TIMBERCORP
AGRIBUSINESS
INVESTMENT MANAGERS

Timbercorp Limited ABN 87 055 185 067
ASX Announcement

2008 Full Year Results, 2009 Outlook and Strategy

27 November 2008

Timbercorp Limited (ASX: TIM)

Financial highlights, year ended 30 September 2008

Financial statements	
Total revenue	$494.4m (up 9%)
Annuity style revenue	$321.5m (up 32.1%)
Net profit after tax	$44.6m (down 32.1%)
Net assets	$596m (up 14.6%)

Earnings per share (EPS)	
Basic EPS	13.1 cents per share (down 42.5%)
Diluted EPS	9.3 cents per share (down 57.1%)

2008 Full Year Result

Timbercorp Limited (ASX: TIM), today reported a full year net profit after tax of $44.6 million for the year ended 30 September 2008, 32.1% lower than the previous year.

Total revenue increased to a record $494.4m, up 9% on the previous corresponding period. Continued growth was recorded in the Company's annuity-style revenue, which increased 32.1% to $321.5m and made a greater contribution to overall earnings.

New business revenue for the year to 30 September 2008 was $119.7m, 16.3% lower than the $143m reported in the previous year due to a reduction in the size of horticulture managed investment scheme (MIS) products Timbercorp offered to the market in 2008.

Timbercorp's Chief Executive Officer, Sol Rabinowicz, said the Company's profit was also reduced by provisions and write-offs made during the year.

These provisions included a $16.4m provision for the Company's table grape projects (lower than the $19m estimated previously), and an $8m increase in the provision for doubtful debts to reflect current economic conditions. He said the table grape provision reflected Timbercorp's willingness to address underperforming assets in order to improve long-term productivity.

Profit was also impacted by an $18.4m increase in borrowing costs and increases in the fair value of agricultural assets and investment property were $9m lower this year, reflecting current market conditions. Mr Rabinowicz said the Company's total revenue was the highest on record, with annuity style revenues, generated through recurring revenue streams such as rent, management fees and finance income, exceeding $321 million. EBIT from annuity-style revenue was $72.6m, up 8.5% on last year despite the offsetting increases in provisions. The Company expects continued increases in annuity-style revenue to more than $360m in 2009 and more than $400m in 2010 irrespective of new sales.

Revenues from industrial operations, such as tree harvesting and olive oil processing, increased 5.5% to $34.4m. However, revenue generated from asset development was a modest $6.7m in line with the Company's reduced capital expenditure program on behalf of the Timbercorp Orchard and Primary Infrastructure Funds. Mr Rabinowicz said he expected industrial operations revenue to increase as harvesting of the plantation forestry estate continues in Western Australia and commences in Victoria and South Australia. Industrial operations revenue from olive oil processing is also expected to grow as the groves mature and olive oil volumes increase.

While gearing levels were slightly lower at 151.6% (net debt/equity) or 61.1% (debt/debt+equity), challenging market conditions delayed the planned sale of assets to the Timbercorp Primary Infrastructure Fund.

Following the delayed sales and lower than expected 2008 earnings, the Company restructured its borrowing arrangements with some of its lenders. These arrangements incorporate the Company's plans to sell selected assets and apply a portion of the proceeds to substantially reduce debt. Preparation for the sale of assets has been made with around $280m of forestry assets and around $200m in select horticulture assets either held or considered for sale over the next 12 months. The assets have already attracted interest from a number of prospective buyers.

The assets held for sale of $376 (2007: $89m) take total current assets to $630.8m, up from $339.1m. The Company's total assets are $1.7 billion, up from $1.6 billion. Net assets increased to $595.6m, up $75m or 14.6%.

Total current liabilities increased to $684.2m partly due to the $127.4m of debt associated with assets which are now held for sale and $69m for Timbercorp's reset preference shares, which are either repayable or convert to ordinary shares on 30 September 2009. In addition, bank facilities of $235m have been classified as current liabilities in the absence of waivers of certain covenants at that time. Subsequent to the reporting date, these covenants were waived.

Cash at 30 September 2008 was $32.6m, compared to $45m in 2007.

The Company determined not to pay a final dividend leaving the full year dividend at 1.5c (2007:7.0c).

Outlook

Over the past three months the Board has undertaken a major strategic review designed to identify a structure and strategy that will underpin the future growth and outlook of the Company. The review is well advanced and has identified the need to reduce debt and to reduce the capital intensity of the existing business.

"The Board has determined that the best course of action is to move away from its current focus on investment management and transform the Company into a more fully integrated agribusiness company.

"We will initially leverage our industry-leading portfolio of horticultural and forestry assets and skills to transform into an integrated horticultural business while continuing to grow our forestry business," he said.

"We believe that this strategy will position Timbercorp for future growth in the medium to long-term," Mr Rabinowicz said.

In line with this strategy and in order to achieve the outcomes identified in the review so far, the Company had decided to:

- Stand out of the MIS market in 2009 due to a combination of regulatory constraints in non-forestry MIS and the current economic environment. The company will reconsider MIS in the context of the full review and prevailing market conditions;
- Sell its forestry land portfolio through a sale and leaseback transaction, with a portion of the proceeds from the sale to be used to substantially repay debt and to fund Timbercorp's capital commitments in FY2009 and FY2010. Under the leases, the land will remain available to the Company for use in its existing forestry business and for successive rotations;
- Rationalise horticultural assets, by selling selected sites through a sale and leaseback transaction, with the proceeds used to reduce debt and pursue growth options. Horticultural assets considered to be strategic will be retained;
- Introduce new skills in agribusiness to the Board and Executive team and reduce corporate costs further in FY2009; and
- Investigate further a number of other options that have been identified in order to accelerate its strategy to focus on and grow its horticultural business.

Timbercorp has appointed Goldman Sachs JBWere to assist it in implementing its strategic plan, to facilitate the sale of the land portfolio and selected horticultural assets and to assess how best to fund the Company's future growth strategy.

"In this environment, Timbercorp believes it is better served focusing on maximising value from its existing asset base, reducing debt and growing annuity revenues," Mr Rabinowicz said.

"While the decision to stand out of the MIS market in 2009 would significantly reduce earnings in 2009, we expect strong earnings growth from 2010 before allowing for any revenue from new sales, generated by increasing annuity-style revenues from maturing farm assets and industrial operations revenues."

"We have a world class portfolio of horticultural assets and investments that generate recurrent revenues with organic growth locked in over the long-term. Despite some short-term impact, these decisions will consolidate our position as the leading horticulture and forestry company in Australia and a significant operator in a global context," Mr Rabinowicz said.

ENDS

For further information visit timbercorp.com.au or call:

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About Timbercorp Limited (ASX:TIM):

Timbercorp creates wealth through high quality agricultural projects developed on a world scale to meet global demand. With fully integrated operations, Timbercorp actively manages the entire agricultural project cycle on behalf of its grower investors. This encompasses the establishment, financing and marketing of projects through to harvesting, processing and end-sales.

