Environmental Forest Farms Management Limited ACN 087 201 670

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

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)
Thomas Henn (Director)
Simon Chesson (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

Auditor

Carlton and Partners
c/o 3 Alvan Street
Mount Lawley WA 6050

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.

Contents

Environmental Forest Farms Management Limited 4

Directors' Report 5

Auditor's Independence Declaration 9

Statement of Comprehensive Income 10

Statement of Financial Position 11

Statement of Recognised Income & Expense 12

Statement of Cash Flows 13

Notes to Financial Statements 14

Directors' Declaration 27

Auditor's Report 28

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 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
  2009 Growers
- Kiri Timber Trust
  (ARSN: 122 181 971)

Director's Report

Your Directors present their Report on the Company for the financial year ended 30 June 2011.

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 Thomas F. Henn (Appointed 21 January 2011)
- Mr Simon JS. Chesson (Appointed 14 February 2011)
- Mr Geoffrey J. Coad (Resigned 5 January 2011)
- Mr Stephen M. Campbell (Resigned 13 December 2010)

Principal Activities & Significant Changes in Nature of 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 and the Kiri Timber Trust, 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 loss after providing for income tax amounted to $286,993 (2010: profit $32,742).

The Net Asset position of the Company has decreased by approximately 8.7% during the year to $3,007,399.

Due to the nature of the business, income is received in advance. As such, the unearned income of approximately $772,103 represents the billing for the 2012 financial year which were invoiced in early April 2011 in accordance with the Lease and Management Agreements.

Dividends

There were no dividends to be paid or announced during the year.

Financial Position

The net assets of the company decreased by $286,993 from 30 June 2010 to $3,007,399 in 2011. This was largely due to the termination of a number of woodlots as a result of non-payment by Growers.

Review of Operations

The Directors report on some of the achievements and operations of the Company during the year ended 30 June 2011, 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 also applied to the Australian Taxation Office ("ATO") for the extension of a number of Product Rulings.

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

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 work to upgrade the irrigation capacity and efficiency of watering at Kiri Park.

• 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 Managers are experienced in pruning activities.

• Nutrition
Kiri Park Farm Management conduct regular leaf and soil nutrition analyses to determine optimum fertigation regimes for the plantation.

• Growth
Over the growing season the diameters of over 1,150 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. Each years plantings is separately assessed for performance.

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.

- A severe slowdown in the rates and promptness of payment of lease and management fees by Growers across the projects.
- Demands for payment have been made to delinquent Growers in accordance with scheme documents.
-

Significant Events After Reporting Date

The following significant after balance events have occured:

- Collection of lease and management fees for the Kiri Park Projects has been difficult.

Apart from those mentioned above there have been no significant events after reporting date.

Current Position

There is a lot of uncertainty in the world at the current time. The large MIS forestry schemes vaunted as being the future of forestry and the leading initiatives in the world have all collapsed in the circumstances of Global Financial Crisis ("GFC"), under the weight of large rounds of bank debt.

Factors affecting the viability of the Schemes that EFFM is the RE for include:

- slower than expected growth rates of Paulownia at Kiri Park;
- a lower than expected recovery of rough sawn timber from harvests carried out across plantations managed by the RE;
- a competitive timber market in which prices have dropped below base levels used for projections in 1999/2000;
- a general negative outlook in the major world economies as a result of the GFC;
- a recent growth in the value of the AU$ to levels above US$1.07 verses projections made at US$0.55 cents;
- a severe slowdown in the rates and promptness of payment by Growers in the Schemes;
- increase in operating costs and costs associated with harvesting and milling;
- reduction of number of Growers in the schemes due to termination either voluntarily or due to non-payment by Growers.
- ATO declined to extend the Product Rulings for some of the schemes.

There has been a number of Growers who have been terminated in the Projects either voluntarily or due to non-payment.

