



ENVIRONMENTAL FOREST FARMS MANAGEMENT LIMITED ACN 087 201 670

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2008



Corporate information

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Directors

Sydney Chesson (Chairman)
Victor Turco (Director)
Geoffrey Coad (Director)

Company Secretary

Simon Chesson

Members of the Consolidated Group

EFF Limited
ACN 077 014 594

Environmental Forest Farms Management Limited
ACN 087 201 670

EFF Timber Pty Ltd
ACN 082 882 960

Powton Land Holdings Limited
ACN 087 201 652

A&N Enterprises Pty Ltd
ACN 113 434 512

Forestry Finance Limited
ACN 108 513 239

Beenyup Forest Farms Pty Ltd
ACN 081 216 766

Auditor

Carlton and Partners
Level 1, 9-11 Drake Street
Osborne Park WA 6017

Shareholder Information

Shareholder Enquiries

Shareholders with queries about their shareholding should contact the Company.

Change of Address

Should a Shareholder's registered address change, they should notify the Company in writing immediately.

Electing Not to Receive an Annual Report

Shareholders who do not wish to receive future Annual Reports, or currently receive more than one copy of the Annual Report should notify the Company in writing.

Shareholders who wish to receive an electronic version of the Annual Report should also notify the Company in writing.

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Environmental Forest Farms Management Limited

Environmental Forest Farms Management Limited ("EFFM") is a wholly owned subsidiary of E.F.F Limited ("EFF") and a member of the EFF Group of Companies. The EFF Group is one of Australia's leading Paulownia organisations and the role of EFFM within the Group is to establish, grow, maintain and manage the Group's Paulownia plantation interests. This also involves managing the plantations for and on behalf of Growers in the Kiri Park Projects.

In addition to undertaking the plantation management interest of the EFF Group of Companies, EFFM holds an Australian Financial Services License Number 239 635, which enables the Company to act as the Responsible Entity for Paulownia plantations being operated as Managed Investment Schemes that are registered with the Australian Securities and Investments Commission ("ASIC").

EFFM is the Responsible Entity for all of the Kiri Park Projects being:

- Kiri Park Project
(ARSN: 091 158 897)
- Kiri Park Project No. 2
(ARSN: 096 225 400)
- Kiri Park Projects (ARSN: 107 747 348)
 - 2004 Growers
 - 2005 Growers
 - 2006 Growers
 - 2007 Growers
 - 2008 Growers
- Kiri Timber Trust
(ARSN: 107 747 348)

EFFM is also the Responsible Entity for the Heritage Paulownia Forests Project No. 1 (ARSN 092 167 103).

EFFM has the management expertise to establish, develop, and manage Paulownia plantations in accordance with industry best practices.

The Company has an on-going commitment to the research and development of Paulownia trees and the different growing techniques for plantations in Western Australia. The Company's nursery and research plantation are continually providing superior planting stock for future Paulownia plantations. The Company's research activities are assisting the EFF Group to remain at the forefront of the Australian Paulownia industry.

EFFM has maintained its commercial objectives and continues to develop the skills, knowledge and management expertise to ascertain these objectives.

Director's Report

Your Directors present their Report on the Company for the financial year ended 30 June 2008.

Directors

The names of the Directors in office at any time during or since the end of the year are:

- Mr Sydney J. Chesson
- Mr Victor V. Turco
- Mr Geoffrey J. Coad

Principal Activities

The principal activity of the Company during the financial year was to establish, maintain and manage Paulownia plantations and to undertake activities relating to the Kiri Park Project, the Kiri Park Project No. 2, the Kiri Park Projects, the Kiri Timber Trust and the Heritage Paulownia Forests Project No. 1, which are all operated as Managed Investment Schemes and registered with the Australian Securities and Investments Commission ("ASIC").

The Company also continues to undertake the Plantation Management activities for plantation's owned by the EFF Group of Companies.

There were no other significant changes in the nature of these activities during the year.

Operating Results

The net profit after providing for income tax amounted to \$233,189 (2007: profit \$169,500). The profit was attributed to the Company's increased sales in new Woodlots and a small increase in the management fees being charged to facilitate the long term feasibility of the plantations.

The Net Asset position of the Company has increased by approximately 40.52% during the year to \$3,236,421.

Due to the nature of the business, income is received in advance. As such, the unearned income of approximately \$1,787,452 represents the billing for the 2009 financial year which were invoiced in late April 2008 in accordance with the Lease and Management Agreements.

Dividends

There are no dividends to be paid or announced.

Review of Operations

During the year ended 30 June 2008 the Company implemented some key strategies that strengthen the platform for the Company's future growth and development. The Directors report on some of the major achievements and operations of the Company throughout the period as follows:

Responsible Entity Activities

During the financial year, EFFM continued to operate under its Australian Financial Services License ("AFSL") to provide Responsible Entity activities for Paulownia focused Managed Investment Schemes registered with the Australian Securities and Investment Commission ("ASIC").

