115	746
Other		82,655	61,866
<b>Total non-current assets</b>		<b>1,494,989</b>	<b>1,141,704</b>
<b>Total assets</b>		<b>1,801,298</b>	<b>1,447,040</b>
<b>Current liabilities</b>			
Trade and other payables		113,369	96,691
Interest-bearing loans and borrowings		39,328	128,367
Provisions		12,675	11,065
Other – deferred revenue		16,201	16,740
<b>Total current liabilities</b>		<b>181,573</b>	<b>252,863</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings		555,371	308,216
Deferred tax liabilities		177,793	154,359
Provisions		2,618	2,540
<b>Total non-current liabilities</b>		<b>735,782</b>	<b>465,115</b>
<b>Total liabilities</b>		<b>917,355</b>	<b>717,978</b>
<b>Net assets</b>		<b>883,943</b>	<b>729,062</b>
<b>Equity</b>			
Issued capital	6	457,913	327,907
Reserves		211,141	211,921
Retained earnings	7	214,889	189,234
<b>Total equity</b>		<b>883,943</b>	<b>729,062</b>

The balance sheet is to be read in conjunction with the notes set out on pages 6 to 13.

## Condensed consolidated statement of cash flows

	2007 \$A'000	2006 \$A'000
<b>Cash flows related to operating activities</b>		
Cash receipts in the course of operations	627,241	653,935
Cash receipts in the course of operations - woodlot financing	26,909	26,875
Cash receipts from loan securitisation	22,721	-
Cash payments in the course of operations	(604,310)	(553,714)
Dividends received	57	55
Interest received	629	801
Interest paid	(38,915)	(23,428)
Income taxes paid	(13,333)	(37,616)
<b>Net cash provided by operating activities</b>	<b>21,000</b>	<b>66,908</b>
<b>Cash flows related to investing activities</b>		
Proceeds on disposal of non-current assets	2,398	2,008
Payment for purchases of property, plant and equipment	(81,337)	(123,122)
Payment for standing timber and plantation establishment	(12,461)	(18,496)
Payments for investments	(52,350)	-
Payments for woodlot development expenditure	(24,863)	(17,854)
<b>Net cash used in investing activities</b>	<b>(168,613)</b>	<b>(157,464)</b>
<b>Cash flows related to financing activities</b>		
Net proceeds from the issue of FORESTS	-	115,525
Net proceeds from the issue of ordinary shares	50,400	-
Proceeds from borrowings	665,549	130,920
Repayment of borrowings	(508,330)	(114,263)
Finance lease payments	(4,702)	(2,073)
Dividends/distributions paid	(18,864)	(49,183)
Payments for borrowing costs	(5,301)	-
<b>Net cash provided by financing activities</b>	<b>178,751</b>	<b>80,926</b>
Net (decrease) in cash and cash equivalents held	31,138	(9,630)
Cash and cash equivalents at beginning of period	(17,756)	(8,126)
<b>Cash and cash equivalents at end of period</b>	<b>13,382</b>	<b>(17,756)</b>

The statement of cash flows is to be read in conjunction with the notes set out on pages 6 to 13.

## 1. Significant accounting policies

### a. Reporting entity

Gunns Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated financial report of the Company for the year ended 30 June 2007 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity') and the consolidated entity's interests in associates and jointly controlled entities.

The consolidated annual financial report of the consolidated entity is available on request from the Company's registered office at 78 Lindsay Street, Launceston, Tasmania, 7250 or at [www.gunns.com.au](http://www.gunns.com.au).

### b. Statement of Compliance

The condensed consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS (AIFRS). The condensed consolidated financial report of the consolidated entity also complies with IFRS and interpretations adopted by the International Accounting Standards Board.

The condensed consolidated financial report does not include all of the information required for a full annual financial report.

This consolidated financial report was approved by the Board of Directors on 30 August 2007.

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

### c. Significant Accounting Policies

The accounting policies applied by the consolidated entity in this condensed 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 2006.