The following is a summary of the terminations in each of the Projects:

Kiri Park Project:

	No. of Woodlots	No. of Growers
Original Woodlots/Growers	**739**	**303**
Reason for Withdrawal		
Compulsory termination for failure to pay	594.50	245
Voluntary Termination	69	26
Total Withdrawals	**663.5**	**271**
Growers remaining in Scheme	**75.5**	**32**
Percentage Remaining	**10.23%**	**10.56%**

Kiri Park Project No.2:

	No. of Woodlots	No. of Growers
Original Woodlots/Growers	**306**	**205**
Reason for Withdrawal		
Compulsory termination of Growers	237	159
Voluntary Termination of Growers	23	15
Total Withdrawal	**260**	**174**
Growers remaining in Scheme	**46**	**31**
Percentage Remaining	**15.32%**	**15.12%**

Kiri Park Projects:

	No. of Woodlots	No. of Growers
Original Woodlots/Growers	**858**	**186**
Reason for Withdrawal		
Compulsory termination for failure to pay	1	1
Voluntary Termination	15	6
Total Withdrawals	**16**	**7**
Growers remaining in Scheme	**842**	**173**
Percentage Remaining	**98.14%**	**93.01%**
Non-paying Growers	**605**	**108**
Percentage Non-paying Growers	**70.51%**	**58.07%**

Future Developments

The Responsible Entity expects to discontinue managing Kiri Park Projects 1 to 2005 as a MIS and may discontinue managing Kiri Park Projects 2006 to 2009 depending on the number of terminations during the 2011/2012 financial year.

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, Forestry Finance Limited, Powton Land Holdings Limited and other subsidiaries of E.F.F. Limited

Simon Chesson (Appointed 14 February 2011)

M.B.A (UWA), CPA, CFP, B.Comm, C.S.M, F Fin

Director

Mr Simon Chesson has been awarded the degrees of Master of Business of Administration, and a Bachelor of Commerce. He is a qualified Certified Practising Accountant, a qualified Certified Financial Planner, and a Fellow of the Financial Services Institute of Australasia.

Mr Simon Chesson has over 15 years experience in business, accounting, and the property industry. He has extensive experience as a Director and company secretary of numerous public and private companies.

Mr Simon Chesson is also a Director of E.F.F. Limited, Forestry Finance Limited, Powton Land Holdings Limited and other subsidiaries of E.F. F. Limited.

Thomas Henn (Appointed 21 January 2011)

GAICD, FTIA, TEP, MTax, LLB (UWA), LLB (Munich)

Director

Before emigrating from Germany to Australia in the mid 90s, Mr Henn practiced as a lawyer in Munich. After finishing a law degree in Australia, Mr Henn has worked for a Big 4 Accounting Firm and various law firms in Perth in tax and commercial law. He is now Head of Tax and Superannuation at HHG Legal Group.

He was Managing Director of one of the first listed Australian Law Firm.

Mr Henn has a Master of Taxation from the University of Western Australia and a Bachelor of Laws Degree. He is a Graduate Member of the Australian Institute of Company Directors and a Fellow of the Taxation Institute of Australia. He has lectured for years taxation at various Universities in Western Australia.

Mr Thomas Henn is also a Director of E.F.F. Limited, Forestry Finance Limited, Powton Land Holdings Limited and other subsidiaries of E.F. F. Limited.

Geoffrey Coad (Resigned 5 January 2011)
M.Phil, LLB, G.A.I.C.D

Stephen Campbell (Resigned 13 December 2010)
Dip All, Dip FS

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	4	4
Thomas Henn	3	3
Simon Chesson	4	4
Geoffrey Coad	1	1
Stephen Campbell	1	1

Directors' Remuneration

Disclosure relating to Directors' and Executive Officers' remuneration 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	193,400	193,400
Thomas Henn	Nil	1,900	1,900
Simon Chesson	Nil	194,700	194,700
Total	Nil	390,000	390,000

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 2011 has been received and can be found on page 9 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 30th day of September 2011

CARLTON & PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS

ABN 28 251 922 867

3 ALVAN STREET MOUNT LAWLEY WA 6050

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 2011 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 30th day of September 2011 at Perth Western Australia

