

18 August 2006

Mr Gonzalo Valencia  
Australian Stock Exchange Limited  
Stock Exchange Centre  
Level 3/530 Collins Street  
MELBOURNE VIC 3000

**PLANT**

Dear Mr Valencia

**MANAGE**

**Re: Preliminary Final Report Appendix 4E**

We enclose the company's Preliminary Final Report Appendix 4E for the reporting period ended 30 June 2006.

**HARVEST**

Yours sincerely



**Jonathan Madgwick  
Company Secretary  
Willmott Forests**

**PROCESS**

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**Timber Products**

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**Forestry Operations**

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## Preliminary Final Report Appendix 4E

### Results for announcement to the market

**Reporting Period:** Year Ended 30 June 2006  
**Previous Reporting Period:** Year Ended 30 June 2005

\$A'000

<b>Underlying</b>			
Revenues from ordinary activities	up	10%	to \$77,247
Profit from ordinary activities after tax (before PINES dividends)	up	10%	to \$12,905
Profit from ordinary activities after tax attributable to members	up	1%	to \$10,105
<b>Reported</b>			
Revenues from ordinary activities	up	10%	to \$77,247
Profit from ordinary activities after tax (before PINES dividends)	down	7%	to \$ 10,892
Profit from ordinary activities after tax attributable to members	down	19%	to \$ 8,092
<b>Underlying Non Recurring Item:</b>			
As a result of the Company entering into a contract to assign a portion of receivables a non-recurring expense charge occurred against the FY2006 results. The impact of this non-recurring expense charge is a reduction in net profit of \$2,013,050 from \$10,105,249 (FY2005: \$10,037,521) to \$8,092,199 reported above.			

<b>Ordinary Dividends (distributions)</b>	Amount per security	Franked amount per security
Interim dividend paid on 15 <sup>th</sup> March 2006	3¢	3¢
Final dividend to be paid on 12 <sup>th</sup> September 2006	5¢	5¢
<b>Total</b>	<b>8¢</b>	<b>8¢</b>
Record date for determining entitlements to the ordinary final dividend	29 August 2006	

<b>Forecast Ordinary Dividends (distributions)</b>	Amount per security	Franked amount per security
Interim dividend – FY07	5¢	5¢
Final dividend – FY07	5¢	5¢
<b>Total</b>	<b>10¢</b>	<b>10¢</b>

<b>Preference Dividends (distributions)</b>	Amount per security	Franked amount per security
PINES Coupon paid on 30 <sup>th</sup> September 2005	\$3.51	\$3.51
PINES Coupon paid on 31 <sup>st</sup> March 2006	\$3.49	\$3.49
<b>Total</b>	<b>\$7.00</b>	<b>\$7.00</b>

## **REVIEW OF OPERATIONS**

The Company recorded a net profit after tax (NPAT) of \$8.1m. After allowing for non-recurring items this equates to an underlying NPAT of \$10.1m from total revenue of \$77.2m compared to the previous year of \$10.0m NPAT from revenues of \$70.5m.

### **Non-recurring item**

As a result of the Company entering into a contract to assign a portion of receivables to a subsidiary of the Commonwealth Bank of Australia an expense charge occurred against the FY2006 results. The impact of this non-recurring charge is a reduction in EBITDA of \$2.9m and in NPAT of \$2.0m.

### **Woodlot investment projects**

The Company circulated two complying offer documents in FY2006. As a result Woodlot sales revenue reached \$37.2m (down 12 % on 2005). Of this revenue, \$7.4m has been recognised as income at 30 June 2006 and the balance of \$29.8m has been carried forward to FY2007.

The Company's retail Woodlot Product Disclosure Statement under the Willmott Forests Project was highly rated by two independent research houses (Adviser Edge and Australian Agribusiness Group) and achieved strong sales growth being responsible for \$33.4m of the \$37.2m in total Woodlot sales representing an increase of over 46% in retail Woodlot sales on the previous year.