### d. Estimates

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.

The significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2006.

### e. Financial Risk Management

The consolidated entity's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 30 June 2006.

## 2. Revenue

	2007 \$A'000	2006 \$A'000
<b>(a) Revenue</b>		
Sale of goods revenue from operating activities	493,668	475,113
Rendering of services revenue from operating activities	196,170	162,415
Total revenue from operating activities	<u>689,838</u>	<u>637,528</u>
<b>Other revenues:</b>		
Dividends:		
Other parties	57	55
<b>Total revenue</b>	<u>689,895</u>	<u>637,583</u>

## (b) Other operating income

Gain from change in net market value of biological assets	17,766	31,133
Gain from change in net market value of interest rate swaps	16,697	-
Profit on sale of non-current assets	-	680
Other revenues	4,636	3,652
<b>Total other operating income</b>	<u>39,099</u>	<u>35,465</u>

## 3. Profit before income tax expense

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

Cost of goods sold	<u>480,534</u>	<u>446,031</u>
Loss on sale of non-current assets	<u>664</u>	<u>-</u>
Depreciation of:		
Buildings	1,598	1,353
Plant and equipment	11,194	9,074
Amortisation of:		
Forest roads	5,923	7,614
Intangible assets	1	1
Total depreciation and amortisation	<u>18,716</u>	<u>18,042</u>
Borrowing costs:		
Bank loans and overdrafts, other loans and deposit scheme	41,636	29,854
Finance charges on capitalised leases	1,641	782
Capitalised borrowing costs	1,850	717
	<u>45,126</u>	<u>31,353</u>
Net bad and doubtful debts expense including movements in provision for doubtful debts	<u>2,746</u>	<u>(382)</u>
Net expense/(credit) from movements in provision for:		
Employee entitlements	<u>690</u>	<u>(29)</u>
Operating lease rental expense:		
Minimum lease payments	<u>5,989</u>	<u>5,296</u>
Net foreign exchange loss/(gain) - other	<u>1,134</u>	<u>(43)</u>



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**4. Earnings per share (EPS)**

	<b>2007</b>	2006
Weighted average number of shares used as the denominator		
Number for basic earnings per share	352,215,187	339,112,188
Effect of FORESTS	43,799,617	26,626,230
Number for diluted earnings per share	396,014,804	365,738,418

**Earnings reconciliation**

	<b>\$A'000</b>	<b>\$A'000</b>
Net profit	88,019	87,187
After-tax effect of earnings on FORESTS on issue	(3,664)	(3,403)
Basic earnings	<u>84,355</u>	<u>83,784</u>
Diluted earnings	<u>88,019</u>	<u>87,187</u>
Basic earnings per share	24.0c	24.7c
Diluted earnings per share	22.2c	23.8c

**5. Segment Reporting**

**Primary Reporting  
Business Segments**

	<b>Forest Products</b>	<b>Managed Investment Schemes</b>	<b>Other</b>	<b>Consolidated Total</b>
	<b>Jun 2007 \$'000</b>	<b>Jun 2007 \$'000</b>	<b>Jun 2007 \$'000</b>	<b>Jun 2007 \$'000</b>
<b>Segment Revenue *</b>	431,478	152,450	105,910	689,838
Unallocated revenue				<u>57</u>
				<u>689,895</u>
<b>Segment Results</b>	61,717	77,299	6,025	145,041
Unallocated revenue/(cost)				18,887
Net financing costs				<u>(42,647)</u>
Profit before income tax expense				<u>121,281</u>
Income tax expense				<u>(33,262)</u>
Net profit				<u>88,019</u>
<b>Segment Assets</b>	1,425,282	296,240	76,808	1,798,330
Unallocated assets				2,968
Consolidated Total assets				<u>1,801,298</u>
<b>Segment Liabilities</b>	490,852	237,257	11,453	739,562
Unallocated liabilities				<u>177,793</u>
Consolidated total liabilities				<u>917,355</u>
<b>Other Segment Information</b>				
Acquisition of segment assets	177,703	24,648	8,613	210,964
Depreciation and amortisation	17,403	5	1,308	18,716
Harvest of biological assets	(29,794)	-	-	(29,794)
Change in fair value of biological assets	16,000	-	1,766	17,766

