



FORESTRY FINANCE LIMITED

ACN 108 513 239

ANNUAL FINANCIAL REPORT
1 JULY 2007 - 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 to Receive an Annual Report

The Australian Government recently introduced legislation changing the default option for receiving annual reports to be via a company's website. You will now receive timely, cost effective and greener online annual reports unless you request a printed version.

Shareholders who wish to receive a hard copy version of the Annual Report should notify the Company in writing.

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Forestry Finance Limited

Forestry Finance is a wholly owned subsidiary of E.F.F. Limited and a member of the EFF Group of Companies. Forestry Finance is a public company that was incorporated in Australia on the 25 March 2004.

Forestry Finance has been established for the purpose of providing finance to companies, businesses and investors in forestry projects and forestry related industries and activities.

The Company's business model is to raise funds through a combination of equity and debt securities, which is then forward lent to companies, businesses and investors in forestry projects and forestry related industries and activities.

Whilst the specific details of the loans vary from loan to loan, all loans are made on normal commercial terms and conditions. The interest rates and terms vary depending on factors including but not limited to:

- The duration of the loan;
- The credit risk of the borrower;
- The amount being borrowed;
- The purpose of the loan.

The Company's finance operations are designed to complement the overall operations of the EFF Group.

The EFF Group had considerable experience in the establishment, plantation management, research and propagation of Paulownia plantations. The Group currently operates and manages four Managed Investment Schemes collectively known as the Kiri Park

Projects, a fifth Managed Investment Scheme located on a separate plantation and three private Paulownia timber plantations. The Group's plantation activities culminate in the management of over 200,000 trees for approximately 700 investors.

Over the past eight years, the EFF Group has committed extensive resources to researching the propagation, growth, development and amangement of Paulownia plantations in Western Australia. Selections from EFF's nursery and plantation at Nowergup are providing superior and consistent planting stock for the plantations.

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 activities of the Company during the financial year was to provide finance to companies, businesses and investors in forestry projects and forestry related industries and activities.

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

Operating Results

The net profit of the Company after providing for income tax amounted to \$427 (2007: \$3,691).

Dividends

There are no dividends to be paid or announced to ordinary shareholders.

Dividends to Preference Shareholders are to be made in accordance with the Replacement Prospectus dated 7 February 2005. Pursuant to that Prospectus, Preference Shares attract a Dividend Rate of 8.50% per annum. The dividend is comprised of 5.95% per annum, fully franked, plus 2.55% franking credits per annum. All dividends for Preference Shares are to be paid in accordance with the Declaration of Dividends as set out in Section 4.5 of the Replacement Prospectus.

Dividends to Preference Share Holders during the year ended 30 June 2008 amounted to \$14,417 (2007: \$15,233)

Review of Operations

The following sections detail the main operations of the Company during the year ended 30 June 2008.

Preference Shares

During the year ended 30 June 2008, 11,000 Preference Shares were redeemed. Distributions were paid to Preference Shareholders in accordance with the Prospectus dated 7 February 2005.

Loans to Growers

During the year ended 30 June 2008, Forestry Finance Limited provided loans to Growers who invested in the Kiri Park Projects: 2008 Growers. FFL made those loans on normal commercial terms based on personal loan rates and terms and conditions. FFL receives interest income from Growers and the loan is secured against that Grower's identifiable Woodlot investment.

The total amount loaned to Growers in the Kiri Park Projects: 2008 Growers amounted to \$2,227,777 (2007: \$1,292,430)

Significant Changes in the State of Affairs

- The Company issued 400,000 Redeemable Ordinary Shares to EFF Limited at an issue price of \$1.00 each.

Shareholders

The Company has three classes of Shareholders:

- Ordinary Shareholders
- Redeemable Ordinary Shareholders
- Redeemable Convertible Preference Shareholders.

The rights of each underlying type of shareholder are different.

Significant After Balance Date Events

There have been no significant after balance date events.

Future Developments

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

- The Company expects to continue to raise funds through a combination of equity and debt securities, which will be then forward lent to investors, companies and businesses in forestry projects and forestry related industries and activities.
- The Company expects to provide the financing activities for the EFF Group of Companies.

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.REM, 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 30

years experience in real estate and over 40 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, Environmental Forest Farms Management Limited, Powton Land Holdings Limited, EFF Timber Pty Ltd and A&N Enterprises Pty Ltd.

Victor Turco

B.Bus, C.PA

Director

Mr Turco has been involved in the Public Accounting Arena for approximately 27 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, Environmental Forest Farms Management Limited, Powton Land Holdings Limited, EFF Timber Pty Ltd and A&N Enterprises Pty Ltd.

Geoffrey John Coad

M.Phil, LLB, 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, Environmental Forest Farms Management Limited, Powton Land Holdings Limited, 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. 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 8 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.