Since establishment in 1992, Timbercorp has raised more than $1.7 billion in funds for investment in agribusiness. The company's portfolio of managed agribusiness assets (including established and committed plantings) consists of more than 96,000 hectares of eucalypt plantations, 6,622 hectares of olive groves, 11,862 hectares of almond orchards, 1,345 hectares of citrus orchards, 412 hectares of table grape vineyards, 816 hectares of mango orchards, 1,207 hectares of avocado orchards and 8.2 hectares of glasshouse tomatoes. With net assets of $595 million, Timbercorp generates a mix of strong recurrent revenue streams.

Timbercorp Limited

(ABN 87 055 185 067)

Appendix 4E

Preliminary Final Report for the Financial Year Ended 30 September 2008

This preliminary final report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.

Current Reporting Period:	Financial Year ended 30 September 2008
Previous Corresponding Period:	Financial Year ended 30 September 2007

Results for announcement to the market for the financial year ended 30 September 2008

Revenue and Net Profit

	Percentage change			2008 $'000
New business revenue	Down	16.3%	to	119,780
Annuity style income revenue	Up	32.1%	to	321,516
Industrial operations – processing	Up	5.5%	to	34,393
Industrial operations – asset development	Down	72.0%	to	6,748
Corporate and unallocated revenue	Up	14.3%	to	11,998
Total revenue	Up	9.0%	to	494,435
Net profit before tax	Down	35.2%	to	59,778
Net profit after tax	Down	37.3%	to	41,639
Net profit after tax and minority interests	Down	32.1%	to	44,607

Earnings Per Share	**30 Sep 2008**	**30 Sep 2007**
Basic EPS	13.09 ¢	22.75 ¢
Diluted EPS	9.30 ¢	21.70 ¢

Net Tangible Asset Per Security	**30 Sep 2008**	**30 Sep 2007**
Net tangible asset backing per ordinary security*	130.4 ¢	131.0 ¢
Net asset backing per ordinary security	164.8¢	163.3 ¢

* Permanent water rights have been reclassified from property plant and equipment to intangibles and are therefore excluded from the net tangible asset backing per ordinary security calculation. Refer to Note 1 of the financial statements for further detail in relation to the reclassification.

Dividends	**Amount per security**	**Franked amount per security**
Final dividend	-	-
Interim dividend	1.50 ¢	100 %
Total dividends paid / declared	1.50 ¢	100 %

AGM Details

The annual general meeting will be held as follows:

Place	The Auditorium, Sofitel, Melbourne
Date	27 February 2009
Time	10.30 am

Results for announcement to the market for the financial year ended 30 September 2008

Commentary on results

Financial

For the year ended 30 September 2008, net profit after tax and minority interests for the year fell 32.1% to $44.607 million. The lower profit led to a fall in basic earnings per share (EPS), down 42.5% to 13.09 cents. Diluted EPS decreased by 57.1% to 9.30 cents after taking into account the potential dilutionary impact of the Reset Preference Shares and Subordinated Unsecured Notes on issue (both based on conversion at 66c per share). Return on equity was 7.5% compared to 13.8% previously.

New business segment revenues and EBIT contributions were down 16.3% and 12.7% respectively. Horticulture new business revenues were down due to reduced horticultural project offerings this year, comprising the balance of the 2007 almond and olive plantings. Forestry new business revenues were up 24.6%, despite the challenging sales environment. New business margins improved from 55.0% to 57.3% this year, as a result of forestry plantation cost efficiencies and the inclusion of established horticultural assets, although partly offset by increased product selling and distribution cost.

Annuity style segment revenues continued to grow, increasing 32.1% to $321.516 million, and EBIT contributions increased by 8.5% to $72.635 million after allowing for the following significant items:

- Table Grape operating losses including onerous contract provisions

  $22.200 million (2007: $13.200 million)

- Share of losses – Costa Exchange Holdings Pty Ltd

  $2.239 million (2007: $3.091 million profit)

- Glasshouse Tomato writedowns & share of operating losses

  $3.959 million (2007: Nil)

- Doubtful debt expense (loan and project receivables)

  $7.982 million (2007: $4.359 million)

Importantly, annuity-style revenues are expected to increase to more than $360 million in 2009.

Table Grape Provision: The table grape provision relates to two table grape projects offered by the company in 2004 and 2005, covering an area of 412 hectares. Table grapes comprise less than 5% of the total horticultural investment offerings. Over the past two years, Timbercorp has removed and replaced most of the varieties initially planted to improve performance of the table grape assets, however further capital works are still required. Given mature crops for the new varieties will not be achieved for up to three years and during the intervening period there will be on-going farm management and rental obligations, an onerous contract provision of $16.400 million (2007: $5.599 million) has been raised.

Costa Exchange: This year a $2.239 million loss was recorded against the 35% holding in Costa Exchange Holdings Pty Ltd, after that entity allowed for goodwill impairment of $18.031 million, of which Timbercorp has a 35% or a $6.311 million share. The goodwill impairment is a one-off charge that relates to two businesses which were transferred to Costa Exchange Limited in July 2008 as part of an internal restructure. The restructure is seen as a positive transaction which will generate operational efficiencies within the Costa Exchange Group. The share of Costa Exchange earnings before goodwill impairment was $4.072 million representing a 31.7% increase on the prior year.

Glasshouse Tomatoes: The 25% joint venture interest in a tomato glasshouse at Two Wells, South Australia, produced operating losses of $1.259 million for Timbercorp in 2008. The carrying value of the joint venture investment was written down by $2.700 million; largely as a result of capital cost overruns on stage one of the glasshouse. Despite some initial operational problems in the first full year of production, the joint venture partners are confident in relation to the long term prospects of this venture which include a proposed stage 2 expansion to increase glasshouse operations from 8 hectares to between 12 and 16 hectares.

Doubtful debts: The provision for doubtful debts stands at $17.514 million representing 3.5% (2007: 2.5%) of total grower loan and project receivables. Doubtful debts expense increased to $7.982 million from $4.359 million in 2007 reflecting the tightening economic conditions.

Overall the annuity revenue EBIT margins were 22.6% after taking into account the aforementioned items, compared to 27.5% recorded in the previous year.

Commentary on results (continued)

Industrial segment revenues were down 27.4% at $41.141 million largely due to an expected reduction in asset development activity (which generate low margins) on behalf of the Timbercorp Orchard Trust and the Timbercorp Primary Infrastructure Fund. Forestry and olive industrial processing revenues, however were up 5.5% on the previous year and it is pleasing to note a positive EBIT contribution from olive oil processing activities due to volume increases. The forestry industrial EBIT margins were a satisfactory 11.9% and remain in excess of $7.00 per gross metric tonne. Overall industrial EBIT margins increased to 9.5% from 7.1% in 2007.