**Secondary Reporting  
Geographical Segments**

	<b>Australia &amp; NZ</b>	<b>Asia</b>	<b>Other</b>	<b>Consolidated Total</b>
	<b>Jun 2007 \$'000</b>	<b>Jun 2007 \$'000</b>	<b>Jun 2007 \$'000</b>	<b>Jun 2007 \$'000</b>
Segment revenue *	346,185	332,763	10,947	689,895
Segment assets	1,801,298	-	-	1,801,298
Acquisition of segment assets	210,964	-	-	210,964

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

5. SEGMENT REPORTING (continued)

**Primary Reporting  
Business Segments**

	Forest Products	Managed Investment Schemes	Other	Consolidated Total
	Jun 2006 \$'000	Jun 2006 \$'000	Jun 2006 \$'000	Jun 2006 \$'000
<b>Segment Revenue *</b>	414,038	124,380	99,110	637,529
Unallocated revenue				55
				<u>637,584</u>
<b>Segment Results</b>	73,884	74,261	4,655	152,800
Unallocated revenue/(cost)				657
Net financing costs				<u>(29,835)</u>
Profit before income tax expense				123,622
Income tax expense				<u>(36,435)</u>
Net profit				<u>87,187</u>
<b>Segment Assets</b>	1,237,787	146,101	61,398	1,445,286
Unallocated assets				1,754
Consolidated Total assets				<u>1,447,040</u>
<b>Segment Liabilities</b>	487,237	74,107	2,274	563,619
Unallocated liabilities				154,359
Consolidated Total liabilities				<u>717,978</u>
<b>Other Segment Information</b>				
Acquisition of segment assets	144,565	9,385	3,514	157,464
Depreciation and amortisation	15,761	10	2,271	18,042
Harvest of biological assets	(31,653)	-	(1,012)	(32,665)
Change in fair value of biological assets	30,707	-	426	31,133

**Secondary Reporting  
Geographical Segments**

	Australia & NZ	Asia	Other	Consolidated Total
	Jun 2006 \$'000	Jun 2006 \$'000	Jun 2006 \$'000	Jun 2006 \$'000
Segment revenue *	314,624	314,519	8,440	637,583
Segment assets	1,447,040	-	-	1,447,040
Acquisition of segment assets	157,464	-	-	157,464

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

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**6. Contributed equity**

	<b>2007 \$A'000</b>	<b>2006 \$A'000</b>
<b>Issued and paid-up share capital</b>		
382,969,165 (2006: 339,112,188) ordinary shares	342,388	212,382
1,200,000 (2006:1,200,000) FORESTS	115,525	115,525
	<u>457,913</u>	<u>327,907</u>
<b>Movement in share capital</b>		
Balance at the beginning of the year	327,907	212,382
Securities issued		
- Nil FORESTS (2006:1,200,000) as a result of issue of securities	-	120,000
- FORESTS transaction costs	-	(4,475)
- 18,113,980 ordinary shares (2006:nil) from Dividend Reinvestment Plan	43,502	-
- 10,742,997 ordinary shares (2006: nil) as consideration for share purchase	36,104	-
- 15,000,000 ordinary shares (2006: nil) from share placement	50,400	-
Balance at end of the year	<u>457,913</u>	<u>327,907</u>

On 31 May 2007, 10,742,997 shares were issued to shareholders of Auspine Limited as consideration for the purchase of their shares as part of a tender process. 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 in certain circumstances.