EFFM acted in the capacity of Responsible Entity for the Kiri Park Project, Kiri Park Project No. 2, Kiri Park Projects, Kiri Timber Trust and the Heritage Paulownia Forests Project No. 1.

The Existing Kiri Park Projects

During the financial year, the Company and the consolidated EFF Group continued to implement key strategies at the Kiri Park Property that were designed to benefit all of the plantations on the property. The primary strategies implemented during the year include:

- Upgrade of Irrigation
Irrigation contractors completed work which upgrades the irrigation capacity of Kiri Park and allows for the planting of new seedlings.

- Kiri Park Harvest

During June 2008 the first thinning commenced at Kiri Park for Growers in the Kiri Park Project (ARSN 091 158 897). This thinning occurred in a small area of the plantation that has performed well and involved the harvest of 1,216 trees as at the 30th June 2008. Thinning concluded in July 2008.

- Plantings

In November 2007 Woodlots for the KPP-07 investors were planted. This was a successful year for planting as over 21,000 new trees have been added to the Kiri Park Plantation.

- Pruning and Uplift of Plantation

All trees in the plantation have been assessed and pruned accordingly. By pruning the trees, farm managers can balance the tree crowns to improve growth and reduce stress on the trees. Kiri Park Farm Manager Laurie Jolly is an experienced tree surgeon who trains and supervises all farm staff who engage in pruning activities.

- Nutrition

Kiri Park Farm Management conduct regular leaf and soil nutrition analyses to determine optimum fertigation regimes for the plantation. This growing season continued to show good nutrient results as in previous years.

- Growth

The trees have continued to show good growth rates over this year. Over the growing season the diameters of over 1000 trees at Kiri Park are measured on a monthly basis and at the end the growing season a volume analysis was conducted. Heights of the trees are also measured on a regular basis.

- Sales and Allotment of Woodlots

During the financial year, the issue and allotment of Woodlots for the Kiri Park Projects: 2007 Growers and the Kiri Park Projects: 2008 Growers occurred.

The Project was issued with a Product Ruling from the Australian Taxation Office (PR2007/100) and was marketed in Australia.

71 Woodlots were issued and allotted to Kiri Park Projects: 2007 Growers post 30 June 2007 and 151 Woodlots were issued and allotted to new Growers in the Kiri Park Projects: 2008 Growers on or before 30 June 2008.

- Planting of Woodlots

Woodlots that were sold, issued and allotted under the Kiri Park Projects: 2007 Growers on or before 30 September 2007 were prepared, established, planted and maintained in accordance

with good silvicultural practices and the respective lease and management agreement. Preparation has commenced for the planting of the Kiri Park Projects: 2008 Growers Woodlots, which shall be planted in or around October 2008.

Heritage Paulownia Forests Project No. 1

During the financial year, the current Responsible Entity and its parent company (E.F.F Limited) spent considerable funds on the Heritage Paulownia Forests Project No. 1. Some of the occurrences during the year include:

- Review and Improvement to Management Practices

Since being appointed the Responsible Entity for the Project, EFFM has conducted a number of review and assessments of the Project in accordance with its management policies. It has identified a number of areas where the plantation needs to be improved. EFFM has worked toward improving the management practices at the plantation and has endeavoured to implement forestry best practice principles for management programs including:

- Weed Control Program
- Pest Control Program
- Irrigation Program
- Infrastructure, Equipment and General Maintenance Programs.

- On 26 June 2008 the Responsible Entity terminated the Sub-Lease of the Scheme due to a "Reduction in Viability of Woodlots" in the Scheme in accordance with the Prospectus for the Scheme.

- The Responsible Entity has written to the Lessor regarding the reduction in viability in woodlots and has demanded that under the terms of the Prospectus and Scheme Documents, the Lessor is to repay all Rent to Growers in the Scheme.

Defaulting Growers have hampered the ability of the Responsible Entity to manage the Plantation however the Responsible Entity has devoted much of its own resources into maintaining best practice.

Research and Development

The Company continued its Research and Development program during the financial year in the areas of fertigation, water utilisation and species selection.

The Company also continues to utilise the consolidated Group's significant research plantation to assist the Group in maintaining and improving its plantation establishment and management practices.

The Research and Development activities of the Company are designed to assist the consolidated Group to remain at the forefront of the Australian Paulownia plantation industry.

Company Personnel

The Company's Directors, management, employees and consultants, remain firmly focused on achieving the commercial objectives of the consolidated EFF Group. All activities are performed with diligence and enthusiasm, and the Company is very appreciative of the persistent and tireless efforts of all personnel involved in furthering the growth and development of the Company and the Kiri Park Projects.