Agricultural assets and investment property are recorded at fair value, with any increments or decrements taken to the profit and loss account. Agricultural assets include Timbercorp owned lots in various horticultural and forestry projects, trees relating to assets leased to growers in various horticultural projects and horticultural and forestry "company" plantings. Investment property relates to freehold forestry plantation land, which this year has been reclassified to assets held for sale. The fair value increments taken to the profit and loss account were $0.579 million, compared to $10.284 million in the previous period. The key factors affecting the measurement of fair value included holding forestry land values at similar values to the previous year and thereby maintaining these values substantially below the current values of unencumbered land suitable for forestry plantations. Fair value increments were also affected by allowing for temporary water costs attributable to horticulture company plantings and owned lots, together with a review of carrying values of horticulture tree stocks.

Borrowing and finance charges increased from $63.587 million to $81.955 million based on an average cost of debt of 9.3% per annum (2007: 8.6% per annum) and a net $71.903 million increase in overall debt. This increased debt was largely used to finance further increases in the grower loan book of $75.655 million. Gearing levels (net debt/equity) were slightly lower at 151.6% (2007: 157.5%) on a basis or 61.1% (debt /debt + equity) (2007: 62.4%). However, challenging market conditions delayed the planned sale of assets to the Timbercorp Primary Infrastructure Fund preventing the reduction of gearing to lower levels. Simple interest cover calculated by taking EBIT/Total Borrowing Costs is 1.7 times (2007: 2.4 times).

The loss attributable to minority interests of $2.968 million relates to the Plantation Land Limited (PLL) shareholders. PLL owns forestry land that is leased to Timbercorp (or its wholly owned subsidiary Timbercorp Securities Limited) and sub-let under its forestry projects. The initial purchase of the land by PLL was financed by the issue of stapled securities comprising unsecured notes (Notes) and ordinary PLL shares. As a result of Timbercorp providing a guarantee on the value of land held by PLL in favour of the PLL security holders, PLL is considered to be a controlled entity and therefore forms part of the Timbercorp consolidated financial statements. The Notes matured on 30 June 2008 and are fully repayable by 30 June 2009 from the proceeds from the sale of each property in the land portfolio. Timbercorp guarantees any shortfall of initial cost to sale price. Timbercorp also held an option to acquire all or some of the land portfolio which it has exercised in relation to all but five of the properties.

In September 2008, Timbercorp entered into an unconditional contract to purchase the majority of the land portfolio at the independent valuation of each property. For some properties, the valuation is lower than the carrying value of the land (but still well above the original cost of the land). The loss attributable to minority interests this year reflects a partial reversal of fair value increments recognised in previous financial periods in the PLL accounts. The carrying value of the PLL land portfolio for Timbercorp does not reflect the internal leasing arrangements between a parent and controlled entity and therefore differs from the independent valuation referred to above. The PLL Notes are included as a current liability and the land is included with the balance of Timbercorp forestry land under the heading of assets held for resale.

Operating cash outflows of $31.743 million compare favourably to the $44.725 million outflow recorded in 2007. This is largely due to a significant reduction in income tax payments. The negative operating cash flows principally reflect lower earnings and the continued investment in the grower loan book of $75.655 million. Net assets increased to $595.593 million, up $75.809 million or 14.6% from 30 September 2007. Net tangible asset backing per share now stands at 130.4 cents compared to 131.0 cents previously. It is important to note that following consultation with the Australian Securities and Investment Commission and an internal review, the group changed the classification of permanent water rights to intangible, from the property plant and equipment category. Net tangible asset backing calculations this year and the comparative have been adjusted to exclude permanent water rights held. Net asset backing per share (including permanent water rights) stands at 164.8 cents compared to 163.3 cents previously.

The current ratio (current assets / current liabilities) is 0.92 compared to 0.81 previously. Current assets of $630.750 million include $376.513 million of assets held for sale, whilst current liabilities of $684.180 million include borrowings repayable within 12 months of $205.596 million, liabilities directly relating to assets held for sale of $127.368 million and borrowings classified as current of $235,000 million. Bank facilities totalling $235 million have been classified as current borrowings in line with the accounting standards as at the reporting date, the group was considered to be in breach of certain financial covenants. However, after the reporting date, these covenants were waived by the relevant banks for the reporting period. As at the date of this report $100 million of this amount can be reclassified as non current borrowings. The current ratio adjusted for this subsequent event is 1.08 compared to 0.81 previously. For further details on financing facilities refer to balance sheet notes 16(b) and the subsequent events note 17.

Commentary on results (continued)

Assets held for sale include the Boort Olive Grove, two small almond properties and the forestry land portfolio. Reset Preference Shares (RPS) totalling $69.015 million are included as current liabilities repayable within 12 months as the first reset date is 30 September 2009. The RPS can be redeemed by Timbercorp, extended on new terms as advised to the holders or be converted into fully paid ordinary shares.

A final dividend has not been declared leaving the full year dividend at 1.5c (2007: 7.0c)

Operating Environment and Strategic Review

During the financial year, the company faced a substantial deterioration in economic conditions characterised by reduced liquidity and associated volatility in equity markets. These conditions were exacerbated by continued drought affecting the majority of the company's managed estate and regulatory restrictions following the ATO review of non forestry managed investment schemes. These factors led to a more difficult investment environment resulting in reduced new sales and delayed the planned sale of assets to associated trust vehicles. These sales would have released cash to retire debt and meet future capital expenditure.

In line with this strategy and in order to achieve the outcomes identified in the review so far, the Company had decided to:

- Stand out of the MIS market in 2009 due to a combination of regulatory constraints in non-forestry MIS and the current economic environment. The company will reconsider MIS in the context of the full review and prevailing market conditions;
- Sell its forestry land portfolio through a sale and leaseback transaction, with a portion of the proceeds from the sale to be used to substantially repay debt and to fund Timbercorp's capital commitments in FY2009 and FY2010. Under the leases, the land will remain available to the Company for use in its existing forestry business and for successive rotations;
- Rationalise horticultural assets, by selling selected sites through a sale and leaseback transaction, with the proceeds used to reduce debt and pursue growth options. Horticultural assets considered to be strategic will be retained;
- Introduce new skills in agribusiness to the Board and Executive team and reduce corporate costs further in FY2009; and
- Investigate further a number of other options that have been identified in order to accelerate its strategy to focus on and grow its horticultural business.

Timbercorp has appointed Goldman Sachs JBWere to assist it in implementing its strategic plan, to facilitate the sale of the land portfolio and selected horticultural assets and to assess how best to fund the Company's future growth strategy.