**7. Statement of retained profits**

	<b>2007 \$A'000</b>	<b>2006 \$A'000</b>
Notes		
Retained profits at beginning of the year	189,234	168,330
Net profit attributable to members of the parent entity	88,019	87,187
Transfer to reserves	-	(17,100)
Dividends recognised during the year	8 <u>(62,365)</u>	<u>(49,183)</u>
Retained profits at the end of the half year	<u>214,888</u>	<u>189,234</u>

## 8. Dividends and distributions

The Dividend Reinvestment Plan was reactivated for the October 2006 final ordinary dividend and the April 2007 interim ordinary dividend. The closing dates for participation election notices to be received were 22 September 2006 and 22 March 2007 respectively.

Dividends paid or provided for in the current and comparatives periods by Gunns Limited are:

	Cents per security	Total amount \$'000	Date of payment	Percentage franked
<b>2007</b>				
April quarter - FORESTS	154.48c	1,854	16 Apr 07	100%
Interim -Ordinary	6.00c	21,224	5 Apr 07	100%
January quarter - FORESTS	154.62c	1,855	15 Jan 07	100%
October quarter - FORESTS	150.85c	1,810	13 Oct 06	100%
Final - ordinary	10.00c	33,911	6 Oct 06	100%
July quarter - FORESTS	142.58c	1,711	14 Jul 06	100%
<b>2006</b>				
April quarter - FORESTS	140.21c	1,683	13 Apr 06	100%
Interim -Ordinary	6.00c	20,347	7 Apr 06	100%
January quarter - FORESTS	143.33c	1,720	16 Jan 06	100%
Final - ordinary	7.50c	25,433	7 Oct 05	100%

Franked dividends were franked at the tax rate of 30%.

### Subsequent events

Since the end of the year, the directors have declared:

- final dividend on ordinary shares	8c	30,637	5 Oct 07	100%
- quarterly distribution on FORESTS	157.59c	1,891	16-Jul-07	100%
- quarterly distribution on FORESTS	157.62c	1,891	15-Oct-07	100%

The financial effect of the above have not been brought to account in the consolidated entity's financial statements for the year ended 30 June 2007 and will be recognised in subsequent financial reports. The record date to determine entitlements to the final dividend is 21 September 2007.

## 9. Control gained or lost over entities during the period

Name of entity (or group of entities)	LBVIC Pty Ltd	MMVIC Pty Ltd	KVVIC Pty Ltd
Date of the gain or loss of control	15-Dec-06	15-Dec-06	21-Jun-07
The contribution of such entities to the reporting entity's profit from ordinary activities during the period	Nil	Nil	Nil
The profit or loss of such entities during the whole of the previous corresponding period	Nil	Nil	Nil

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**10. Investments in associates and joint venture entities**

<u>Name</u>	<u>Principal activity</u>	<u>Ownership interest</u>		<u>Share of net profits</u>	
		<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
				<b>\$'000</b>	<b>\$'000</b>
Tamar Tree Farms	Plantation establishment	62%	62%	-	-
Plantation Platform of Tasmania	Plantation establishment	15%	15%	-	-
Australian Forestry Plantations Trust	Land leasing	30%	-	-	-

**11. Notes to the statement of cash flows**

	<b>2007</b>	<b>2006</b>
	<b>\$A'000</b>	<b>\$A'000</b>
Reconciliation of cash		
Cash assets	17,913	5,434
Bank overdraft	(4,531)	(23,190)
Total cash at end of period	<u>13,382</u>	<u>(17,756)</u>