Directors' Interests

Directors' interests in contracts and related party transactions are detailed in note 9 of the Financial Report.

Ordinary Shares

At the date of this Report, the directors had the following ordinary shareholding in the company:

Director	Direct Shareholding	Indirect Shareholding
Syd Chesson	Nil	329
Victor Turco	Nil	14
Geoffrey Coad	Nil	43

Redeemable Ordinary Shares

At the date of this Report, the directors had the following redeemable ordinary shareholding in the company:

Director	Direct Shareholding	Indirect Shareholding
Syd Chesson	Nil	674,574
Victor Turco	Nil	28,914
Geoffrey Coad	Nil	87,140

Redeemable Convertible Preference Shares

At the date of this Report, Directors held the following interests in Redeemable Convertible Preference Shares.

Director	Direct Shareholding	Indirect Shareholding
Syd Chesson	Nil	Nil
Victor Turco	Nil	Nil
Geoffrey Coad	Nil	Nil

Options

The Company does not have any options on issue.

Rounding of Amounts

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

Proceedings on Behalf of the Company

At the date of this Report, there have been no proceedings on behalf of the Company.

Non-Audit Services

During the financial year, the Company has not paid any fees to external auditors for any services other than the independent audit of the Company's financial statements.

Auditor's Independence Declaration

The lead auditors independence declaration for the year ended 30 June 2008 has been received and can be found on page 8 of this 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
FORESTRY FINANCE LIMITED**

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

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

Carlton & Partners



G.V Wovodich
Registered Company Auditor

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

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TAN: 76556 015

POSTAL ADDRESS:
PO BOX 1860
OSBORNE PARK DC WA 6916

Forestry Finance Limited

ACN 108 513 239

Income Statement

for the Period 1 July 2007 to 30 June 2008

Notes	The Company	
	30 June 2008 \$	30 June 2007 \$
<i>Revenue from ordinary activities</i>		
Revenue Income	2 104,048	38,089
<i>Expenses</i>		
Administration Expenses	103,437	32,816
Total Expenses Incurred	103,437	32,816
Profit/(Loss) from Ordinary Activities before Income Tax	611	5,273
Income Tax (Expense)/Benefit	183	1,582
Profit/(Loss) from Ordinary Activities after Income Tax Attributable to Members	427	3,691

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

Forestry Finance Limited

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Balance Sheet

as at 30 June 2008

Notes	Economic Entity	
	30 June 2008 \$	30 June 2007 \$
Current Assets		
Cash and cash equivalents	3 83,926	40,107
Total Current Assets	83,926	40,107
Non-current Assets		
Trade debtors and other receivables	4 2,232,460	1,646,773
Total Non-current Assets	2,232,460	1,646,773
Total Assets	2,316,386	1,686,880
Current Liabilities		
Trade creditors and other payables	5 253,894	13,815
Total Current Liabilities	253,894	13,815
Total Liabilities	253,894	13,815
Net Assets	2,062,492	1,673,065
Equity		
Contributed Equity	6 2,051,000	1,662,000
Accumulated Profits	11,492	11,065
Total Equity	2,062,492	1,673,065

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

Forestry Finance Limited

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Statement of Changes in Equity

as at 30 June 2008

	Fully Paid Ordinary \$	Redeemable Pref. Shares \$	Redeemable Ord. Shares \$	Retained Profits \$	Financial Assets Reserve \$	Total
Balance at 1 July 2007	1,000	11,000	1,650,000	11,065	-	1,673,065
Redeemable Ordinary Shares Issued	-	-	400,000	-	-	400,000
Preference Shares redeemed during the year	-	(11,000)	-	-	-	(11,000)
Profit attributable to members of parent entity	-	-	-	427	-	427
Dividend declared	-	-	-	-	-	-
Balance at 30 June 2008	1,000	-	2,050,000	11,492	-	2,062,492

Forestry Finance Limited

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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			
Interest received		100,148	35,389
Cash receipts from customers		3,900	2,700
Cash payments to suppliers and employees		(103,621)	(32,816)
Net cash flows used in operating activities	10	427	5,273
Cash flows from investing activities			
Loan made		(345,608)	(1,292,430)
Net cash flows used in investing activities		(345,608)	(1,292,430)
Cash flows from financing activities			
Net proceeds from issue of shares		389,000	1,300,000
Dividend declared		-	(935)
Net cash flows used in financing activities		389,000	1,299,065
Net increase/(decrease) in cash held		43,819	11,907
Cash at the beginning of financial year		40,107	28,200
Cash at the end of financial year		83,926	40,107

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 Forestry Finance Limited as an individual economic entity. Forestry Finance Limited is an unlisted public company, incorporated and domiciled in Australia.