Significant Changes in the State of Affairs

The following significant changes in the state of the Company's affairs occurred during the financial year:

- The Company continued to market and sell Woodlots in the Kiri Park Projects: 2007 Growers, which was provided Australian Taxation Office Product Ruling (PR 2006/151); and also to market and sell Woodlots in the Kiri Park Projects: 2008 Growers which was provided Australian Taxation Office Product Rulings (PR 2007/100)
- In conjunction with its Parent Company E.F.F. Limited, the Company continued harvesting trials of Paulownia timber from the Nowergup Plantation. At the date of this report approximately 6,584 trees have been harvested since 1 July 2005 and have been milled and prepared for use as furniture, blind slats, veneers, decorative mouldings and a variety of samples for marketing purposes. The Company is confident that the trial harvest will assist the Company in establishing markets for the future timber that is being produced at Nowergup and at the Kiri Park Plantation. The initial results of the trial harvest have been positive for the Company and the EFF Group. The extraction rate has been calculated at between 62% and 65%, with the milling contractor indicating that these results could be increased to 70% for future non-experimental harvests and milling.
- The Company finished harvesting trees from the Nowergup plantation under the second round of thinnings.
- Beenyup Forest Farms Pty Ltd, a subsidiary company, concluded the experimental trial at the Beenyup Wastewater Treatment Plant. The plantation was clearfelled and in total 1,147 out of the remaining 1,252 trees were harvested and transported to the Nowergup plantation for milling. The trees which were not milled did not

meet sawlog quality.

Significant After Balance Date Events

Since the end of the financial year, the following significant events have occurred for the Company:

- The Company has prepared for planting, the Woodlots that were sold under the Kiri Park Projects: 2008 Growers.
- The Company has lodged an ATO Product Ruling Application for the next Kiri Park Project. Upon issuance of the Product Ruling, the documentation will be finalised and a new Product Disclosure Statement will be issued.

Future Developments

The likely developments in the operation of the Company and the expected results of those operations in future financial years are as follows:

- The Company expects to continue in the successful operation and management of the existing plantations at Kiri Park.
- The Company expects to continue with its commitment to Research and Development.
- The Company expects to continue to implement best practices in the field of Paulownia forestry.
- The Company expects to continue to offer investments in future Kiri Park Projects.
- The Company expects to use timber from the trial harvest and milling for furniture, blind slats, veneers, decorative mouldings and a variety of samples for marketing purposes.

The Board expects that the above developments will provide benefits for the Company and its Parent Company.

Environmental Issues

The Company currently meets all development and operational conditions associated with the Company's operations.

Information on Directors

At the date of this Annual Report, the Board of Directors have not established any specialist committees to take on specific roles and duties of the Board. As such, there are no special responsibilities assigned to any one Director.

The following information is provided in relation to the Directors of the Company

Sydney Chesson M.B.A., C.R.E.M., C.S.M., F.A.I.C.D.
Chairman

Mr Chesson has been awarded a Master of Business Administration degree from the University of Notre Dame Australia, where he was admitted to the Vice Chancellors list for academic excellence. He is a licensed real estate agent and business broker, and a licensed finance broker. He has extensive experience in importing and exporting, production and manufacturing. He has over 25 years experience in real estate and over 35 years experience in business and commercial activities.

As a Fellow of the Australian Institute of Company Directors, Mr Chesson has considerable experience as a Director of listed and unlisted public companies, unlisted property trusts, and several private companies.

Mr Chesson is also the Chairman of E.F.F Limited (the parent company of the Responsible Entity), Forestry Finance Limited, Beenyup Forest Farms Pty Ltd, Powton Land Holdings Limited (the Lessor in the Kiri Park Schemes), EFF Timber Pty Ltd and A&N Enterprises Pty Ltd.

Victor Turco B.Bus, C.PA
Non-Executive Director

Mr Turco has been involved in the Public Accounting Arena for approximately 25 years. During this time, Mr Turco has gained considerable experience in Australian and Overseas accounting, taxation, financing, corporate and property issues.

Mr Turco has experience as a Director of numerous companies, including serving as a Director of the Board of a Terminating Building Society managing a \$100 million portfolio.

Mr Turco is a Director of E.F.F Limited (the parent company of the Responsible Entity), Forestry Finance Limited, Beenyup Forest Farms Pty Ltd, Powton Land Holdings Limited (the Lessor in the Kiri Park Schemes), EFF Timber Pty Ltd and A&N Enterprises Pty Ltd.

Geoffrey John Coad M.Phil, LL.B, G.A.I.C.D
Director

Mr Coad was admitted to the Supreme Court of Western Australia in 1973, and has practiced law in Western Australia since 1975. He practices law in areas of commercial law, conveyancing and civil litigation.

Mr Coad is a member of the Australian Institute of Company Directors, and an external member of several other compliance committees for Managed Investment Schemes.

Mr Coad is also a Director of E.F.F Limited (the parent company of the Responsible Entity), Forestry Finance Limited, Powton Land Holdings Limited,

Beenyup Forest Farms Pty Ltd, EFF Timber Pty Ltd and A&N Enterprises Pty Ltd.