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

Profit after income tax	88,019	87,187
Add/(less) items classified as investing/ financing activities:		
(Profit)/loss on sale of non-current assets	664	(680)
Net (Increment)/Decrement - NMV of standing timber and grape vines	12,303	1,531
Add/(less) non-cash items:		
Amortisation of goodwill	1	1
Hedge revaluation	(16,697)	-
Revaluation of assets through profit and loss statement	(499)	(272)
Deferred tax impact of asset revaluations	(2,384)	-
Amounts set aside to provision for doubtful debts, loans and claims	2,468	(593)
Depreciation and amortisation of property, plant, equipment and forest roads	18,715	18,041
Amounts set aside for other provisions	1,001	(77)
Amortisation of borrowing costs	4,362	2,152
(Increase)/decrease in income taxes payable	(845)	(20,073)
(Decrease)/increase in deferred taxes payable	23,434	19,162
(Increase)/decrease in deferred tax assets	(369)	(272)
Net cash provided by operating activities before change in assets and liabilities	130,173	106,107
Change in assets and liabilities during the financial year:		
(Increase)/decrease in inventories	9,144	(2,980)
(Increase)/decrease in prepayments	(164)	6
(Increase)/decrease in receivables	(135,069)	(18,201)
(Decrease)/increase in accounts payable	16,767	15,896
(Decrease)/increase in deferred revenue	(540)	(33,893)
(Decrease)/increase in provisions for employee benefits	689	(27)
Net cash provided by operating activities	<u>21,000</u>	<u>66,908</u>

**12. NTA backing**

	<b>2007</b>	<b>2006</b>
Net tangible asset backing per ordinary share (\$)	2.50	2.15

### 13. Investments

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) 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.

Subsequent to the tender acquisition Gunns Limited has made an off market offer to acquire all of the shares in Auspine Limited. This offer is in identical terms to the tender offer, that is \$6.15 cash or 1.83 Gunns Limited shares per Auspine share.

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

As at the date of issue of this report the Gunns Limited interest in Auspine Limited had increased to 52.2%. The off market offer is scheduled to close on 31 August 2007. Consideration for shares acquired subsequent to the tender offer has been in the form of cash (\$62.1m) and issue of Gunns Limited shares (5.3m shares).

As at the date of issue of this report it is impractical for Gunns Limited to provide information relating to the revenue or profit and loss of the Auspine Limited in the period subsequent to the share acquisition as it does not have access to management information for the relevant period.

### 14. Annual meeting

The annual meeting will be held as follows:

Place

Gunns Limited  
Lindsay Street  
Launceston Tas. 7250

Date

22 November 2007

Time

10.30 a.m.

Approximate date the annual report will be available

27 September 2007

### 15. Compliance statement

1. This report, and the accounts upon which the report is based, use the same accounting policies.

2. This report does give a true and fair view of the matters disclosed.

3. This report is based on accounts to which one of the following applies:

The accounts have been audited.

☐

The accounts have been  
subject to review.

☐

The accounts are in the process of being audited.

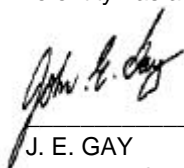
☒

The accounts have not yet  
been audited or reviewed.

☐

4. If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available.

5. The entity has a formally constituted audit committee.

  
J. E. GAY  
Executive Chairman

Date: 30 August 2007

**STATEMENT BY THE EXECUTIVE CHAIRMAN,**  
**MR. J. E. GAY ON BEHALF OF**  
**THE BOARD OF DIRECTORS**

**RESULTS FOR THE YEAR ENDED 30 JUNE 2007**

Gunns Limited has recorded a net profit after tax for the year ended 30 June 2007 of \$88.0 million (last year \$87.2m).

Earnings before interest and tax increased by 6.8% to \$163.9m

Revenue from ordinary activities for the year increased by 8.2% to \$690m.

Net profit after tax for the second half of \$67.5 million compares to \$20.5m in the first half and \$61.3m in the prior year comparative period.

Earnings per share of 24.0 cents compares to 24.7 cents in the prior year.

Net operating cash flow for the year of \$21.0m compares to \$66.9m in the prior year.

Reported earnings include a gain of \$16.7m from revaluation of an interest rate swap facility and a write-off of costs associated with the group refinancing of \$1.9m.

**DIVIDEND**

The Directors have declared a fully franked final dividend of 8 cents per share. The dividend will be paid on 5 October 2007. This payment brings the total ordinary dividend for the year to 14 cents per share. The record date for the payment is 21 September 2007. The dividend payment brings the annual payout ratio to 58.3%. The Company dividend re-investment plan (DRP) will be re-activated for the dividend payment.

