

BSX Listing Rules
Half yearly/Yearly Disclosure
References

Version 1, Operative 23/8/2000

Chapter 3, BSX Listing Rules

QUEENSLAND PAULOWNIA FORESTS LIMITED

Name of entity

49 071 625 477

Half yearly (tick)

30 June 2006

ABN, ACN or ARBN

Annual (tick)

 Half year/financial year ended
(‘Current period’)

Summary

			\$A,000
Sales revenue or operating revenue	down	4.36%	22,401
Profit (loss) before abnormal items and after tax	up	N/A	1,131
Abnormal items before tax		gain (loss) of	(5,329)
Impairment of PPE \$(1,098)			
Deferred Tax Assets written off \$(2,565)			
Write-down of Biological Assets \$(1,666)			
Profit (loss) after tax but before outside equity interests	up	N/A	(4,198)
Extraordinary items after tax attributable to members		gain (loss) of	
Profit (loss) for the period attributable to members	Up	N/A	(4,198)

Dividends (distributions)	Franking rate applicable	Fully Franked – 30%
Current period	Final	0¢
	Interim	0¢
Previous corresponding period	Final	0¢

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Interim	8¢
Record date for determining entitlements to the dividend, (in the case of a trust distribution)	N/A
Short details of any bonus or cash issue or other items(s) of importance not previously released to BSX:	
N/A	

Consolidated profit and loss account

	Current period \$A'000	Previous corresponding period \$A'000
Sales revenue or operating revenue	22,401	23,421
Expenses from ordinary activities	20,443	12,251
Net increment (write down) in Market Value of Paulownia trees	(1,666)	(3,068)
Borrowing costs	1,590	2,346
Share of net profit (loss) of associates and joint venture entities	-	-
Profit (loss) from ordinary activities before tax	(1,298)	5,756
Income tax on ordinary activities	(2,900)	(1,602)
Profit (loss) from ordinary activities after tax	(4,198)	4,154
Outside equity interests	-	-
Profit (loss) from ordinary activities after tax attributable to members	(4,198)	4,154
Profit (loss) from extraordinary activities after tax attributable to members	-	-
Profit (loss) for the period attributable to members	(4,198)	4,154
Retained profits (accumulated losses) at the beginning of the financial period	4,788	2,620
Net transfers to and from reserves	-	-
Net effect of changes in accounting policies	-	-
Dividends paid or payable	-	1,986
Retained profits (accumulated losses) at end of financial period	590	4,788

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Profit restated to exclude amortisation of goodwill

	Current period \$A'000	Previous corresponding period \$A'000
Profit (loss) from ordinary activities after tax before outside equity interests and amortisation of goodwill	(4,198)	4,154
Less (plus) outside equity interests	-	-
Profit (loss) from ordinary activities after tax (before amortisation of goodwill) attributable to members	(4,198)	4,154

Revenue and expenses from operating activities

	Current period \$A'000	Previous corresponding period \$A'000
Details of revenue and expenses		
REVENUE		
Sale of Goods	1,122	13
Rendering of Services	20,213	22,368
Interest Received	417	478
Other Income	649	562
Net write down in biological assets	(1,666)	(3,068)
TOTAL REVENUE	20,735	20,353
EXPENSES		
Plantation expenses	8,101	4,819
Milling expenses	1,460	97
Research & development	15	310
Selling & distribution expenses	3,559	4,399
Administration expenses	4,844	2,544
Finance costs	1,590	2,346
Debts written off	1,366	82
Impairment of Leasehold Improvements	1,098	-
TOTAL EXPENSES	22,033	14,597

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Intangible and extraordinary items

	Consolidated - current period		
	Before tax \$A'000	Related tax \$A'000	After tax \$A'000
Amortisation of goodwill			
Amortisation of other intangibles			
Total amortisation of intangibles			
Extraordinary items (details)			
Total extraordinary items			

Comparison of half year profits

(Annual statement only)

	Current year - \$A'000	Previous year - \$A'000
Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the 1st half year	396	(1,625)
Consolidated profit (loss) from ordinary activities after tax attributable to members for the 2nd half year	(4,594)	5,779

Consolidated balance sheet

Current assets	At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly statement \$A'000
Cash	3,984	8,113	5,895
Receivables	13,173	17,248	10,279
Investments	-	783	-
Inventories	139	158	293
Other (provide details if material)	528	1,182	1,088
Total current assets	17,824	27,484	17,555
Non-current assets			
Receivables	835	4,117	-