Directors' Meetings

During the year, the following number of meetings of Directors were held and attended:

Director	No. of Meetings Eligible to Attend	No. Attended
Sydney Chesson	9	9
Victor Turco	9	8
Geoffrey Coad	9	7

Directors' Emoluments

Disclosure relating to Directors' and Executive Officers' emoluments has been included in Note 16 of the Financial Report.

Indemnifying Officers

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or of a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

The Company also has an insurance policy to cover Professional Indemnity. The premium for this cover is \$80,000 for a 12 month period. This includes the required cover for fraud and for issues of Product Disclosure Statements.

Interests of Directors

At the date of this Report, Directors held the following interest in shares:

Director	Direct Shareholding	Indirect Shareholding	Total
Sydney Chesson	Nil	98,718	98,718
Victor Turco	Nil	4,231	4,231
Geoffrey Coad	Nil	12,752	12,752

Options

The Company does not have any options on issue.

Directors' Interests

Directors' interests in contracts and related party transactions are detailed in note 17 of the Financial Report.

Rounding of Amounts

The amounts in the Financial Report and the Directors' Report have been rounded to the nearest dollar.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 10 of this Annual Report.

Directors' Authorisation

This Report is made in accordance with a resolution of the Board of Directors and is signed by authority for and on behalf of the Directors by:

A handwritten signature in black ink, appearing to be 'S. Chesson', written in a cursive style.

Sydney J. Chesson
Chairman

Dated this 24th day of September 2008

CARLTON & PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS

ABN 28 251 922 867

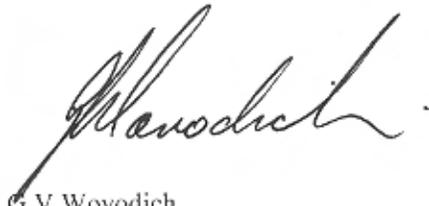
9-11 DRAKE STREET OSBORNE PARK WA 6017

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF
ENVIRONMENTAL FOREST FARMS MANAGEMENT LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have been:

- i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Carlton & Partners



G.V Wovodich
Registered Company Auditor

Dated this 24th day of September 2008 at Perth Western Australia

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TAN: 76556 015

POSTAL ADDRESS:
PO BOX 1860
OSBORNE PARK DC WA 6916

Environmental Forest Farms Management Limited

ACN 087 201 670

Profit and Loss Statement

for the Period 1 July 2007 to 30 June 2008

Notes	The Company		
	30 June 2008 \$	30 June 2007 \$	
Revenue from ordinary activities			
Revenue Income	2	3,812,596	3,103,388
Expenses			
Administration Expenses	2 (a)	(1,926,688)	(2,633,771)
Borrowing Costs and interest expenses	2 (b)	(116,348)	(77,163)
Plantation Management		(1,536,371)	(150,312)
Total Expenses Incurred		(3,579,407)	(2,861,245)
Profit/(Loss) from Ordinary Activities before Income Tax		233,189	242,143
Income Tax (Expense)/Benefit	3	-	(72,643)
Profit/(Loss) from Ordinary Activities after Income Tax Attributable to Members		233,189	169,500

The above income statement is to be read in conjunction with the attached notes.

Environmental Forest Farms Management Limited

ACN 087 201 670

Balance Sheet

as at 30 June 2008

Notes	Economic Entity	
	30 June 2008 \$	30 June 2007 \$
Current Assets		
Cash and cash equivalents	442,968	291,161
Trade and other receivables	4 2,552,979	3,062,601
Other financial assets	5 710,645	644,570
Total Current Assets	3,706,591	3,998,332
Non-current Assets		
Property, plant and equipment	6 875,642	1,129,708
Deferred tax assets	7 453,893	684,051
Other financial assets	1,000,000	1,000,000
Total Non-current Assets	2,329,535	2,813,758
Total Assets	6,036,126	6,812,090
Current Liabilities		
Trade creditors and other payables	8 222,044	945,439
Unearned income	9 1,787,452	2,191,072
Interest bearing liabilities	10 -	-
Tax liabilities	11 181,574	618,215
Provisions	13 18,608	43,865
Total Current Liabilities	2,209,677	3,798,591
Non-current Liabilities		
Interest bearing Liabilities	10 530,443	702,302
Deferred tax liabilities	12 59,585	7,965
Total Non-current Liabilities	590,028	710,267
Total Liabilities	2,799,705	4,508,858
Net Assets	3,236,421	2,303,232
Equity		
Contributed Equity	16 1,000,000	300,000
Accumulated Profits	15 2,236,421	2,003,233
Total Equity	3,236,421	2,303,233

The above balance sheet should be read in conjunction with the accompanying notes.

