



26 March 2010

Company Announcements Office  
Australian Securities Exchange

### **Review of Forestry Assets**

- Elders commissions external Forestry Asset Review
- Operations performing to plan and not subject to review
- Report to board by end-April
- No anticipated impact for financial covenant compliance
- FEA shareholding re-classified as non-core asset held for sale
- FY10 underlying earnings and financial covenants unaffected by non-recurring charge of \$26.7 million to align FEA carrying value to market

Elders (ASX:ELD) announces that it has commissioned Ernst & Young to conduct an independent review of its Forestry assets in light of sector and company specific developments.

The review will not examine strategy and operations, where Elders Forestry is well placed. Elders Forestry expects to be a strong and leading participant in the 2010 MIS market, having reached in-principle agreement for investor growers to access bank finance. Elders' certified plantation woodchip sales and supply has outperformed industry levels, having shipped 90% of contract volumes in 2009 and with commitments from buyers for 100% of its 2010 volume of 440,000 GMT. Global factors impacting supply and inventory levels of certified plantation hardwoods support potential price improvement during 2010.

The Forestry Asset Review will involve Ernst & Young overseeing separate reviews of the various forestry assets held by Elders and delivering a final report to the Elders Board of Directors. Elders has sought completion of the Review as soon as practicable and anticipates receiving a final report by no later than end-April 2010.

Elders' Managing Director Malcolm Jackman said that the Review reflected the Company's desire to ensure that valuation of its forestry assets fully recognised ongoing industry and company specific developments.

"While our operations are trending positively, there are a number of events and developments that could impact assets valuations across the industry including Elders Forestry. Clearly shareholder interests will be best served by an up-to-date, independent and holistic assessment of the asset implications of these developments rather than an ad-hoc piecemeal approach.

"Accordingly we have decided to expand and accelerate reviews that would ordinarily be performed so we can get an informed, cohesive answer on what the developments within the sector and in Elders Forestry mean for shareholders.

"Growers and MIS investors can draw confidence from the fact that, as the MIS season approaches, Elders Forestry is in a strong financial position and has been prepared to subject the totality of its asset base to scrutiny and review.

"We expect to participate in this year's MIS market with an attractive product offering backed by conservative grower finance packages and full transparency in regards to our assets in current conditions" said Malcolm Jackman.

Developments identified with potential to impact Elders Forestry assets include the current and unprecedented levels of plantation and forest land for sale, uncertainty over the future of Forest Enterprises Australia, and reviews of plantation growth rates and yield estimates for specific regions. These will include the scheduled 5 year review of growth rates for the extensive plantations funded by the 2004 and 2005 product offerings when ITC (as Elders Forestry was then branded) recorded its largest ever sales.

Elders Forestry assets to be included in the review include: plantation land; accrued income and income anticipated under SGARA accounting from Elders' own plantation trees; the Company's shareholdings; grower loans of \$27 million and goodwill. Elders will assess land values for 100% of its 47,000 hectares of freehold plantation land under the review. This compares to the review of one-third of freehold land that would normally occur under the rotational valuation review methodology.

Elders Forestry is currently conducting annual price negotiations with Japanese buyers to establish the 2010 benchmark price for certified Australian plantation woodchip. Price movements are reflected in estimates of accrued income and anticipated SGARA income in respect of Elders' direct interest in plantation trees.

#### **Implications for financial covenants**

The Forestry Asset Review is not expected to present any implications for the Company's compliance with its financial covenants.

#### **Forest Enterprises Australia Limited**

Elders has resolved that its 13.5% shareholding is non-core and accordingly will be classified as an asset held for sale.

As a result, the calculation of the carrying value of this asset will be required to move to an equity value. A charge of \$26.7 million will be made to effect this change and bring the value of this asset from the \$32.4 million in the balance sheet as at 30 September 2009 to the revised value of \$5.7 million based on FEA's most recent stock price.

The charge will be recognised in the FY2010 accounts as a non-recurring item, which will not impact underlying profit or the Company's underlying earnings expectations as detailed in the recent prospectus.

As the FEA shareholding is now classified as being non-core, Mr Vince Erasmus, Chief Operating Officer, Elders Forestry, and Elders' nominee to the FEA Board of Directors has resigned from the FEA board effective immediately.

#### **Further Comment:**

Malcolm Jackman	0439 642 876
Chief Executive Officer	

#### **Further information:**

Mark Hosking	0439 833 816
Chief Financial Officer	

Don Murchland	0439 300 932
Investor Relations Manager	