Consolidated Income Statement
for the financial year ended 30 September 2008

	Note	2008 $'000	2007 $'000
Revenue	2(c)	494,435	453,661
Agricultural assets - fair value movement	10	579	5,168
Investment property - fair value movement	11	-	5,116
Share of profits / (losses) of associates accounted for using the equity method		(2,673)	9,768
Gain / (loss) on disposal of non-current assets	3	1,151	(452)
Project management and operating costs		(274,618)	(239,152)
Employee related expenses		(24,537)	(27,100)
Marketing costs		(21,451)	(21,604)
Corporate and other expenses		(15,609)	(18,963)
Depreciation and amortisation of property, plant and equipment	9	(13,919)	(10,023)
Amortisation of intangibles		(1,625)	(568)
Borrowing and financing charges		(81,955)	(63,587)
Profit before income tax expense		59,778	92,264
Income tax expense		(18,139)	(25,872)
Profit for the period		41,639	66,392
Loss / (profit) attributable to minority interests		2,968	(679)
Profit attributable to members of the parent entity		44,607	65,713
Earnings Per Share - Basic (cents per share)	14	13.09	22.75
- Diluted (cents per share)	14	9.30	21.70

Notes to the financial statements are included on pages 10 to 26

Consolidated Balance Sheet
as at 30 September 2008

	Note	2008 $'000	2007 $'000
Current assets			
Cash and cash equivalents	16(a)	32,635	45,123
Trade and other receivables		104,025	95,007
Other financial assets	4(a)	93,357	79,626
Inventories	5	6,093	12,397
Current tax assets		-	7,364
Other	6	18,127	11,993
		254,237	251,510
Non-current assets classified as held for sale	7	376,513	89,241
Total current assets		630,750	340,751
Non-current assets			
Investments accounted for using the equity method	8	106,451	112,354
Other financial assets	4(b)	399,137	366,192
Property, plant and equipment	9	305,698	277,388
Agricultural assets	10	92,825	87,416
Investment property	11	-	276,834
Intangibles	12	121,098	99,199
Other	13	73,449	39,198
Total non-current assets		1,098,658	1,258,581
Total assets		1,729,408	1,599,332
Current liabilities			
Trade and other payables		72,492	105,470
Borrowings – repayable in 12 months	16(b)	205,596	240,605
Borrowings – classified as current	16(b)	235,000	-
Current tax payables		11,780	-
Provisions		8,053	6,751
Receipts in advance		23,891	26,044
		556,812	378,870
Liabilities directly related to assets classified as held for sale	16(b)	127,368	39,500
Total current liabilities		684,180	418,370
Non-current liabilities			
Borrowings	16(b)	367,768	583,724
Deferred tax liabilities		33,771	37,520
Other financial liabilities		2,585	-
Provisions		10,315	820
Receipts in advance		35,196	39,114
Total non-current liabilities		449,635	661,178
Total liabilities		1,133,815	1,079,548
Net assets		595,593	519,784
Equity			
Issued capital		233,751	167,677
Reserves		12,197	27,269
Retained earnings		337,053	309,278
Parent entity interest		583,001	504,224
Minority interests		12,592	15,560
Total equity		595,593	519,784

Notes to the financial statements are included on pages 10 to 26

Consolidated Statement of Changes in Equity
for the financial year ended 30 September 2008

	Note	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Minority Interests $'000	Total Equity $'000
Balance at 1 October 2007		167,677	27,269	309,278	15,560	519,784
Revaluation of shares in listed entities (net of tax)		-	(10,382)	-	-	(10,382)
Employee option lapsed		-	(697)	697	-	-
Interest rate swap - fair value movement		-	(4,586)	-	-	(4,586)
Net income recognised directly in equity		-	(15,665)	697	-	(14,968)
Profit / (loss) for the period		-	-	44,607	(2,968)	41,639
Total recognised income and expense		-	-	44,607	(2,968)	41,639
Proceeds from share placement		56,425	-	-	-	56,425
Shares issued under share purchase plan		3,391	-	-	-	3,391
Payment of dividends (net of reinvestment)	15	7,444	-	(17,529)	-	(10,085)
Recognition of share based payments		-	593	-	-	593
Share placement issue cost		(1,186)	-	-	-	(1,186)
Balance at 30 September 2008		233,751	12,197	337,053	12,592	595,593
Balance at 1 October 2006		124,337	36,965	268,004	14,881	444,187
Revaluation of shares in listed entities (net of tax)		-	(13,179)	-	-	(13,179)
Interest rate swap - fair value movement		-	3,159	-	-	3,159
Net income recognised directly in equity		-	(10,020)	-	-	(10,020)
Profit for the period		-	-	65,713	679	66,392
Total recognised income and expense		-	-	65,713	679	66,392
Proceeds from share placement		20,000	-	-	-	20,000
Payment of dividends (net of reinvestment)	15	9,058	-	(24,439)	-	(15,381)
Conversion of compound financial instruments to equity		12,791	-	-	-	12,791
Shares issued under option plans		2,106	(465)	-	-	1,641
Recognition of share based payments		-	789	-	-	789
Share placement issue costs		(615)	-	-	-	(615)
Balance at 30 September 2007		167,677	27,269	309,278	15,560	519,784

Notes to the financial statements are included on pages 10 to 26

Consolidated Cash Flow Statement
for the financial year ended 30 September 2008

	Note	2008 $'000	2007 $'000
Cash flows from operating activities			
Receipts from customers		355,166	334,970
Payments to suppliers and employees		(355,980)	(328,142)
Dividends / distributions received		4,043	6,543
Interest received		43,486	32,937
Interest and other borrowing costs paid		(82,128)	(55,017)
Income tax refund / (paid)		3,670	(36,016)
Net cash used in operating activities	16(d)	(31,743)	(44,725)
Cash flows from investing activities			
Payments for investment in listed securities		(348)	-
Proceeds (payments) for other investments and loans advanced		2,502	(1,920)
Payments for investments in associates and joint ventures		-	(58,152)
Payments for property, plant and equipment		(47,329)	(116,985)
Payments for investment property		(6,366)	(19,467)
Payments for agricultural assets		(12,604)	(40,978)
Payments for intangibles – permanent water rights		(45,902)	(35,776)
Payments for intangibles – software acquisition and development		(2,233)	(2,841)
Proceeds from sale of non-current assets	3	13,989	14,690
Net cash used in investing activities		(98,291)	(261,429)
Cash flows from financing activities			
Proceeds from issues of shares under option plans		-	1,641
Share placement		59,816	20,000
Share placement issue cost		(1,186)	(615)
Proceeds from borrowings		143,968	258,734
Repayments of borrowings		(74,967)	(61,955)
Dividends paid		(10,085)	(15,381)
Net cash provided by financing activities		117,546	202,424
Net decease in cash and cash equivalents		(12,488)	(103,730)
Cash and cash equivalents at the beginning of the financial year		45,123	148,853
Cash and cash equivalents at the end of the financial year	16(a)	32,635	45,123

Notes to the financial statements are included on pages 10 to 26

Notes to the Financial Statements
for the Financial Year Ended 30 September 2008

Note	Contents

Notes to the Financial Statements
for the Financial Year Ended 30 September 2008

1. Summary of accounting policies

Statement of compliance

The preliminary financial report has been prepared in accordance with ASX Listing Rule 4.3A.