The Willmott Forests Professional Investor product raised \$3.8m down \$15.5m from the previous year. This was due to changes to the ATO financing principles that rendered this product less attractive in the market.

Revenues from these operations were \$55.6m producing a segment EBITDA of \$28.4m (2005: \$25.2m).

### **Forestry operations**

Plantation establishment and maintenance activities have been completed in accordance with contractual obligations set out in the Forestry Management Agreements entered into with Growers and in accordance with Australian Taxation Office Product Rulings issued to the Company.

All land has been selected in accordance with the land selection criteria. This is to ensure that the plantations have the best possible growing environment in order to produce the best quality timber.

The Company expanded its forestry operations into Victoria through an arrangement with Hancock Victorian Plantations (HVP) wherein land is leased / licensed to the Company for Woodlot sales and plantation establishment, management and harvesting services are outsourced to HVP. This arrangement is on commercial terms and has provided the Company with a significant land bank towards Woodlot sales over the next 3 years and geographic diversification across the major softwood growing regions in Victoria without having to scale up our own work force.

The Company has maintained its status as a registered Forestry Industry Brigade of the Country Fire Authority (CFA) within Victoria and has substantially increased its in-house fire fighting capacity in the last 12 months across all geographic areas of operation.

### **Timber processing activities**

The Company operated two timber processing facilities in Bombala that produced structural, landscape and fencing timber for the Australian market.

These mills receive wood supply from Forests New South Wales under long-term supply contracts and wood in-take was also received from plantations managed by the Company.

Continuing weakness in the housing sector, particularly in New South Wales, led to slower sales and a further softening of margins. With the structural timber market depressed it is difficult for our Bright Street Sawmill, a relatively small operation, to compete with larger and more automated producers. It is expected that these market conditions will continue for some time and the Board consequently decided in July to close the Bright Street Sawmill effective from 31 August 2006.

Revenues from these operations were \$20.1m producing a segment EBITDA of (\$1,238,426) (2005: \$821,165).

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**Forward outlook**

The Company will continue to pursue its focused approach of improving cash flow and profitability during FY2007 through the issue of offers seeking subscriptions to its softwood Woodlot investment products and continued trading of its softwood processing operations.

On the basis of the 2007 Woodlot sales being at similar levels to those achieved in FY2006 (\$37.1m) the Company would expect a reduced level of profitability for FY2007 in the range of \$7.0m to \$7.2m NPAT. However, the Company has in recent years posted sales growth in its retail Woodlot product averaging in excess of 40% per annum. If this sales growth trend were to continue the company will expect to outperform the above profit guidance range.

**STATEMENT OF RECOGNISED INCOME & EXPENSE - FOR THE YEAR ENDED 30 JUNE 2006**  
(The accompanying notes form part of these financial statements)

	Note	30 June 2006	30 June 2005
		\$	\$
<b>Revenue from ordinary activities</b>	1	<b>77,246,962</b>	70,518,082
Changes in inventories of finished goods and WIP		<b>2,015,626</b>	(1,628,118)
Saw mill materials and consumables		<b>(13,850,420)</b>	(10,241,805)
Personnel expenses		<b>(12,292,241)</b>	(12,670,622)
Depreciation and amortisation		<b>(1,845,789)</b>	(1,687,872)
Borrowing cost expense		<b>(9,114,673)</b>	(6,988,236)
Woodlot marketing expenses		<b>(7,109,062)</b>	(6,657,339)
Forestry management expenses		<b>(12,599,303)</b>	(9,969,840)
Other expenses from ordinary activities		<b>(6,946,562)</b>	(5,652,552)
Non-recurring cost of impairment	2	<b>(2,875,779)</b>	-
<b>Profit before income tax expense</b>	3	<b>12,628,759</b>	15,021,698
Income tax attributable to ordinary activities		<b>(4,536,715)</b>	(4,984,257)
<b>Profit from continuing operations</b>		<b>8,092,044</b>	10,037,441
Loss attributable to minority equity interests		<b>155</b>	80
Profit attributable to members of the parent entity		<b>8,092,199</b>	10,037,521
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>8,092,199</b>	10,037,521