TELEPHONE: (08) 9272 8611
FAX: (08) 9272 3509
TAN: 76556 015

POSTAL ADDRESS:
PO BOX 42
MOUNT LAWLEY WA 6050

Environmental Forest Farms Management Limited

ACN 087 201 670

Statement of Comprehensive Income

for the Period 1 July 2010 to 30 June 2011

	Notes	The Company 30 June 2011 $	30 June 2010 $
Revenue from ordinary activities			
Revenue Income	2	794,741	1,665,998
Expenses			
Administration Expenses	2 (a)	(1,158,296)	(1,568,135)
Borrowing Costs and interest expenses	2 (b)	(46,436)	(51,088)
Plantation Management		-	-
Total Expenses Incurred		**(1,204,731)**	**(1,619,223)**
Profit/(Loss) from Ordinary Activities before Income Tax		(409,990)	46,775
Income Tax (Expense)/Benefit	**3**	**122,997**	**(14,032)**
Profit/(Loss) from Ordinary Activities after Income Tax Attributable to Members		**(286,993)**	**32,742**

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

Environmental Forest Farms Management Limited

ACN 087 201 670

Statement of Financial Position

as at 30 June 2011

	Notes	Economic Entity 30 June 2011 $	30 June 2010 $
Current Assets			
Cash and cash equivalents		111,013	392,635
Trade and other receivables	4a	1,205,237	1,326,779
Other financial assets	5	114,084	88,087
Total Current Assets		**1,430,335**	**1,807,502**
Non-current Assets			
Other receivables	4b	172,095	2,073,912
Property, plant and equipment	6	394,292	539,574
Deferred tax assets	7	169,782	504,540
Other financial assets		2,000,000	1,000,000
Total Non-current Assets		**2,736,169**	**4,118,025**
Total Assets		**4,166,503**	**5,925,526**
Current Liabilities			
Trade creditors and other payables	8	202,415	158,073
Unearned income	9	772,103	1,889,054
Interest bearing liabilities	10	18,396	125,555
Tax liabilities	11	140,106	364,806
Provisions	12	11,502	10,411
Total Current Liabilities		**1,144,522**	**2,547,899**
Non-current Liabilities			
Interest bearing Liabilities	10	-	49,794
Deferred tax liabilities	13	14,583	33,441
Total Non-current Liabilities		**14,583**	**83,236**
Total Liabilities		**1,159,105**	**2,631,134**
Net Assets		**3,007,399**	**3,294,392**
Equity			
Accumulated Profits	15	2,007,399	2,294,392
Contributed Equity	16	1,000,000	1,000,000
Total Equity		**3,007,399**	**3,294,392**

The above statement of financial position should be read in conjunction with the accompanying notes.

Environmental Forest Farms Management Limited

ACN 087 201 670

Statements of Recognised Income & Expense

as at 30 June 2011

	Notes	Economic Entity 30 June 2011 $	30 June 2010 $
Income & expense recognised directly in equity		-	-
Profit/(Loss) for the Year		(286,993)	32,742
Total recognised income & expenses for the year		(286,993)	32,742
Attributable to:			
Equity holders of company		(286,993)	32,742
Total recognised income & expenses for the year		**(286,993)**	**32,742**

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.

Environmental Forest Farms Management Limited

ACN 087 201 670

Statement of Cash Flow

for the Period 1 July 2010 to 30 June 2011

	Notes	Economic Entity 30 June 2011 $	Economic Entity 30 June 2010 $
Cash flows from operating activities			
Cash receipts from customers		886,176	1,093,507
Cash payments to suppliers and employees		(1,835,819)	(1,253,709)
Net Taxes (paid)/received		(31,797)	6,744
Interest received		2,110	26,580
Interest and cost of finance paid		(46,436)	(51,088)
Net cash flows used in operating activities	20	**(1,023,766)**	**(177,965)**
Cash flows from investing activities			
Payment for property plant and equipment		(2,718)	(13,206)
Purchase of other financial assets		(1,000,000)	-
Net cash flows used in investing activities		**(1,002,718)**	**(13,206)**
Cash flows from financing activities			
Proceeds from borrowings		(156,954)	(174,744)
Proceeds from loan/(loan made)		1,901,816	369,433
Net cash flows used in financing activities		**1,744,862**	**194,689**
Net increase/(decrease) in cash held		**(281,622)**	**3,518**
Cash at the beginning of financial year		392,635	389,118
Cash at the end of financial year		**111,013**	**392,635**

The above statement of cash flow should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the Period 1 July 2010 to 30 June 2011

1. Statement of Significant Accounting Policies

Basis of preparation

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.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

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. Its registered office is located at Level 1 AustAsia House, 412-414 Newcastle Street, West Perth WA 6005.