Environmental Forest Farms Management Limited

ACN 087 201 670

Statement of Changes in Equity

as at 30 June 2008

	Share Capital							Total
	Fully Paid Ordinary \$	Redeemable Ordinary Shares \$	Preference Shares \$	Retained Earnings \$	Asset Revaluation Reserve \$	Financial Assets Reserve \$	General Reserves \$	
At 1 July 2006	300,000	-	-	1,849,203	-	-	-	2,149,203
Profit attributable to members of parent entity	-	-	-	154,030	-	-	-	154,030
Sub-total	300,000	-	-	2,003,233	-	-	-	2,303,233
At 30 June 2007	300,000	-	-	2,003,233	-	-	-	2,303,233
At 1 July 2007	300,000	-	-	2,003,233	-	-	-	2,303,233
Adjustment on prospective application of AASB 139	-	-	-	-	-	-	-	700,000
Shares issued during the year	-	700,000	-	-	-	-	-	700,000
Profit attributable to members of parent entity	-	-	-	233,189	-	-	-	233,189
Sub-total	300,000	700,000	-	2,236,422	-	-	-	3,236,421
At 30 June 2008	300,000	700,000	-	2,236,422	-	-	-	3,236,421

Environmental Forest Farms Management Limited

ACN 087 201 670

Cash Flow Statement

for the Period 1 July 2007 to 30 June 2008

	Notes	Economic Entity	
		30 June 2008 \$	30 June 2007 \$
Cash flows from operating activities			
Cash receipts from customers		4,104,574	1,072,591
Cash payments to suppliers and employees		(4,172,758)	(1,073,634)
Net Taxes (paid)/received		(154,864)	158,024
Interest received		25,578	8,733
Interest and cost of finance paid		(116,348)	(77,163)
Net cash flows used in operating activities	20	(313,818)	89,552
Cash flows from investing activities			
Payment for property plant and equipment		(62,516)	(422,122)
Net cash flows used in investing activities		(62,516)	(422,122)
Cash flows from financing activities			
Proceeds from borrowings		(171,859)	(23,626)
Net proceeds from issue of shares		700,000	-
Net cash flows used in financing activities		528,141	(23,626)
Net increase/(decrease) in cash held		151,807	(356,196)
Cash at the beginning of financial year		291,161	647,357
Cash at the end of financial year		442,968	291,161

Notes to the financial statements

For the Period 1 July 2007 to 30 June 2008

I. Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Boards and the Corporations Act 2001.

The financial report covers Environmental Forest Farms Management Limited as an economic entity. Environmental Forest Farms Management Limited is an unlisted public company, incorporated and domiciled in Australia.

The financial report of Environmental Forest Farms Management Limited complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation

The accounting policies set out below have been consistently applied to all years presented.

(a) Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(b) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognized from the initial recognition of an asset or a liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognized by the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilized.

The amount of benefits brought to account or which may be realized in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realized and comply with the conditions of deductibility imposed by the law.

(c) Investments

Investments brought to account are at cost or at valuation. The carrying amount of investments is reviewed annually to ensure it is not in excess of the recoverable amount of the investments.

(d) Interest and Dividends

Interest is brought to account in the profit and loss statement when earned. Dividends are brought to account in the profit and loss statement when received.

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on a periodic, but at least triennial, valuations by external independent valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement and depreciation based on the assets original cost is transferred from revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including building and capitalized lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Building	2%
Leasehold Improvements	4 - 5%
Plant and Equipment	5 - 33%
Plant and Equipment Leased to External Parties	10 - 20%
Leased Plant and Equipment	15%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred

to retained earnings.

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalized by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognized as a liability and amortised on a straight line basis over the life of the lease term.

(g) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

(h) Financial Instruments

Financial instruments are measured initially at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorized as held for trading unless they are designated as hedges. Realised and unrealized gains and losses arising from changes in fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised

cost using the effective interest rate method.

Held to maturity investments

These investments have fixed maturities, and it is the Company's intentions to hold these investments to maturity. Any held to maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

Available for sale financial assets

Available for sale financial assets include any financial assets not included in the above categories. Available for sale assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognized at amortised cost, comprising debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(i) Impairment

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

At each reporting date, the group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the

recoverable amount of the cash generating unit to which the asset belongs.

(j) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the group's share of post-acquisition reserves of its associates.

(k) Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(m) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from investment properties is recognised on an accruals basis or straight-line basis in accordance with lease agreements.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(n) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially

ready for their intended use of sale.

All other borrowing costs are recognised as income in the period in which they are incurred.

(o) Payables

The management agreement states that the manager is not to be remunerated until the fees are received by the Scheme. As a result, a corresponding payable is not recognised in note 6 to the financial statements.