**BALANCE SHEET - FOR THE YEAR ENDED 30 JUNE 2006**  
(The accompanying notes form part of these financial statements)

	30 June 2006	30 June 2005
	\$	\$
<b>Current Assets</b>		
Cash and cash equivalents	12,913,362	36,879,227
Trade and other receivables	101,124,331	18,797,778
Inventories	2,720,692	5,115,349
Deferred tax asset	10,181,382	11,290,819
Prepayments	5,855,996	4,027,034
<b>Total Current Assets</b>	<b>132,795,763</b>	<b>76,110,207</b>
<b>Non-Current Assets</b>		
Trade and other receivables	71,071,271	130,520,844
Financial assets	1,001,047	1,001,047
Property, plant and equipment	72,966,903	49,482,205
Biological assets	6,831,312	6,082,144
Intangibles	1,461,061	1,546,690
Deferred tax assets	945,478	592,935
Prepayments	3,993,401	-
<b>Total Non-Current Assets</b>	<b>158,270,473</b>	<b>189,225,865</b>
<b>TOTAL ASSETS</b>	<b>291,066,236</b>	<b>265,336,072</b>
<b>Current Liabilities</b>		
Accounts payable	14,610,773	13,526,323
Borrowings	3,326,190	2,598,750
Deferred tax liabilities	1,335,582	1,223,630
Provisions	37,751,007	44,609,068
<b>Total Current Liabilities</b>	<b>57,023,552</b>	<b>61,957,771</b>
<b>Non-Current Liabilities</b>		
Borrowings	122,559,521	107,104,953
Deferred tax liabilities	1,701,748	1,477,870
Provisions	20,236,104	21,495,535
<b>Total Non-Current Liabilities</b>	<b>144,497,373</b>	<b>130,078,358</b>
<b>TOTAL LIABILITIES</b>	<b>201,520,925</b>	<b>192,036,129</b>
<b>NET ASSETS</b>	<b>89,545,311</b>	<b>73,299,943</b>
<b>EQUITY</b>		
Contributed equity	53,650,259	40,838,960
Retained earnings	35,890,360	32,456,136
Minority equity interest	4,692	4,847
<b>TOTAL EQUITY</b>	<b>89,545,311</b>	<b>73,299,943</b>

**CASH FLOWS STATEMENT - FOR THE YEAR ENDED 30 JUNE 2006**  
(The accompanying notes form part of these financial statements)

	30 June 2006	30 June 2005
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	58,105,430	62,876,826
Interest received	11,686,342	9,063,952
Payments to suppliers & employees	(53,716,119)	(46,414,606)
Borrowing costs paid	(9,201,999)	(6,511,806)
Income taxes paid	(7,566,382)	(13,902,929)
<b>Net cash provided by (used in) operating activities</b>	<b>(692,728)</b>	<b>5,111,437</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant & equipment	(24,798,014)	(20,592,223)
Realisation from (payments for) investments	(25,496,952)	(30,709,957)
<b>Net cash provided by (used in) investing activities</b>	<b>(50,294,966)</b>	<b>(51,302,180)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	12,351,362	2,103,678
Proceeds from (repayment of) borrowings	17,632,377	74,956,803
Dividends paid	(2,961,910)	(2,478,020)
<b>Net cash provided by (used in) financing activities</b>	<b>27,021,829</b>	<b>74,582,461</b>
<b>Net increase (decrease) in cash held</b>	<b>(23,965,865)</b>	<b>28,391,718</b>
Cash at beginning of year	36,879,227	8,487,509
<b>Cash at end of year</b>	<b>12,913,362</b>	<b>36,879,227</b>