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

Accounting Policies

(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.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expenses (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of as asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(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.

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 of 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 fate, 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 AASB139: 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 subsequently measured at amortised cost.

Held to maturity investments
These investments are non-derivative financial assets that are either no suitable to be classified into other categories of financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Available for sale financial assets
Available for sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial liabilities
Non-derivative financial liabilities are subsequently measured at amortised cost.

(i) Impairment
At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether these 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 carring 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-acqusition 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) Revenue Recognition
Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate

of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

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

(m) 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.

(n) 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 8 to the financial statements.

(o) 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.

(p) Comparative Figures

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

(q) Receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

(r) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(s) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yeilds on national government bonds with terms to maturity that match the expected timing of cashflows.

	Economic Entity 30 June 2011 $	30 June 2010 $
2 Revenue Income		
Harvest Income	-	20,641
Woodlot Project Fees	750,515	1,575,213
Interest Received	2,110	26,580
Other Revenue	42,116	43,564
Total	**794,741**	**1,665,998**
a. Administration Expenses		
Auditors - Remuneration	21,760	26,455
Depreciation of non-current assets	85,139	119,694
Amortisation of leased assets	62,861	87,145
Payroll expenses	271,068	393,866
Plantation Maintenance	248,125	91,123
Equipment operating cost	129,421	178,203
Marketing Expense	404	240,777
Other Expenses	339,518	430,873
Total	**1,158,296**	**1,568,135**
b. Borrowing Costs and Interest Expense		
Interest	46,436	51,088
Total	**46,436**	**51,088**
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%	(122,997)	14,032
Recognition of timing differences not previously recognised		
Income tax liability transferred to head entities*	-	-
Income Tax Expense/(Benefit)	**(122,997)**	**14,032**
Represented as movements in:		
Future Income Tax Benefits	-	-
Provision for Deferred Income Tax Liabilities	-	-
Total	**-**	**-**

*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 2011 $	30 June 2010 $
4a. Trade and Other Receivables		
Current		
Growers Maintenance	967,516	1,584,115
Less: Provision for Doubtful Debts	(50,821)	(270,446)
Trade Debtors	13,111	13,111
Provision for Income Tax	275,432	-
Total	**1,205,237**	**1,326,779**
4b. Trade and Other Receivables		
Non Current		
Amount receivable - EFF Ltd	867,693	1,711,897
Amount receivable - Powton Land Holdings Ltd	(838,032)	(7,704)
Amount receivable - Forestry Finance Ltd	68,427	298,398
Amount receivable - EFF Timber Pty Ltd	74,007	71,321
Total	**172,095**	**2,073,912**
5. Other Financial Assets		
Current		
Prepayment & deposit	1,360	1,860
Loan - Jillalec	16,000	18,000
Prepaid insurance	96,621	68,124
ABN Withholding	103	103
Total Other Financial Assets	**114,084**	**88,087**
6. Property, Plant and Equipment		
Plant and equipment - at cost	225,914	223,196
Less: Accumulated depreciation	(211,407)	(202,871)
Total	**14,507**	**20,325**
Buildings - at cost	77,818	77,818
Leasehold improvements - at cost	57,300	57,300
Less: Accumulated depreciation	(125,027)	(122,343)
Total	**10,092**	**12,776**
Irrigation systems - at cost	1,753,419	1,753,419
Less: Accumulated depreciation	(1,581,080)	(1,507,161)
Total	**172,339**	**246,258**
Lease assets - at cost	985,692	985,692
Less: Accumulated amortisation	(788,339)	(725,478)
Total	**197,354**	**260,215**
Total plant, property and equipment	**394,292**	**539,574**

