



ENVIRONMENTAL FOREST FARMS MANAGEMENT LIMITED ACN 087 201 670

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2008



Corporate information

Registered Office

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

PO Box 332
Leederville WA 6903

Telephone: (08) 9227 8422
Facsimile: (08) 9227 8455
Email: kpadmin@kiripark.com.au
Web: www.kiripark.com.au

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:



Sydney J. Chesson
Chairman

Dated this 24th day of September 2008

CARLTON & PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS

ABN 28 251 922 867

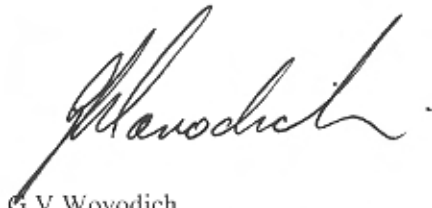
9-11 DRAKE STREET OSBORNE PARK WA 6017

**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

TELEPHONE: (08) 9201 0611
FAX: (08) 9201 0633
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 |

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 \$ |
| 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.

TELEPHONE: (08) 9201 0611
FAX: (08) 9201 0633
TAN: 76556 015

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

TELEPHONE: (08) 9201 0611
FAX: (08) 9201 0633
TAN: 76556 015

POSTAL ADDRESS:
PO BOX 1860
OSBORNE PARK DC WA 6916



Environmental Forest Farms Management Limited

Level 1 AustAsia House, 412 - 414 Newcastle Street, West Perth WA 6005 · PO Box 332 Leederville, WA 6903

Phone (08) 9227 8422 Fax (08) 9227 8455 Email kpadmin@kiripark.com.au www.kiripark.com.au ACN 087 201 670