The financial report of Forestry Finance Limited complies with all International Financial Reporting Standards (IFRS) and 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.

Accounting Policies

(a) Basis of Accounting

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) 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 borrowings in current liabilities on the balance sheet.

(c) 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.

(d) Revenue Recognition

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

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

(e) Comparative Figures

When required by Australian 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		
Interest Income	100,148	35,389
FFL Loan Application Income	3,900	2,700
Total Revenue Income	104,048	38,089
3. Cash and Cash Equivalents		
Cash and cash equivalents	83,926	40,107
The above figures are reconciled to cash at the end of the financial year as shown in the cashflow statement as follows:		
Cash at bank and on hand	83,926	40,107
Balance per cashflow statement	83,926	40,107
Total Cash	83,926	40,107
4. Trade and Other Receivables		
Account Receivable - EFF Limited	(66,456)	(102,810)
Account Receivable - EFFM Limited	319	(300)
Account Receivable - Growers Loans	2,227,777	1,727,737
Accounts Receivable - Trade Debtors	70,820	22,146
Total Trade and Other Receivables	2,232,460	1,646,773
5. Trade and Other Payables		
Account Payable	250,000	-
Dividend Payable	14,417	15,233
Income Tax Payable	183	1,582
GST Suspense	(11,100)	(3,000)
Trade Creditors	393	-
Total Payables	253,894	13,815
6. Contributed Equity		
Share Capital		
10,000 ordinary shares, fully paid	1,000	1,000
2,050,000 Redeemable Ordinary Shares, fully paid	2,050,000	1,650,000
Nil (2007: 1,100) Preference Shares, fully paid	-	11,000
Total Share Capital	2,051,000	1,662,000
<i>a. Ordinary Shares</i>		
Opening Balance	1,000	1,000
Movements During the Year	-	-
Closing Balance	1,000	1,000
<i>b. Redeemable Ordinary Shares</i>		
Opening Balance	1,650,000	350,000
Movements during the year	400,000	1,300,000
Closing Balance	2,050,000	1,650,000
<i>c. Redeemable Convertible Preference Shares</i>		
Opening balance	11,000	11,000
Preference Shares Redeemed	(11,000)	-
Closing Balance	-	11,000

7. Events Subsequent to Balance Date

As at the date of this report there have been no significant after balance date events.

8. Directors and Executives Remuneration

a. Directors

The names of Directors who have held office during the financial period are:

- Sydney Chesson
- Victor Turco
- Geoffrey Coad

b. Directors Remuneration

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

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

	Economic Entity	
	30 June 2008 \$	30 June 2007 \$
9. Related Party Transactions		
Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.		
Transaction with related parties during the financial year are as follows:		
(i) <u>Director related entities</u>		
Interest paid to Lake Crystal Unit Trust	20,625	-
(ii) <u>Loans from related parties</u>		
Lake Crystal Unit Trust Loan	250,000	-
(iii) <u>Directors Interests</u>		
Directors interests in shares have been disclosed in the Directors' Report.		

	30 June 2008 \$	30 June 2007 \$
10. Reconciliation of Cash		
Cash at the end of the period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash at bank	83,926	40,107
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	427	3,691
Changes in Assets and Liabilities		
Increase/(decrease) in tax liability	-	1,582
Net Cash Provided by Operating and Investment Activities	427	5,273

11. Company Details

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

12. Contingent Liabilities

The Company's contingent liabilities relate to the loan to the Parent Company, E.F.F. Limited and the loan to Environmental Forest Farms Management Limited ("EFFM"), a fellow subsidiary company of E.F.F. Limited. The Company is reliant on the ability for EFF and EFFM to meet and pay their interest obligations as and when those payments fall due. The loans to EFF and EFFM are at arms length and on commercial terms. The interest rate is set at 9.0% per annum, with interest being declared and payable on a bi-annual basis.

Directors' Declaration

The directors of the company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001, comply with the accounting standards, corporations regulations and other mandatory professional reporting requirements, and give a true and fair view of the company's financial position as at 30 June 2008 and of its performance for year ended on that date.
2. at the date of this declaration, there are reasonable grounds to believe that the company can meet its debts as and when they fall due.

The Company Secretary and the Chief Financial 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 Corporations Act 2001;
- b. The financial statements and notes for the financial year comply with the Accounting Standards;
- c. The financial statements and notes for the financial year give a true and fair view.

The declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Sydney J Chesson

Chairman

Perth, 24th 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 FORESTRY FINANCE LIMITED

Report on the financial report

We have audited the accompanying financial report of Forestry Finance 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 Forestry Finance Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

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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 Forestry Finance 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 24 day of September 2008 at Perth Western Australia

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FAX: (08) 9201 0633
TAN: 76556 015

POSTAL ADDRESS:
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Forestry Finance Limited

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