(p) Goods and Services Tax

Revenues, expenses and assets are recognized net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognized as part of the cost of acquisition of the asset or as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

	Economic Entity	
	30 June 2008 \$	30 June 2007 \$
2 Revenue Income		
PLH Plantation Management	-	300,000
Woodlot Project Fees	3,738,261	2,701,719
Interest Received	25,578	8,733
Other Revenue	48,757	92,936
Total	3,812,596	3,103,388
a. Administration Expenses		
Auditors - Remuneration	23,540	22,173
Depreciation of non-current assets	160,706	137,667
Amortisation of leased assets	155,876	172,067
Payroll expenses	431,125	555,813
Plantation Maintenance	255,186	400,354
Equipment operating cost	257,613	350,902
Marketing Expense	26,223	615,239
PLH Management Expense	125,992	-
Other Expenses	490,428	379,557
Total	1,926,688	2,633,771
b. Borrowing Costs and Interest Expense		
Interest	116,348	77,163
Total	116,348	77,163
3. Income Tax Expense		
The prima facie income tax payable on operating profit/(loss) is reconciled to the income tax provided as follows:		
Prima facie income tax payable on operating profit/(loss) at 30%	69,957	72,643
Recognition of timing differences not previously recognised		
Income tax liability transferred to head entities	(69,957)	-
Income Tax Expense/(Benefit)	-	72,643
Represented as movements in:		
Future Income Tax Benefits	-	230,157
Provision for Deferred Income Tax Liabilities	-	51,620
Total	-	281,778
4. Trade and Other Receivables		
<i>Current</i>		
Amount receivable - EFF Ltd	2,042,069	2,596,167
Amount receivable - Powton Land Holdings Ltd	(319)	300
Amount receivable - Forestry Finance Ltd	504,246	463,246
Amount receivable - EFF Timber Pty Ltd	6,983	2,888
Total	2,552,979	3,062,601

*Note: The company is a subsidiary of a consolidated group. As such the taxable income has been transferred to the EFF parent company as it is the head entity. The resultant taxation expense for the year is nil.

	Economic Entity	
	30 June 2008 \$	30 June 2007 \$
5. Other Financial Assets		
<i>Current</i>		
Grower maintenance	617,594	419,543
Less: Provision for doubtful debts	(30,000)	(30,000)
Seedlings	23,360	94,160
Trade debtors	13,111	15,275
Refundable deposit	-	2,158
Prepayment & deposit	20,925	20,925
Prepaid rent	10,165	10,165
Prepaid insurance	55,387	103,492
Prepaid Heritage insurance	-	8,750
ABN Withholding	103	103
Total Other Financial Assets	710,645	644,570
6. Property, Plant and Equipment		
Plant and equipment - at cost	218,543	211,313
Less: Accumulated depreciation	(165,057)	(165,057)
Total	53,486	46,256
Buildings - at cost	75,003	75,003
Less: Accumulated depreciation	(71,218)	(69,044)
Total	3,786	5,959
Irrigation systems - at cost	1,618,394	1,561,381
Less: Accumulated depreciation	(1,277,943)	(1,135,650)
Total	340,451	425,731
Leasehold improvements - at cost	57,300	57,300
Less: Accumulated depreciation	(43,381)	(40,417)
Total	13,920	16,833
Lease assets - at cost	1,018,537	1,018,537
Less: Accumulated amortisation	(554,538)	(383,659)
Total	463,999	634,878
Total plant, property and equipment	875,642	1,129,708
6. Movements in plant, property and equipment		
<i>Plant and equipment</i>		
At cost		
Opening Balance	203,981	189,234
Additions	14,562	14,747
Disposals	-	-
Closing balance	218,543	203,981
Accumulated depreciation		
Opening balance	157,725	147,553
Depreciation	7,332	10,172
Less: Accumulated depreciation on disposal	-	-
Closing balance	165,057	157,725

Environmental Forest Farms Management Limited
ACN 087 201 670
Notes to Financial Statements
as at 30 June 2008

	Economic Entity	
	30 June 2008 \$	30 June 2007 \$
<i>Property</i>		
At cost		
Opening balance	-	-
Additions	-	-
Closing balance	-	-
Accumulated depreciation		
Opening balance	-	-
Depreciation	-	12,286
Less: Accumulated depreciation on disposal	-	(12,286)
Closing balance	-	-
<i>Buildings</i>		
At cost		
Opening balance	75,003	75,003
Additions	-	-
Disposals	-	-
Closing balance	75,003	75,003
Accumulated depreciation		
Opening balance	69,044	68,328
Depreciation	2,174	716
Closing balance	71,218	69,044
<i>Irrigation systems</i>		
At cost		
Opening balance	1,521,500	1,229,422
Additions	96,894	292,078
Disposals	-	-
Closing balance	1,618,394	1,521,500
Accumulated depreciation		
Opening balance	1,095,769	972,591
Depreciation	182,174	123,178
Less: Accumulated depreciation on disposal	-	-
Closing balance	1,277,943	1,095,769
<i>Leasehold improvements</i>		
At Cost		
Opening balance	57,300	57,300
Additions	-	-
Disposals	-	-
Closing balance	57,300	57,300
Accumulated depreciation		
Opening balance	40,417	33,547
Depreciation	2,964	6,870
Closing balance	43,381	40,417
<i>Lease assets</i>		
At cost		
Opening balance	1,018,537	896,093
Additions	-	122,444
Disposals	-	-
Closing balance	1,018,537	1,018,537