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Investments	-	-	-
Inventories – Biological assets	-	1,666	1,488
Other property, plant and equipment (net)	11,437	7,486	9,146
Intangibles (net)	286	-	286
Other (Deferred tax assets)	590	3,078	2,314
Total non-current assets	13,148	16,347	13,234
Total assets	30,972	43,831	30,789
Current liabilities			
Accounts payable	4,755	5,352	1,004
Borrowings	3,467	374	4,248
Provisions	324	6,379	406
Deferred revenue	5,915	11,811	4,855
Other (provide details if material)	702	-	90
Total current liabilities	15,163	23,916	10,603
Non-current liabilities			
Accounts payable	-	-	-
Borrowings	10,334	9,729	10,117
Provisions	-	-	-
Other (deferred tax liability)	-	513	-
Total non-current liabilities	10,334	10,242	10,117
Total liabilities	25,497	34,158	20,720
Net assets	5,475	9,673	10,069
Equity			
Capital	4,885	4,885	4,885
Reserves	-	-	-
Retained profits (accumulated losses)	590	4,788	5,184
Equity attributable to members of the parent entity	-	-	-
Outside equity interests in controlled entities	-	-	-
Total equity	5,475	9,673	10,069
Preference capital and related premium included	-	-	-

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Half Yearly/Yearly Disclosure

Consolidated statement of cash flows

Cash flows related to operating activities	Current period \$A'000	Previous corresponding period \$A'000
Receipts from customers	18,497	17,108
Payments to suppliers and employees	(18,765)	(9,968)
Dividends received	-	-
Interest and other items of similar nature received	212	283
Interest and other costs of finance paid	(833)	(1,285)
Income taxes paid	(4,760)	(1,218)
GST Recovered/(Paid)	(1,610)	40
Bank Guarantee Facility	(500)	-
Other (loans sold to third parties)	10,641	-
Net operating cash flows	2,882	4,960
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Cash flows related to investing activities		
Payments for purchases of property, plant and equipment	(4,515)	(1,527)
Proceeds from sale of property, plant and equipment	34	2
Payment for purchases of equity investments	-	-
Proceeds from sale of equity investments	-	-
Loans to other entities	-	-
Loans repaid by other entities	-	-
Other (Purchase of Kogan Mill)	(1,170)	-
Net investing cash flows	(5,651)	(1,525)
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Cash flows related to financing activities		
Proceeds from issues of securities (shares, options, etc.)	-	3,341
Proceeds from borrowings	1,188	-
Repayment of borrowings	(562)	(658)
Dividends paid	(1,986)	(853)
Other	-	-
Net financing cash flows	(1,360)	1,830
Net increase (decrease) in cash held	(4,129)	5,265
Cash at beginning of period	8,113	2,848

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(see Reconciliation of cash)		
Exchange rate adjustments	-	-
Cash at end of period (see Reconciliation of cash)	3,984	8,113

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current period \$A'000	Previous corresponding period \$A'000
Cash on hand and at bank	3,978	4,997
Deposits at call	6	3,116
Bank overdraft	-	-
Other	-	-
Total cash at end of period	3,984	8,113

Ratios

	Current period	Previous corresponding period
Profit before tax/sales		
Consolidated profit (loss) from ordinary activities before tax as a percentage of sales revenue	(5.79)%	24.58%
Profit after tax/equity interests		
Consolidated profit (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(76.68)%	42.94%

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Earnings per security (EPS)	Current period	Previous corresponding period
Calculation of basic, and fully diluted, EPS in accordance with AASB 1027: Earnings per Share		
(a) Basic EPS	(16.91) cents	18.31 cents
(b) Diluted EPS (if materially different from (a))	(16.91) cents	12.42 cents
 NTA backing		
Net tangible asset backing per ordinary security	22.06 cents	38.96 cents

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Details of specific receipts/outlays, revenues/expenses

	Current period A\$'000	Previous corresponding period \$A'000
Interest revenue included	359	444
Interest revenue included but not yet received (if material)	58	161
Interest costs excluded from borrowing costs capitalised in asset values	-	-
Outlays (excepts those arising from the acquisition of an existing business) capitalised in intangibles (if material)	-	-
Depreciation (excluding amortisation of intangibles)	654	482
Debts written off	1,366	81
Impairment of Leasehold Improvements	1,098	26

Control gained over entities having material effect

Name of entity	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity since the date in the current period on which control was acquired	\$
Date from which such profit has been calculated	
Profit (loss) from ordinary activities and extraordinary items after tax of the entity for the whole of the previous corresponding period	\$