	Economic Entity	
	30 June 2011 $	30 June 2010 $
6. Movements in plant, property and equipment		
Plant and equipment		
At cost		
Opening Balance	223,196	218,543
Additions	2,718	4,653
Disposals	-	-
Closing balance	**225,914**	**223,196**
Accumulated depreciation		
Opening balance	202,871	192,400
Depreciation	8,536	10,471
Less: Accumulated depreciation on disposal	-	-
Closing balance	**211,407**	**202,871**
Building & Leasehold Improvements		
At cost		
Opening balance	135,118	135,118
Additions	-	-
Disposals	-	-
Closing balance	**135,118**	**135,118**
Accumulated depreciation		
Opening balance	122,343	118,321
Depreciation	2,684	4,021
Closing balance	**125,027**	**122,343**
Irrigation systems		
At cost		
Opening balance	1,753,419	1,730,129
Additions	-	23,290
Disposals	-	-
Closing balance	**1,753,419**	**1,753,419**
Accumulated depreciation		
Opening balance	1,507,161	1,401,959
Depreciation	73,919	105,202
Less: Accumulated depreciation on disposal	-	-
Closing balance	**1,581,080**	**1,507,161**
Lease assets		
At cost		
Opening balance	985,692	1,018,537
Additions	-	-
Disposals	-	(32,845)
Closing balance	**985,692**	**985,692**
Accumulated depreciation		
Opening balance	725,478	656,442
Depreciation	62,861	87,145
Disposals	-	(18,109)
Closing balance	**788,339**	**725,478**

	Economic Entity 30 June 2011 $	Economic Entity 30 June 2010 $
7. Deferred Tax Assets		
FITB	169,782	504,540
Total	**169,782**	**504,540**
8. Trade Creditors and Other Payables		
Current		
Sundry Creditors and accrued expenses	104,265	57,610
Trade creditors	98,150	99,891
Heritage payables	-	572
Total	**202,415**	**158,073**
9. Unearned Income		
Management Fees	772,103	1,889,054
Lease Fees	-	-
Woodlot Planting Fees	-	-
Total	**772,103**	**1,889,054**
10. Interest Bearing Liabilities		
Current		
Lease Liability	18,396	125,555
Total	**18,396**	**125,555**
Non-current		
Lease liability	-	49,794
Total	**-**	**49,794**
Total Liabilities	**18,396**	**175,350**
11. Income Tax		
Current		
GST/PAYG	140,106	201,340
Provision for Income Tax	-	163,465
Total	**140,106**	**364,806**
12. Provisions		
Current		
Employee Entitlements	11,502	10,411
Total	**11,502**	**10,411**
13. Deferred Tax Liabilities		
Non- current		
Provision for deferred income tax	14,583	33,441
Total	**14,583**	**33,441**

14. Events Subsequent to Balance Date

Since the end of the financial year there has been no sufficient events that have or are expected to affect the financials.

	Economic Entity	
	30 June 2011 $	30 June 2010 $
15. Accumulated Profits/ (Accumulated Losses)		
Retained Profits at the Beginning of Financial Year	2,294,392	2,261,650
Net profit/(loss) attributed to Members	(286,993)	32,742
Retained Profits at the End of Financial Year	**2,007,399**	**2,294,392**
16. Contributed Equity		
Paid up Capital		
1,000,000 ordinary shares at $1.00 each	1,000,000	1,000,000
Total	**1,000,000**	**1,000,000**

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
- Thomas Henn
- Simon Chesson

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

b. Directors' Remuneration

2011	Salary & Fees $	Superannuation $	Equity $	Other $	Total $
Mr. S Chesson	-	-	-	-	-
Mr. T Henn (Appointed)	-	-	-	-	-
Mr. Simon Chesson (Appointed)	-	-	-	-	-
Mr. G Coad (Resigned)	-	-	-	-	-
Mr. S Campbell (Resigned)	-	-	-	-	-

2010	Salary & Fees $	Superannuation $	Equity $	Other $	Total $
Mr. S Chesson	-	-	-	-	-
Mr. T Henn (Appointed)	-	-	-	-	-
Mr. Simon Chesson (Appointed)	-	-	-	-	-
Mr. G Coad (Resigned)	-	-	-	-	-
Mr. S Campbell (Resigned)	-	-	-	-	-

*Note: The EFFM directors' fees were paid by EFF Ltd, and have not been included as expense of EFFM Ltd. The expense has therefore been borne by the parent company.