Basis of preparation

The preliminary financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

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 financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the preliminary financial report are consistent with those adopted and disclosed in the consolidated entity's 2007 annual financial report for the financial year ended 30 September 2007 other than as detailed below. The financial report does not include all notes of the type normally included within the annual financial report. As a result, it should be read in conjunction with the 30 September 2007 financial report of Timbercorp Limited together with any public announcements made by Timbercorp Limited during the financial year.

After internal review including consultation with ASIC, the group changed the classification of permanent water rights from property, plant and equipment to intangibles. The closing balance of permanent water rights at 30 September 2007 of $95.809 million has been reclassified to intangibles. The reclassification did not have any impact on total assets or profit.

Going concern basis

The financial report has been prepared on the basis that the consolidated entity of Timbercorp Limited (or the "Group") is a going concern which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group has reported earnings before interest and tax of $141.733 million for the financial year ended 30 September 2008 which would have resulted in a breach of certain bank covenants. The Group has subsequent to year end restructured its borrowing arrangements so as to obtain waivers for the covenants at 30 September 2008 and to vary future covenants and terms. The new terms reflect the wider strategic review and includes an undertaking by the Group to sell selected assets and apply a portion of the proceeds to reduce debt. The terms agreed require principal repayments in line with the planned asset sale program.

The Directors believe the going concern basis of preparation to be appropriate after consideration of the following factors:

- The Group has appointed an investment bank to undertake a tender process to sell and leaseback forestry land and selected horticultural assets. The assets to be sold have already attracted interest from a number of prospective buyers. The proceeds of sale will be applied to substantially reduce outstanding debt in accordance with the debt reduction schedule agreed to by the Group's financiers;
- The cash flow forecasts which indicate that the Group is able to pay its debts as and when they fall due on the basis of the asset sale and debt reduction program in place;
- In the event that the asset sales do not proceed as planned, or only proceed in part, management are confident of the continued support of its financiers subject to agreeing alternative plans acceptable to its financiers; and
- In addition to the asset sale and debt reduction program, the Group, as part of the wider strategic review is with the assistance of external advisers also considering alternative debt and equity proposals.

Having assessed the uncertainties relating to the matters noted above, the directors believe that the Group will continue as a going concern.

If the sale of selected assets and the consequent repayment of debt do not proceed as planned there is material uncertainty in relation to the Group continuing as a going concern. In this event, other options available to the Group include renegotiating arrangements with its financiers or pursuing alternative funding options whether by way of debt and/or equity.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the Group not continue as a going concern and therefore not realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial statements.

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Notes to the financial statements
for the financial year ended 30 September 2008

1. Summary of accounting policies (continued)

Adoption of new and revised accounting standards

At date of authorisation of the preliminary financial report, the following Standards and Interpretations were in issue but not yet effective. Initial application of the following Standard will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the group's financial report:

AASB 101	Presentation of Financial Statements (revised September 2007)	Effective for annual reporting periods beginning on or after 1 January 2009

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the group and the company:

AASB Interpretation 12	Service Concession Arrangements	Effective for annual reporting periods beginning on or after 1 January 2008
AASB Interpretation 13	Customer Loyalty Programmes	Effective for annual reporting periods beginning on or after 1 January 2008
AASB Interpretation 14	AASB 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Effective for annual reporting periods beginning on or after 1 January 2008
AASB 123	Borrowing Cost (revised)	Effective for annual reporting periods beginning on or after 1 January 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	Effective for annual reporting periods beginning on or after 1 January 2009

The potential effect of the initial application of the expected issue of an Australian equivalent accounting standard to the following Standard has not yet been determined:

IFRS 3	Business Combinations	Effective for annual reporting periods beginning on or after 1 January 2009
IAS 27	Separate and Consolidated Financial Statements	Effective for annual reporting periods beginning on or after 1 January 2009

Notes to the financial statements
for the financial year ended 30 September 2008

2. Segment information

(a) Business segments

The consolidated entity has the following business segments – Horticulture, Forestry, Finance and Asset Development. The principal activities and services of each segment are set out below:

Horticulture:	Orchard / Vineyard establishment including securing access to land, water rights, and other infrastructure. Orchard / Vineyard management and collection of licence fees and rental income. Industrial operations, as applicable, including crop processing. Timbercorp Horticulture products currently include Almonds, Olives, Citrus, Table Grapes, Mangoes and Avocados.
Forestry:	Land acquisition and management. Tree-farm establishment, maintenance and collection of rental income. Harvesting and other forestry related industrial operations.
Finance:	Provision of loan finance to new and existing project grower investors.
Asset development:	Development and management of orchards and vineyards under contract to third parties. It also involves the acquisition of water rights and other infrastructure which are held to offer for resale to third parties.

All business segments operate in Australia.

(b) Classes of segment revenues

New business revenue:	New business revenue refers to project sales and is recognised in proportion to the work performed in relation to the product development, marketing and distribution functions and the various stages of establishing agribusiness plantations, groves, orchards and vineyards.
Annuity style revenue:	Annuity style revenue refers to medium to long term contracted income from the consolidated entity's existing projects. In the case of forestry projects, this refers to rent and maintenance fees generally received over a 10 year project term, and in the case of horticulture projects, this refers to licence fees, rental income and management fees received over a 15 – 23 year project term. It also includes interest income in respect of loans provided to project grower investors for durations of 3 to 19 years, as well as income from temporary sales of water rights and where applicable, recurring income derived from agricultural based investments.
Industrial revenue:	Industrial income refers to the harvesting and crop processing activities within each of the agribusiness product groups. It also includes income from development of orchards and vineyards on behalf of third parties.