**NOTES TO THE FINANCIAL STATEMENTS - FOR THE YEAR ENDED 30 JUNE 2006**

**NOTE 1 : REVENUE FROM ORDINARY ACTIVITIES**

	30 June 2006	30 June 2005
	\$	\$
<b>Included in operating profit are the following items of operating revenue:</b>		
Plantation Income	44,130,072	39,302,133
Timber & Products Sales	19,986,175	20,377,641
Interest	11,838,411	9,502,652
Increment in Net Market Value – Biological Assets	723,449	685,913
Other Income	568,855	649,743
	<b>77,246,962</b>	<b>70,518,082</b>

**NOTE 2 : NON-RECURRING COST OF IMPAIRMENT**

Diminution in receivables	2,875,779	-
<p>The Company entered into a contract to assign a portion of its loan receivables to a subsidiary of the Commonwealth Bank of Australia. The diminution in receivables reflects settlement terms of this contract.</p>		

**NOTE 3 : PROFIT FROM ORDINARY ACTIVITIES**

**Profit from ordinary activities before income tax has been determined after:**

**Crediting as Income:**

Interest received		
Bank	1,594,233	1,035,517
Growers and other	10,244,178	8,467,135
Net gain on disposal of non-current assets:		
Property, plant and equipment	6,530	82,136

**Charging as Expense:**

Cost of goods sold	12,107,584	13,035,812
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**Depreciation:**

Plant & equipment	1,249,084	1,221,584
Fixtures & fittings	94,862	133,457
Roads	18,599	225
Total Depreciation	1,362,545	1,355,266

Net loss on disposal of non-current assets	35,675	18,985
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**Amortisation:**

Plant & equipment under lease	397,617	246,979
Goodwill	85,627	85,627
Total Amortisation	483,244	332,606

**NOTE 3 : PROFIT FROM ORDINARY ACTIVITIES - continued**

**Profit from ordinary activities before income tax  
has been determined after:**

**Borrowing costs:**

Unrelated entities	<b>9,114,673</b>	6,988,236
Bad Debts - Trade	<b>8,887</b>	61,929
Foreign currency translation	<b>(5,523)</b>	15,291
Rental on properties	<b>420,716</b>	438,016

**Remuneration of the auditors:**

Auditing or reviewing the financial report	<b>109,376</b>	88,000
Other audit services	<b>26,730</b>	17,300
Other services	-	68,977

<b>DIVIDENDS</b>						
<b>Class</b>	<b>Type</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount Per Security</b>	<b>Total Dividend</b>	<b>Franked Amount Per Security</b>
Ordinary	Final	6 September 2005	20 September 2005	\$0.03	\$1,513,757	\$0.03
Preference		15 September 2005	30 September 2005	\$3.51	\$1,404,000	\$3.51
Ordinary	Interim	28 February 2006	15 March 2006	\$0.03	\$1,743,024	\$0.03
Preference		17 March 2006	31 March 2006	\$3.49	\$1,396,000	\$3.49
Ordinary	Final	29 August 2006	12 September 2006	\$0.05	\$2,914,951	\$0.05

<b>ORDINARY DIVIDEND or DISTRIBUTION REINVESTMENT PLAN</b>				
<b>Type</b>	<b>Payment Date</b>	<b>Total Dividend</b>	<b>Paid In Cash</b>	<b>Satisfied By Issue Of Ordinary Shares</b>
Final	20 September 2005	\$1,513,757	\$1,375,368	\$138,389
Interim	15 March 2006	\$1,743,024	\$1,586,542	\$156,482
Final	12 September 2006	\$2,914,951	Not yet paid	Not yet paid

The Company operates a Dividend Reinvestment Plan to provide shareholders with a choice of reinvesting their dividends in new securities at 5% discount to the prevailing market price.