	Economic Entity	
	30 June 2011 $	30 June 2010 $
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) Director Related Entities:		
Accounting services paid to AustAsia Accounting Services a firm related to Syd Chesson and Simon Chesson	2,100	4,800
Legal Fees paid to AustAsia Legal Pty Ltd a firm related to Syd Chesson and Simon Chesson	14,382	16,342
Administration Fees (Registered Office/Postage) paid to AustAsia Group Pty Ltd a firm related to Syd Chesson and Simon Chesson	7	150
Insurance Premium paid to Centro Insurance & Risk Managers, a firm related to Stephen Campbell	146,740	121,457
Interest on finance for Insurance Premiums paid to Western Premiun Funding, a firm related to Stephen Campbell	9,952	5,529
Advertising fees paid to AustAsia Real Estate a firm related to Syd Chesson and Simon Chesson	500	-
(ii) Amount owing to Related Entities		
Accounting services paid to AustAsia Real Estate Pty Ltd, a firm related to Syd Chesson and Simon Chesson	6,900	5,280
Legal Fees paid to AustAsia Legal Pty Ltd a firm related to Syd Chesson and Simon Chesson	3,046	-

(iii) 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:

- Syd Chesson and related entities have a 10 year lease and management agreement in the following projects:
  - 1 woodlot in the Kiri Park Projects: 2004 Growers at a cost of $9,746.00 and annual management fees
  - 1 woodlot in the Kiri Park Projects: 2005 Growers at a cost of $10,038.00 and annual management fees
  - 25 woodlots in the Kiri Park Projects: 2006 Growers at a cost of $155,075.00 and annual management fees
  - 8 woodlot in the Kiri Park Projects: 2007 Growers at a cost of $51,120.00 and annual management fees
  - 10 woodlot in the Kiri Park Projects: 2008 Growers at a cost of $66,000.00 and annual management fees

- Simon Chesson, and related entities have a 10 year lease and management agreement in the following projects:
  - 1 woodlot in the Kiri Park Projects: 2004 Growers at a cost of $9,746.00 and annual management fees
  - 6 woodlots in the Kiri Park Projects: 2005 Growers at a cost of $41,053.00 and annual management fees
  - 10 woodlots in the Kiri Park Projects: 2006 Growers at a cost of $62,030.00 and annual management fees
  - 4 woodlots in the Kiri Park Projects: 2007 Growers at a cost of $25,560.00 and annual management fees
  - 5 woodlots in the Kiri Park Projects: 2008 Growers at a cost of $30,000.00 and annual management fees

- Thomas Henn and related entities have a 10 year lease and management agreement in the following projects:
  - 1 woodlot in the Kiri Park Project at a cost of $8,635.00 and annual management fees
  - 2 woodlots in the Kiri Park Project No.2 at a cost of $17,327.20 and annual management fees
  - 1 woodlot in the Kiri Park Project No.2A at a cost of $8,663.60 and annual management fees

- Geoffrey Coad has a 10 year lease and management agreement in the following projects:
  - 2 woodlots in the Kiri Park Projects: 2004 Growers at a cost of $19,492.00 and annual management fees
  - 14 woodlots in the Kiri Park Projects: 2006 Growers at a cost of $86,842.00 and annual management fees

- Stephen Campbell and related entities have a 10 year lease and management agreement for 30 woodlots in the Kiri Park Projects: 2006 Growers at a cost of $186,090.00 and annual management fees

(iv) Key Personnel Interests

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

- Simon Chesson, the Company Secretary of the EFFM, and related entities (please see Directors Interests)