(c) Segment revenues

	New business		Annuity style		Industrial		Total	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Horticulture	69,062	102,312	242,766	177,764	2,243	1,549	314,071	281,625
Forestry	50,718	40,717	35,264	34,472	32,150	31,064	118,132	106,253
Finance	-	-	41,695	29,370	-	-	41,695	29,370
Asset development	-	-	1,791	1,830	6,748	24,085	8,539	25,915
Total of all segments	119,780	143,029	321,516	243,436	41,141	56,698	482,437	443,163
Unallocated							11,998	10,498
Total revenue							494,435	453,661

Notes to the financial statements
for the financial year ended 30 September 2008

2. Segment information (continued)

(d) Segment results

	New business		Annuity style		Industrial		Total	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Horticulture	46,038	61,166	41,213	41,895	114	(810)	92,765	102,251
Forestry	22,643	17,528	1,679	2,533	3,824	4,640	30,346	24,701
Finance	-	-	28,847	21,605	-	-	29,347	21,605
Asset development	-	-	896	915	(38)	216	858	1,131
Total of all segments	68,681	78,694	72,635	66,948	3,900	4,046	145,216	149,688
Agricultural assets - fair value movement							579	5,168
Investment property - fair value movement							-	5,116
Gain / (loss) on disposal of non-current assets							1,151	(452)
Unallocated							(5,213)	(3,669)
EBIT*							141,733	155,851
Borrowing and finance charges							(81,955)	(63,587)
Profit from ordinary activities before income tax expense							59,778	92,264
Income tax expense							(18,139)	(25,872)
Profit							41,639	66,392

* Earnings before interest expense and income tax expense

3. Sale of assets

Sales of assets have given rise to the following profits and losses:

	2008 $'000	2007 $'000
Gain / (loss) on disposal of non-current assets	1,151	(452)
Proceeds on sale	13,989	14,690
Carrying value of non-current assets sold	(12,838)	(15,142)
Gain/(loss) on disposal of non-current assets	1,151	(452)

Notes to the financial statements
for the financial year ended 30 September 2008

	2008 $'000	2007 $'000
4. Other financial assets		
(a) Current		
At fair value:		
Option to convert interest free loan to equity in associated entity	-	717
Interest rate swaps	-	444
At cost:		
Secured loan receivables	93,357	77,334
Loan - associated entity	-	906
Other loans	-	225
	93,357	79,626
(b) Non-current		
At fair value:		
Shares in listed entities	24,010	39,923
Interest rate swaps	-	3,522
At cost:		
Other investments	387	1,256
Secured loan receivables	387,892	328,260
Allowance for doubtful loan receivables	(17,514)	(10,419)
Loans – associated entities	4,362	3,650
	399,137	366,192
5. Current inventories		
At cost		
Contract development work in progress	2,981	3,207
Water rights and other infrastructure held to offer for resale	-	3,376
Other inventories and work in progress	3,112	5,814
	6,093	12,397
6. Other current assets		
Prepaid land rentals	10,674	9,454
Prepaid insurance	915	1,143
Prepaid temporary water	5,017	-
Other prepayments & other assets	1,521	1,396
	18,127	11,993

Notes to the financial statements
for the financial year ended 30 September 2008

	2008 $'000	2007 $'000

7. Non-current assets classified as held for sale

Assets held for sale	376,513	89,241
Represented by:		
Opening balance	89,241	-
Transfer from property, plant and equipment (net of accumulated depreciation – Note 9)	721	37,622
Transfer from agricultural assets (including fair value gains – Note 10)	168	33,678
Transfer from investment property (including fair value gains – Note 11)	286,370	-
Transfer from intangibles (Note 12)	13	17,941
Closing balance	376,513	89,241

No impairment loss was recognised on the reclassification of these assets held for sale as at the reporting date.

8. Investments accounted for using the equity method

		Ownership interest		Consolidated carrying amount	
Name of entity	**Principal activity**	**2008 %**	**2007 %**	**2008 $'000**	**2007 $'000**
Associates(i)					
Orchard Investments Management Ltd	Responsible Entity for Timbercorp Orchard Trust	45	45	634	484
Timbercorp Orchard Trust	Investment in horticultural assets	47	45	15,901	15,200
Timbercorp Primary Infrastructure Trust	Investment in horticultural assets	46	45	17,739	18,772
Australian Garlic Producers (ii)	Garlic producers	43	11	-	-
D'Vineripe Pty Ltd	Glasshouse manager	23	23	-	81
Costa Exchange Holdings Pty Ltd	Investment in industrial assets	35	35	51,989	54,099
Boundary Bend Ltd	Horticulture management	19	19	7,039	6,159
Glasshouse Manager Pty Ltd (iii)	Horticulture management	50	50	-	30
Glasshouse Custodian Pty Ltd (iii)	Horticulture management	50	50	-	1
				93,302	94,826

Notes to the financial statements
for the financial year ended 30 September 2008

8. Investments accounted for using the equity method (continued)

Name of entity	Principal activity	Ownership interest 2008 %	Ownership interest 2007 %	Consolidated carrying amount 2008 $'000	Consolidated carrying amount 2007 $'000
Joint Venture Entities					
Plantation Pulpwood Exports Pty Ltd	Woodchip exports	50	50	50	50
Plantation Pulpwood Terminals Pty Ltd	Port operations	50	50	8,431	9,699
Two Wells Glasshouse Joint Venture (iii)	Glasshouse operations	25	25	4,668	7,779
				13,149	17,528
				106,451	112,354

(i) The reporting date for all the above entities is 30 June of each year.

(ii) Timbercorp Limited has entered into an agreement with an entity related to director Robert Hance (Timbercorp (WA) Pty Ltd). Timbercorp Limited has a call option to sell and Timbercorp (WA) Pty Ltd has a put option to buy Timbercorp Limited's interest in Australian Garlic Producers Pty Ltd for $4,385,681. Timbercorp (WA) Pty Ltd can exercise the put option at any time up to 15 September 2010 and Timbercorp Limited can exercise the call option between 1 July 2009 and 15 September 2010. Timbercorp Limited has recognised a financial asset in relation to the call option.

(iii) In April 2007, Timbercorp announced that it had entered into a joint venture arrangement over its glasshouse assets. Under the agreement, Timbercorp retained a 25% interest in the glasshouse assets and received $12 million from the joint venture partner as reimbursement for the 75% of capital spending incurred. The assets held by the Two Wells Glasshouse Joint Venture are in excess of $28 million. As part of the transaction, Timbercorp shares its glasshouse management rights equally with the joint venture partner.

9. Property, plant and equipment

	Freehold land	Plant and equipment	Equipment under finance lease	Total
	$'000	$'000	$'000	$'000
Gross carrying amount – At cost				
Balance at 30 September 2007	89,157	194,608	21,279	305,044
Additions	1,141	42,191	-	43,332
Disposals	-	(913)	-	(913)
Transfers between asset classes	-	(1,284)	1,284	-
Transfers to non-current assets classified as held for sale (Note 7)	(32)	(689)	-	(721)
Balance at 30 September 2008	90,266	233,913	22,563	346,742

9. Property, plant and equipment (continued)

	Freehold land	Plant and equipment	Equipment under finance lease	Total
	$'000	$'000	$'000	$'000
Accumulated depreciation / amortisation				
Balance at 30 September 2007	-	(19,840)	(7,816)	(27,656)
Depreciation expense	-	(10,590)	(3,329)	(13,919)
Disposals	-	531	-	531
Transfers	-	-	-	-
Transfers to non-current assets classified as held for sale (Note 7)	-	-	-	-
Balance at 30 September 2008	-	(29,899)	(11,145)	(41,044)