<b>RETAINED EARNINGS</b>		
	<b>30 June 2006</b>	<b>30 June 2005</b>
	<b>\$</b>	<b>\$</b>
Retained earnings at the start of the financial year	<b>32,456,136</b>	25,426,411
Profit attributable to members of the parent entity	<b>8,092,199</b>	10,037,521
Dividends on ordinary shares paid or provided	<b>(4,657,975)</b>	(3,007,796)
<b>Retained earnings at the end of the financial year</b>	<b>35,890,360</b>	32,456,136

<b>NET TANGIBLE ASSETS PER ORDINARY SECURITY</b>		
	<b>30 June 2006</b>	<b>30 June 2005</b>
	<b>\$</b>	<b>\$</b>
Total net tangible assets	<b>88,084,250</b>	71,753,253
Net tangible assets per ordinary share	<b>\$1.51</b>	\$1.42

**ENTITIES OVER WHICH CONTROL GAINED OR LOST DURING THE YEAR**

N/A

**DETAILS OF ASSOCIATES OR JOINT VENTURE ENTITIES**

N/A

**EARNINGS PER SHARE**

	30 June 2006	30 June 2005
	\$	\$
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	54,548,927	49,509,716
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding used in calculation of diluted EPS	54,548,927	49,509,716
Basic Earnings per share	14.83c	20.27c
Diluted Earnings per share	14.83c	20.27c

**CONTRIBUTED EQUITY**

	30 June 2006	30 June 2005
	#	#
<b>Ordinary shares:</b>		
Number of ordinary shares at the beginning of the reporting period	50,458,562	49,199,073
Issue of shares:		
Share placement	7,568,228	-
Shares issued under the Employee Share Scheme and Dealer Option Plan	98,553	1,173,258
Shares issued under the Dividend Reinvestment Plan	173,675	86,231
Number of ordinary shares on issue at reporting date	58,299,018	50,458,562
<b>Convertible Preference shares:</b>		
Number of preference shares on issue at the beginning of the reporting period	400,000	-
Issue of shares:		
400,000 fully paid convertible preference shares	-	400,000
Number of preference share on issue at reporting date	400,000	400,000

## SEGMENT INFORMATION

The economic entity offers Woodlot Investment Projects in all Australian states and territories and operates Timber Processing facilities in New South Wales.

	Woodlot Projects		Timber Processing		Consolidated	
	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>						
External income	<b>55,589,828</b>	48,953,301	<b>20,062,902</b>	20,529,264	<b>75,652,730</b>	69,482,565
<b>RESULT</b>						
Segment earnings before interest, tax, depreciation and amortisation	<b>28,366,977</b>	25,183,111	<b>(1,238,426)</b>	821,165	<b>27,128,551</b>	26,004,276
Depreciation and amortisation	<b>(705,226)</b>	(438,518)	<b>(1,140,563)</b>	(1,249,354)	<b>(1,845,789)</b>	(1,687,872)
Segment earnings before interest and tax	<b>27,661,751</b>	24,744,593	<b>(2,378,989)</b>	(428,189)	<b>25,282,762</b>	24,316,404
Unallocated costs					<b>(2,257,783)</b>	(3,341,987)
Non-recurring cost of impairment					<b>(2,875,779)</b>	-
Earnings before interest and tax					<b>20,149,200</b>	20,974,417
Interest received					<b>1,594,232</b>	1,035,517
Borrowing cost expense					<b>(9,114,673)</b>	(6,988,236)
Profit before income tax expense					<b>12,628,759</b>	15,021,698
Income tax attributable to ordinary activities					<b>(4,536,715)</b>	(4,984,257)
Profit from continuing operations					<b>8,092,044</b>	10,037,441
Acquisition of land, property plant & equipment and intangible assets	<b>23,953,796</b>	20,881,740	<b>1,559,043</b>	797,241	<b>25,512,839</b>	21,678,981
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Segment assets	<b>274,800,146</b>	248,614,775	<b>16,266,090</b>	16,721,297	<b>291,066,236</b>	265,336,072
Segment liabilities	<b>188,685,826</b>	183,221,877	<b>12,835,099</b>	8,814,252	<b>201,520,925</b>	192,036,129

## AUDIT

This report is based upon accounts which have been audited.



Jonathan David Madgwick  
Company Secretary

18 August 2006