	Economic Entity	
	30 June 2008 \$	30 June 2007 \$
Accumulated depreciation		
Opening balance	383,659	207,219
Depreciation	170,879	176,440
Closing balance	554,538	383,659
7. Deferred Tax Assets		
FITB	453,893	684,051
Total	453,893	684,051
8. Trade and Other Payables		
<i>Current</i>		
Sundry Creditors and accrued expenses	81,857	90,110
Trade creditors	139,615	843,257
Heritage payables	572	12,072
Total	222,044	945,439
9. Unearned Income		
Management Fees	1,684,497	1,428,718
Lease Fees	11,668	21,354
Woodlot Planting Fees	91,286	741,000
Total	1,787,452	2,191,072
10. Interest Bearing Liabilities		
<i>Current</i>		
Short term borrowings	-	-
Total	-	-
<i>Non-current</i>		
Lease liability	530,443	702,302
Total	530,443	702,302
Total Liabilities	530,443	702,302
11. Income Tax		
<i>Current</i>		
GST/PAYG	108,931	263,795
Provision fro Income Tax	72,643	354,420
Total	181,574	618,215
12. Deferred Tax Liabilities		
<i>Non-current</i>		
Provision for deferred income tax	59,585	7,965
Total	59,585	7,965
13. Provisions		
<i>Current</i>		
Employee Entitlements	18,608	43,865
Total	18,608	43,865

14. Events Subsequent to Balance Date

Since the end of the financial year, the following events have occurred. The financial effect of these events is not reflected in the accounts:

- The Company has prepared the Woodlots for planting under the Kiri Park Projects: 2008 Growers as and when they were sold.
- The Company continued a thinning at the Kiri Park property. 1,337 logs were harvested after 30 June 2008. Milling is taking place at present.

	Economic Entity	
	30 June 2008	30 June 2007
	\$	\$
15 Accumulated Profits/ (Accumulated Losses)		
Retained Profits at the Beginning of Financial Year	2,003,232	1,833,732
Prior Year Adjustment to Retained Earning	-	-
Net profit/(loss) attributed to Members	233,189	169,500
Retained Profits at the End of Financial Year	2,236,421	2,003,233
16. Contributed Equity		
<i>Paid up Capital</i>		
50,000 ordinary shares at \$1.00 each	50,000	50,000
250,000 ordinary shares at \$1.00 each	250,000	250,000
700,000 ordinary shares at \$1.00 each	700,000	-
Total	1,000,000	300,000

No further shares have been issued

Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

17 Directors Remuneration

a. Directors names

The names of the Directors in office at the date of this report are:

- Syd Chesson
- Victor Turco
- Geoffrey Coad

The Company Secretary at the end of the financial year, and at the date of this report is Mr Simon Chesson.

b. Directors' Remuneration

2008	Salary & Fees Superannuation		Equity	Other	Total
	\$	\$	\$	\$	\$
Mr. S Chesson	-	-	-	-	-
Mr. V Turco	-	-	-	-	-
Mr. G Coad	-	-	-	-	-
2007	Salary & Fees Superannuation		Equity	Other	Total
	\$	\$	\$	\$	\$
Mr. S Chesson	-	-	-	-	-
Mr. V Turco	-	-	-	-	-
Mr. G Coad	-	-	-	-	-

	Economic Entity	
	30 June 2008 \$	30 June 2007 \$
18. Related Party Transactions		
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Transaction with related parties during the financial year are as follows:		
<i>iv) Director Related Entities:</i>		
Accounting services paid to AustAsia		
Accounting Services a firm related to Syd Chesson	2,000	3,500
Legal Fees paid to AustAsia Legal Pty Ltd a firm related to Syd Chesson	6,771	-

(ii) Directors Interests

Directors interests in shares have been disclosed in the Directors' Report.

The following Directors have lease and management agreements for woodlots in "Kiri Park" at the end of the financial year:

- Jade Glen Pty Ltd, a related entity of Syd Chesson, has a 10 year lease & management agreement for 1 woodlot in the Kiri Park Projects: 2004 Growers.
- Syd Chesson has a 10 year lease and management agreement for 5 woodlots in the Kiri Park Projects: 2006 Growers.
- The First Knight Pty Ltd, an entity related to Mr Syd Chesson has a 10 year lease and management agreement for 15 woodlots in the Kiri Park Projects: 2006 Growers and for 8 Woodlots in the Kiri Park Projects: 2007 Growers
- Callao Pty Ltd, an entity related to Mr Syd Chesson has a 10 year lease and management agreement for 5 woodlots in the Kiri Park Projects: 2006 Growers
- Jet Black Pty Ltd, an entity related to Mr Victor Turco has a 10 year lease and management agreement for 4 woodlots in the Kiri Park Projects: 2006 Growers
- Geoffrey Coad, has a 10 year lease & management agreement for 2 Woodlots in the Kiri Park Projects: 2004 Growers and a 10 year lease and management agreement for 14 Woodlots in the Kiri Park Projects: 2006 Growers.
- The First Knight Pty Ltd ATF SJ Chesson Extended Family Trust, an entity related to Mr Syd Chesson has a 10 year lease and management agreement for 10 woodlots in the Kiri Park Projects: 2008 Growers