	Freehold land	Plant and equipment	Equipment under finance lease	Total
	$'000	$'000	$'000	$'000
Gross carrying amount – At cost				
Balance at 30 September 2006	79,445	152,746	13,707	245,898
Additions	21,005	97,914	3,064	121,983
Disposals	(247)	(12,405)	(285)	(12,937)
Transfers between asset classes	-	(4,568)	4,793	225
Transfers to non-current assets classified as held for sale (Note 7)	(11,046)	(39,079)	-	(50,125)
Balance at 30 September 2007	89,157	194,608	21,279	305,044

	Freehold land	Plant and equipment	Equipment under finance lease	Total
	$'000	$'000	$'000	$'000
Accumulated depreciation / amortisation				
Balance at 30 September 2006	-	(26,292)	(4,265)	(30,557)
Depreciation expense	-	(7,147)	(2,876)	(10,023)
Disposals	-	-	196	196
Transfers	-	1,096	(871)	225
Transfers to non-current assets classified as held for sale (Note 7)	-	12,503	-	12,503
Balance at 30 September 2007	-	(19,840)	(7,816)	(27,656)

Notes to the financial statements
for the financial year ended 30 September 2008

9. Property, plant and equipment (continued)

	Freehold land	Plant and equipment	Equipment under finance lease	Total
	$'000	$'000	$'000	$'000
Net book value property plant and equipment				
As at 30 September 2008	90,266	204,014	11,418	305,698
As at 30 September 2007	89,157	174,768	13,463	277,388

10. Agricultural assets

	2008 $'000	2007 $'000
Accumulated cost		
Opening balance	85,984	55,426
Additions	12,513	40,978
Disposals	(7,145)	(636)
Transfer between asset classes	(84)	-
Transfers to non-current assets classified as held for sale (Note 7)	(161)	(9,784)
Closing balance	91,107	85,984
Accumulated fair value increments		
Opening balance	1,432	20,187
Gain arising from changes in fair value	579	5,168
Disposals	(286)	(29)
Transfers to non-current assets classified as held for sale (Note 7)	(7)	(23,894)
Closing balance	1,718	1,432
Net book value agricultural assets		
At the end of the financial year	92,825	87,416

The significant assumptions made in determining the fair value of the agricultural assets are:

(a) the horticulture trees reach maturity at 6 to 8 years but start producing in year 3 and will be productive for at least 30 years;

(b) the eucalypt trees are harvested in year 10;

(c) inflation of 2.5% (2007: 2.5%) per annum;

(d) the discount rates attached to the relevant income streams are as follows:

- fixed licence and establishment fees 12.0% (2007: 12.0%)
- variable management fees 17.0% (2007: 17.0%)
- crop and harvest proceeds 17.5% (2007: 17.5%);

(e) the expected crop/harvest prices are constant in real terms based on the estimated 30 June 2008 market prices;

(f) the costs expected to arise throughout the life of the trees are constant in real terms based on the estimated costs included in the project prospectus; and

(g) cash flows are gross of income taxes and are expressed in real terms.

Notes to the financial statements
for the financial year ended 30 September 2008

11. Investment property

	2008 $'000	2007 $'000
Opening balance	209,981	192,250
Additions acquired from external parties	11,662	19,467
Disposals	(2,126)	(1,736)
Transfers to asset held for sale (Note 7)	(219,517)	-
Closing balance	-	209,981
Accumulated fair value increments		
Opening balance	66,853	61,737
Increments in fair value	-	5,116
Transfers to asset held for sale (Note 7)	(66,853)	-
Closing balance	-	66,853
Net book value investment property		
At the end of the financial year	-	276,834

The fair value of investment property is based on a discounted cash flow model, which reflects the nature and characteristics of the property and the prevailing market conditions at the reporting date. The significant assumptions made in determining the fair value of the investment property are as follows:

(a) the expected lease rental cash flow collections from Project investors are CPI indexed over the remaining term of the lease;

(b) inflation of 2.5% (2007: 2.5%) per annum;

(c) discount rate of 9.0% (2007: 9.0%) per annum;

(d) average growth rate of land value at 7.0% (2007:7.0%) per annum, applied to the original cost of the land; and

(e) cap on fair value and / or terminal value of land $7,800 per hectare (2007: no cap).

12. Intangibles

	Permanent water rights (i)	Software	Goodwill	Total
	$'000	$'000	$'000	$'000
Gross carrying amount – At cost				
Balance at 30 September 2007	95,809	2,841	1,117	99,767
Additions	24,204	2,233	-	26,437
Disposals	(2,899)	-	-	(2,899)
Transfers to non-current assets classified as held for sale (Note 7)	(13)	-	-	(13)
Balance at 30 September 2008	117,101	5,074	1,117	123,292

Notes to the financial statements
for the financial year ended 30 September 2008

12. Intangible (continued)

	Permanent water rights (i)	Software	Goodwill	Total
	$'000	$'000	$'000	$'000
Accumulated depreciation / amortisation				
Balance at 30 September 2007	-	(568)	-	(568)
Amortisation expense	-	(1,626)	-	(1,626)
Transfers to non-current assets classified as held for sale (Note 7)	-		-	-
Balance at 30 September 2008	-	(2,194)	-	(2,194)

	Permanent water rights (i)	Software	Goodwill	Total
	$'000	$'000	$'000	$'000
Gross carrying amount – At cost				
Balance at 30 September 2006	58,910	-	1,117	60,027
Additions	54,840	2,841	-	57,681
Disposals	-	-	-	-
Transfers to non-current assets classified as held for sale (Note 7)	(17,941)	-	-	(17,941)
Balance at 30 September 2007	95,809	2,841	1,117	99,767

	Permanent water rights (i)	Software	Goodwill	Total
	$'000	$'000	$'000	$'000
Accumulated depreciation / amortisation				
Balance at 30 September 2006	-	-	-	-
Amortisation expense	-	(568)	-	(568)
Transfers to non-current assets classified as held for sale	-	-	-	-
Balance at 30 September 2007	-	(568)	-	(568)
Net book value intangibles				
As at 30 September 2008	117,101	2,880	1,117	121,098
As at 30 September 2007	95,809	2,273	1,117	99,199

(i) Previously permanent water rights were classified as property, plant and equipment. Following an internal review and consultation with ASIC the permanent water rights are now classified as part of intangibles. This has resulted in a reclassification only of the comparative financial information and did not have any impact on total assets or profit.