- Bruce Jamieson, the Operations Manager at Kiri Park, has a 10 year lease and management agreement in the following projects:
  - 1 woodlot in the Kiri Park Project at a cost of $8,635.00 and annual management fees
  - 1 woodlot in the Kiri Park Project No.2 at a cost of $8,663.60 and annual management fees

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 charges 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 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Financial Assets										
Cash and Stock	2.00%	2.00%	111,013	392,635	-	-	-	-	111,013	392,635
Receivable	8.00%	8.00%	-	-	1,319,322	1,414,866	172,095	2,073,912	1,491,417	3,488,778
Total Financial Assets	**-**	**-**	**111,013**	**392,635**	**1,319,322**	**1,414,866**	**172,095**	**2,073,912**	**1,602,430**	**3,881,413**
Financial Liabilities										
Account Payable	-	-	-	-	-	-	202,415	158,073	202,415	158,073
Unearned Income	-	-	-	-	-	-	772,103	1,889,054	772,103	1,889,054
Interest Bearing Liabilities	23.00%	23.00%	-	-	18,396	175,350	-	-	18,396	175,350
Taxation	-	-		-	-	-	140,106	364,806	140,106	364,806
Total Financial Liabilities	**-**	**-**	**-**	**-**	**18,396**	**175,350**	**1,114,624**	**2,411,934**	**1,133,020**	**2,587,282**
Net Financial Assets	**-**	**-**	**111,013**	**392,635**	**1,300,926**	**1,239,516**	**(942,529)**	**(338,022)**	**469,410**	**1,294,131**

Reconciliation of Net Financial Assets to Net Assets

	30 June 2011	30 June 2010
Net Financial Assets as above	469,410	1,294,131
Plus Non Financial Assets		
Fixed Asset	394,292	539,574
Paulownia Trees	169,782	504,540
Intangibles	2,000,000	1,000,000
Tax Assets	(11,502)	(10,411)
Tax Liabilities	(14,583)	(33,441)
Net Assets as per Balance Sheet	3,007,399	3,294,392

	Economic Entity	
	30 June 2011 $	30 June 2010 $
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	111,013	392,635
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	(286,993)	32,742
Non Cash Flows on Operating Profit/(Loss)		
Depreciation	148,000	206,838
Amortisation	-	-
Changes in Assets and Liabilities		
(Increase)/Decrease in receivables	95,545	(545,910)
Increase/(Decrease) in accounts payable	(1,072,609)	138,617
Increase/(Decrease) in tax liability	91,200	(7,289)
Increase/(Decrease) in Provision	1,091	(2,964)
Net Cash Provided by Operating Activities	**(1,023,766)**	**(177,965)**

21. Leasing Commitments

Powton Land Holdings Limited and Environmental Forest Farms Management Limited are both wholly owned subsidiaries of EFF Limited. The land lease commitment of Environmental Forest Farms Management Limited to Powton Land Holdings Limited has been discounted to nil.

22. Contingent Liabilities

There are no Contingent Liabilities.

23. Dividends

There were no dividends to be paid or announced during the year.

24. New Standards and Interpretations Issued but not yet effective

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 9	Financial Instruments	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is a result of the first part of Phase 1 of the IASB's project to replace IAS 39	1 January 2013	No changes are expected to materiality affect the company.

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 10 to 27, 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 2011, and of the performance for the year ended on that date of the company and consolidated group;

2. the Company Secretary and the Directors 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, 30th day of September 2011.

CARLTON & PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS

ABN 28 251 922 867

3 ALVAN STREET MOUNT LAWLEY WA 6050

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 2011, 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) 9272 8611
FAX: (08) 9272 3509
TAN: 76556 015

POSTAL ADDRESS:
PO BOX 42
MOSMAN PARK WA 6050

CARLTON & PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS

ABN 28 251 922 867

3 ALVAN STREET MOUNT LAWLEY WA 6050

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 2011 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 30th day of September 2011 at Perth Western Australia

ENVIRONMENTAL FOREST FARMS

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