19. Financial Instruments

The financial instruments of the Company are those which are classified as assets & liabilities.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements. The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

Net Fair Values

The net fair value of assets and liabilities approximates their carry value. No financial assets and financial liabilities are readily traded on organised markets in a standardised form other than listed investments

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument will fluctuate as a result of changes in market interest rates and the effective weighted coverage interest rate on those financial assets as follows:

19. Financial Instruments

	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate	Non Interest Bearing	Total
	30 June 2008	30 June 2008	30 June 2008	30 June 2008	30 June 2008
	30 June 2007	30 June 2007	30 June 2007	30 June 2007	30 June 2007
Financial Assets					
Cash and Stock	2.00%	442,968	-	-	442,968
Receivable	8.00%	-	710,645	2,552,979	3,263,623
Total Financial Assets	-	442,968	10,645	2,552,979	3,706,591
Financial Liabilities					
Account Payable	-	-	-	222,044	222,044
Unearned Income	-	-	-	1,787,452	1,787,452
Interest Bearing Liabilities	23.00%	-	530,443	-	530,443
Taxation	-	-	-	181,574	181,574
Total Financial Liabilities	-	-	530,443	2,191,069	2,721,512
Net Financial Assets	-	442,968	180,202	361,909	985,079

	30 June 2008	30 June 2007
Reconciliation of Net Financial Assets to Net Assets		
Net Financial Assets as above	985,079	(458,697)
Plus No Financial Assets		
Fixed Asset	875,642	1,129,708
Paulownia Trees	453,893	684,051
Intangibles	1,000,000	1,000,000
Tax Assets	(18,608)	(43,865)
Tax Liabilities	(59,585)	(7,965)
Net Assets as per Balance Sheet	3,236,421	2,303,232

	Economic Entity	
	30 June 2008	30 June 2007
	\$	\$
20. Reconciliation of Cash		
Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash at bank	442,968	291,161
Reconciliation of Net Cash provided by Operating Activities to Profit/(Loss) from Ordinary Activities after Income Tax		
Operating profit.(loss) from ordinary activities after income tax	233,189	169,500
Non Cash Flows on Operating Profit/(Loss)		
Depreciation	160,706	137,667
Amortisation	155,876	172,067
Changes in Assets and Liabilities		
(Increase)/decrease in receivables	443,548	(2,022,064)
Increase/(decrease) in accounts payable	(1,127,015)	1,545,826
Decrease/(Increase) in tax liability	(154,864)	86,382
Increase/(Decrease) in Provision	(25,257)	174
Movement in Intercompany balance	-	-
Net Cash Provided by Operating Activities	(313,818)	89,552
21. Leasing Commitments		
Lease payment due within 1 year	90,487	90,487
Greater than 1 year less than 5 years	39,040	89,223
Later than 5 years	49,391	89,745
Minimum lease payments	178,968	269,455

22. Changes in Accounting Standards

There have been no changes in the accounting standards.

23. Contingent Liabilities

There are no Contingent Liabilities.

24. Dividends

No Dividends have been declared or paid.

25. Company Details

The Company was incorporated in Australia on the 11th of September 1996 and is domiciled in Australia.

The ultimate parent entity is:

E.F.F. Limited
Level 1, AustAsia House
412 – 414 Newcastle Street
West Perth, Western Australia, 6005

The principal place of business is:

Level 1 AustAsia House, 412-414 Newcastle Street
West Perth WA 6005

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 15 to 28, are in accordance with the Corporations Act 2001, and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the company's financial position as at 30 June 2008, and of the performance for the year ended on that date of the company and consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporation Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration is made in accordance with a resolution of the Boards of Directors.



Sydney J Chesson
Director
Perth, 24th day of September 2008.

CARLTON & PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS

ABN 28 251 922 867

9-11 DRAKE STREET OSBORNE PARK WA 6017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENVIRONMENTAL FOREST FARMS MANAGEMENT LIMITED

Report on the financial report

We have audited the accompanying financial report of Environmental Forest Farms Management Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Environmental Forest Farms Management Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

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POSTAL ADDRESS:
PO BOX 1860
OSBORNE PARK DC WA 6916

CARLTON & PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS

ABN 28 251 922 867

9-11 DRAKE STREET OSBORNE PARK WA 6017

Auditor's Opinion

In our opinion:

- a) The financial report of Environmental Forest Farms Management Limited is in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b) The financial report also complies with International Financial Standards as disclosed in Note 1.

Carlton & Partners



G.V Wovodich
Registered Company Auditor

Dated this 24th day of September 2008 at Perth Western Australia

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