Notes to the financial statements
for the financial year ended 30 September 2008

	2008 $'000	2007 $'000
13. Other non-current assets		
Prepayments and other assets	616	648
Deferred management fees	72,833	38,550
	73,449	39,198

14. Earnings per share (EPS)

	2008 ¢ Per Share	2007 ¢ Per Share
Basic EPS	13.09	22.75
Diluted EPS	9.30	21.70

	2008 $'000	2007 $'000
Basic earnings per share		
Earnings used in the calculation of basic EPS reconciles to net profit in the income statement as follows:		
Net profit after tax attributable to members of parent entity	44,607	65,713
Earnings used in the calculation of basic EPS	44,607	65,713

	2008 '000	2007 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	340,895	288,795

	2008 $'000	2007 $'000
Diluted earnings per share		
Earnings used in the calculation of diluted EPS reconciles to net profit in the income statement as follows:		
Net profit after tax attributable to members of parent entity	44,607	65,713
Net interest costs of dilutive preference shares	8,596	5,208
Earnings used in the calculation of diluted EPS	53,203	70,921

Notes to the financial statements
for the financial year ended 30 September 2008

14. Earnings per share (EPS) (continued)

	2008 '000	2007 '000
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS reconciles to the weighted average number of ordinary shares used in the calculation of basic EPS as follows:		
Weighted average number of ordinary shares used in the calculation of basic EPS	340,895	288,795
Shares deemed to be issued for no consideration in respect of:		
- Subordinated Reset Convertible Notes	125,813	-
- Reset Preference Shares	105,330	37,523
- Employee options	-	571
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	572,038	326,889
The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS:		
Options to purchase ordinary shares	3,935	3,802
Weighted average number of converted, lapsed, or cancelled potential ordinary shares used in the calculation of diluted earnings per share:		
Options to purchase ordinary shares	1,116	325

15. Dividends

	2008		2007	
	Cents per share	Total $'000	Cents per share	Total $'000
Dividends paid or proposed during the financial year:				
Fully paid ordinary shares				
Final 2007 dividend – 100% franked*	*4.00*	12,279	*5.50*	15,295
Interim 2008 dividend – 100% franked*	*1.50*	5,250	*3.00*	9,144
		17,529		24,439

* These amounts include $7,444,000 (2007: $9,058,000) which was reinvested in 5,869,697 ordinary shares (2007: in 3,975,695) pursuant to the Timbercorp Dividend Reinvestment Plan.

Dividend Reinvestment Plan

A dividend reinvestment plan is in place. Shares are issued under the Plan at an effective discount of 5% from the weighted average price of Timbercorp Limited shares traded on the ASX during the five trading days immediately following the record date, and will also be free from brokerage and stamp duty costs.

Notes to the financial statements
for the financial year ended 30 September 2008

	2008 $'000	2007 $'000

16. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash and cash at bank	32,635	45,123

(b) Financing facilities

Unsecured		
Compound financial instruments (i)	150,315	150,734
Retail debt instruments (i)	-	24,250
	150,315	174,984
Secured		
Wholesale / Institutional debt (ii)	563,828	554,301
Retail debt instruments (i)	83,366	121,100
Finance lease liabilities (i)	10,855	13,444
	658,049	688,845
Liabilities directly related to assets classified as held for sale	127,368	-
Total financing facilities used*	935,732	863,829

* Classified in the balance sheet as follows:

Liabilities directly related to assets classified as held for sale	127,368	-
Current borrowings – repayable in 12 months	205,596	280,105
Current borrowings – classified as current (iii)	235,000	-
Non-current borrowings	367,768	583,724
	935,732	863,829

(i) These facilities are effectively fully drawn.

(ii) Unused bank loan finance facilities amount to $6.4 million (2007: $31.4 million)

(iii) Bank facilities totalling $235 million have been classified as current borrowings as at the reporting date in line with the accounting standards, as the group was considered to be in breach of certain financial covenants. However, after the reporting date, these covenants were waived by the relevant banks for the reporting period. As at the date of this report, $100 million of this amount could be reclassified as non current borrowings. A further $105 million could subsequently be reclassified to liabilities directly related to assets classified as held for sale. After repayment of the $105 million, the facility can be redrawn to fund certain capital expenditure. The remaining $30 million could subsequently be reclassified to current borrowings – repayable in 12 months.

Refer to Note 17 for further details on this subsequent event.

Notes to the financial statements
for the financial year ended 30 September 2008

16. Notes to the cash flow statement (continued)

(c) Cash not available for immediate use

	2008 $'000	2007 $'000
Amount of cash held but not available for immediate use	5,965	6,087

Cash balances which are not available for immediate use, may include cash balances held:

- by the Custodian of various Managed Investment Scheme Projects; and
- by the Trustee of retail debt facilities as security.

(d) Reconciliation of profit for the period to net cash flows from operating activities

Profit for the period	41,639	66,392
Loss / (gain) on disposal of non-current assets	(1,151)	452
Impairment of shares in listed entities	2,147	1,000
Depreciation and amortisation of non-current assets	15,543	10,591
Non-cash interest and borrowing costs	2,899	8,570
Agricultural assets - fair value movement	(579)	(5,168)
Investment property - fair value movement	-	(5,116)
Share based payments - amortisation of employee options	591	789
Share of associates' profit (less dividends and distributions received)	4,677	(5,793)
(Increase) / decrease in current tax assets	7,364	(7,364)
Increase / (decrease) in current tax liabilities	11,780	(13,747)
Increase / (decrease) in deferred tax liabilities	2,666	12,157
(Increase) / decrease in assets:		
Receivables, including loans receivable	(85,862)	(90,898)
Inventories	6,304	(27)
Prepaid and deferred expenditure	(6,102)	(1,319)
Deferred management fees	(34,283)	(19,665)
Increase / (decrease) in liabilities:		
Payables	(12,386)	4,908
Provisions	19,081	357
Receipts in advance	(6,071)	(844)
Net cash used in operating activities	(31,743)	(44,725)

(e) Non Cash financing and investing activities

During the financial year the company issued shares to the value of $7,444,000 (2007: $9,058,000) pursuant to the Timbercorp Dividend Reinvestment Plan.

Notes to the financial statements
for the financial year ended 30 September 2008

17. Subsequent events

Revised banking term sheets

The group agreed on revised bank facility term sheets including waivers of certain covenants in relation to the following bank facilities after the reporting date:

- $200 million facility – an agreement was reached on 27 November 2008 to waive certain covenants as at the reporting date. Without the waiver, the group would have been in breach of these covenants;
- $35 million facility – an agreement was reached on 27 November 2008 to waive certain covenants as at the reporting date. Without the waiver, the group would have been in breach of these covenants;
- $132.9 million facilities – an agreement was reached on 25 November 2008 to waive certain covenants as the reporting date. Without the waiver, the group would have been in breach of these covenants. The potential breach did not affect the classification of the facilities as at reporting date as they were already included current liabilities directly related to assets classified as held for sale.

Refer to note 16(b) for further details on the classification of these facilities.

18. Information on audit

The preliminary financial report is based on accounts that are in the process of being audited.