Loss of control of entities having material effect

Name of entity	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity for the current period to the date of loss of control	\$
Date from which the profit (loss) has been calculated	
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity while controlled during the whole of the previous corresponding period	\$
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of	\$

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Half Yearly/Yearly Disclosure

control	
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Reports for industry and geographical segments

Segments

Operating Revenue

Sales to customers outside the economic entity

Inter-segment sales

Unallocated revenue

Total revenue

Segment result

Unallocated expenses

Consolidated profit from ordinary activities after tax (before equity accounting)

Segment assets)	<i>Comparative data for segment assets should be as at the end of the previous corresponding period</i>
Unallocated assets)	
Total assets)	

Dividends

Date the dividend is payable

N/A

Record date to determine entitlements to the dividend (ie. on the basis of registrable transfers received up to 5.00 pm)

N/A

Amount per security

Franking rate applicable 100 %

<i>(annual report only)</i>					
Final dividend:	Current year	¢	N/A	¢	N/A
	Previous year	¢	¢	¢	¢

<i>(Half yearly and annual statements)</i>					
Interim dividend:	Current year	¢	N/A	¢	N/A
	Previous year	8¢	¢	¢	¢

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Total annual dividend (distribution) per security
(Annual statement only)

	Current year	Previous year
Ordinary securities	¢	8¢
Preference securities	¢	¢

Total dividend (distribution)

	Current period \$A'000	Previous corresponding period - \$A'000
Ordinary securities	\$-	\$1,986
Preference securities	\$-	\$-
Total	\$-	\$1,986

Half yearly report – interim dividend (distribution) on all securities or Annual report – final dividend (distribution) on all securities

	Current period \$A'000	Previous corresponding period - \$A'000
Ordinary securities	\$-	\$-
Preference securities	\$-	\$-
Total	\$-	\$-

The dividend or distribution plans shown below are in operation.

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The last date(s) for receipt of election notices to the dividend or distribution plans

Any other disclosures in relation to dividends (distributions)

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Half Yearly/Yearly Disclosure

Equity accounted associated entities and other material interests

Equity accounting information attributable to the economic entity's share of investments in associated entities must be disclosed in a separate notice. See AASB 1016: Disclosure of Information about Investments in Associated Companies.

Entities share of:	Current period A\$'000	Previous corresponding period A\$'000
Profit (loss) from ordinary activities before tax.		
Income tax		
Profit (loss) from ordinary activities after tax		
Extraordinary items net of tax		
Net profit (loss)		
Outside equity interests		
Net profit (loss) attributable to members		

Material interests in entities which are not controlled entities

The entity has an interest (that is material to it) in the following entities.

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to profit (loss) from ordinary activities and extraordinary items after tax	
	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period \$A'000
Equity accounted associates and joint venture entities				
Total				
Other material interests				

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Total			

Issued and listed securities

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

Category of securities	Number issued	Number listed	Issue Price	Paid-up value
			(cents)	(cents)
Preference securities <i>(description)</i>				
Changes during current period				
Ordinary securities	24,825,995	Nil		
Changes during current period				
Convertible debt securities <i>(description and conversion factor)</i>	9,000,000 Redeemable on 30 June 2009 at a price of \$1.20, or if QPFL list before this date redeem them for cash at \$1.01 Interest Rate 9.28 % per annum	9,000,000	100	100
Changes during current period	-	-	-	-
Options <i>(description and conversion factor)</i>			Exercise price	Expiry date

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Changes during current period			
Exercised during current period			
Expired during current period			
Debentures			
Unsecured Notes			

Discontinuing Operations

Consolidated profit and loss account

	Continuing operations		Discontinuing operations		Total entity	
	Current period - \$A'000	Previous corresponding period - \$A'000	Current period - \$A'000	Previous corresponding period - \$A'000	Current period - \$A'000	Previous corresponding period - \$A'000
Sales revenue or operation revenue						
Other revenue						
Expenses from ordinary activities						
Profit (loss) before tax						
Less tax						
Profit (loss) from ordinary activities after tax						

Consolidated statement of cash flows

	Continuing operations		Discontinuing operations		Total entity	
	Current period -	Previous correspo	Current period -	Previous correspon	Current period -	Previous correspon

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Half Yearly/Yearly Disclosure

	\$A'000	Ending period - \$A'000	\$A'000	ending period - \$A'000	\$A'000	ding period - \$A'000
Net operating cash flows						
Net investing cash flows						
Net financing cash flows						

Other disclosures

	Current period A\$'000	Previous corresponding period A\$'000
Carrying amount of items to be disposed of:		
- total assets		
- total liabilities		
Profit (loss) on disposal of assets or settlement of liabilities		
Related tax		
Net profit (loss) on discontinuance		

Description of disposals

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Comments by directors

Basis of accounts preparation

If this statement is a half yearly statement it should be read in conjunction with the last annual report and any announcements to the market made by the entity during the period.