**REVIEW OF OPERATIONS**

*FOREST PRODUCTS*

Forest products revenue at \$431m was 4% up on the prior year result. While reported earnings at \$61.7m were less than the prior year result of \$73.8m this was largely attributable to a reduction in the forest revaluation increment for the year by \$14.7m in comparison to the 2006 year. Woodchip sales volume for the year at 3.4m gmt compared to 3.5m gmt in the prior year. Margins on woodchip sales improved in the course of the year with reduced operating costs and the positive impact of a benchmark price increase

achieved for the 2007 calendar year. Solid wood product operations continued to experience difficult trading conditions. Domestic sales remain under competitive pressure with low activity levels in Victorian and New South Wales markets.

The outlook for export markets for forest products is improved with current indications of an increased woodchip export volume in the first half of the 2008 year. The recent weakness in the Australian dollar and an apparent tightening of supply across the market is positive for the 2008 sales outlook.

#### *MANAGED INVESTMENTS*

The managed investment business recorded a substantial increase in revenue for the year, up by 23% to \$152.5m. The earnings result of \$77.3m compares to \$74.2m in the prior year and includes earnings before interest and tax from investor financing of \$5.8m. The increased revenue reflects the development of over 21,000 hectares of plantation woodlots in the year. The operating margin for the business was consistent with the 2006 year. Sales under the walnut project did not meet expectations. Investor sentiment towards the product was adversely impacted by concerns with the future of horticultural MIS products in light of anticipated regulatory changes and uncertainty during the key selling period as to water availability for irrigated crops. Development of capital infrastructure at the site has proceeded with the project re-opened to investors for the 2008 year.

#### *OTHER BUSINESSES*

The Tasmanian based merchandising, construction and wine businesses recorded a 7% increase in revenue over the prior year. Construction and merchandising revenue was consistent with the prior year. The growth of Tamar Ridge Wines has continued with annual case sales increasing by 28% to 58,000. The Tamar Ridge brands continue to enjoy strong support and growth leading into a significant expansion over the next three years as recent vineyard developments come into full production.

#### *PULP MILL PROJECT*

Approvals for the Bell Bay pulp mill project are currently under consideration by the Tasmanian State parliament and Federal government. The State approval process is expected to be completed by the end of August 2007 with an outcome from the Federal assessment not expected until October 2007. The Federal assessment has been extended following a further round of public comment on Draft Permit Conditions which are due to close on 31 August 2007. Costs capitalised to date are \$51.5m.

#### *AUSPINE BID*

On 15 May 2007 Gunns Limited acquired a 25% 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 \$83.3m. Consideration was paid in the form of cash (\$47.2m) and the issue of 10.7m Gunns Limited shares. The cash consideration was subsequently funded by the placement of 15m 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.



Subsequent to the tender acquisition Gunns Limited has made an off market offer to acquire all of the shares in Auspine Limited. This offer is in identical terms to the tender offer, that is \$6.15 cash or 1.83 Gunns Limited shares per Auspine share.

As at the date of issue of this report the Gunns Limited interest in Auspine Limited had increased to 52.2%. The off market offer is scheduled to close on 31 August 2007.

Consideration for shares acquired subsequent to the tender offer has been in the form of cash (\$62.5m) and issue of Gunns Limited shares (5.9m shares).

## **OUTLOOK**

Continued improvements in earnings for the forest products business will be largely influenced by our international competitive position. The recent decline in the \$A value against the \$US is positive for export business. There are indications of tightening supply from competing supply regions which provide reason for an improved outlook for the 2008 year.

Current indications are that trading conditions in the domestic timber market will not improve in the first half of 2008.

The Company will be seeking to generate earnings from the acquisition of the Auspine interest. It is our intention to initiate a strategic review with Auspine management to identify potential synergy benefits within the timber and forestry operations.



**J. E. GAY**  
**EXECUTIVE CHAIRMAN**

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