Annexure 3A **Half Yearly/Yearly Disclosure**

These are the first financial statements prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), and comparative figures have been adjusted to comply with AIFRS requirements. This Annexure 3A should be read in conjunction with the statutory accounts to 30 June 2006 to be lodged with the BSX by 30 September 2006.

Material factors affecting the revenues and expenses of the entity for the current period including seasonal or cyclical factors

The 2005/06 sales season saw QPFL sell approximately \$10 million worth of woodlots. This was below expectations and has resulted in a tax loss being incurred for the 2005/06 year. This tax loss gives rise to a deferred tax asset that the Directors have determined will not be reversed with sufficient probability in the short term to continue to recognise the benefit of tax assets on the balance sheet. Accordingly, deferred tax assets to the value of \$2,565,378 have been written off in the income statement.

Given the ongoing drought conditions being experienced on QPFL's Queensland properties and the associated additional costs of maintenance, and that all Queensland properties are currently being leased, the Board has determined that it is appropriate to write down the value of all leasehold improvements on these properties. The associated write-down has had an impact of \$1,097,852 on the income statement for 2005/06.

The Directors have determined to write down the carrying value of biological assets owned by the company from \$1,665,921 to Nil in the period to 30 June 2006. The determination was based on the decision taken by Directors to contribute all woodlots currently owned by QPFL to growers in Projects 1,2 and 3. Further, given the ongoing drought conditions and consideration QPFL is giving to other Queensland based Projects, (being all projects in which QPFL owned woodlots), Directors have determined that it is appropriate to adopt the most conservative approach possible to the valuation of woodlots that it owns in these projects.

See comments re change in accounting policies below.

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible)

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

The current balance of franking credits available is \$4,781,396, and the directors expect that future dividends will continue to be fully franked.

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Changes in accounting policies since the last annual report and estimates of amounts reported in prior years are disclosed as follows.

The introduction of AIFRS has resulted in changes to accounting policies and restatement of prior results. In particular, a change in accounting policy for the recognition of income from plantation establishment services has resulted in income booked in previous accounting periods now being recognised in subsequent periods. Full details of the changes will be contained in note 24 to the statutory accounts.

Changes in the amounts of contingent liabilities or assets since the last annual report are disclosed as follows.

Additional disclosure for trusts

Number of units held by the management company or responsible entity to their related parties.

A statement of the fees and commissions payable to the management company or responsible entity.

Identify:

- Initial service charges
- Management fees
- Other fees

Annual meeting

(Annual statement only)

The annual meeting will be held as follows:

Place	Surfers Paradise
Date	30 November 2006
Time	To be advised
Approximate date the annual report will be available	31 October 2006

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting

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standards as defined in the Corporations Law.

- 2 This statement, and the financial statements under the Corporations Law (if separate), use the same accounting policies.
 - 3 In the case of a half-yearly report the same accounting standards and methods of computation ~~are~~/are not* (*delete one*) followed as compared with the most recent annual accounts.
 - 4 This statement does/~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.
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- 5 This statement is based on financial statements to which one of the following applies:
(Tick one)
 The financial statements have been audited.
 The financial statements have been subject to review by a registered auditor (or overseas equivalent).
 The financial statements are in the process of being audited or subject to review.
 The financial statements have *not* yet been audited or reviewed.
 - 6 If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications will follow immediately they are available. The existence and/or extent of any qualification is currently being determined as part of the audit process.
 - 7 The entity has/~~does not have~~* (*delete one*) a formally constituted audit committee.

Sign here:

Stephen van der Mye

Date: 13 September 2006

(Director)

Print name: Stephen van der Mye.....

Notes

Annexure 3A
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True and fair view If this statement does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view.

Income tax If the amount provided for income tax in this statement differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts.

Additional information An entity may disclose additional information about any matter, and must do so if the information is material to an understanding of the financial statements. The information may be an expansion of the material contained in this statement, or contained in a note attached to the statement.