



FORESTRY FINANCE LIMITED

ACN 108 513 239

ANNUAL FINANCIAL REPORT
1 JULY 2009 - 30 JUNE 2010



Corporate information

Registered Office

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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)
Stephen Campbell (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

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 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. The Group's plantation activities culminate in the management of over 200,000 trees for approximately 700 investors.

Over the past ten years, the EFF Group has committed extensive resources to researching the propagation, growth, development and management of Paulownia plantations in Western Australia.

Director's Report

Your Directors present their Report on the Company for the financial year ended 30 June 2010.

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 Geoffrey J. Coad
- Mr Stephen M. Campbell (Appointed)
- Mr Victor V. Turco (Resigned)

Principal Activities & Significant Changes in Nature of 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 financial year.

Operating Results

The net profit of the Company after providing for income tax amounted to \$325 (2009: loss \$305,320).

Dividends

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

There are no dividends to be paid or announced to Preference Shareholders. During the 2007/2008 financial year all Preference Shares were redeemed by shareholders.

Review of Operations

The following sections detail the main operations of the Company during the year ended 30 June 2010.

Loans to Growers

During the year ended 30 June 2010, Forestry Finance Limited did not issue any new loans to Growers.

FFL receives interest income from Growers and the loan is secured against that Grower's identifiable Woodlot investment.

The total amount loaned to Growers amounted to \$1,774,574.29 (2009: \$2,019,477)

Significant Changes in the State of Affairs

There has been no significant changes in the State of Affairs during the year.

Financial Position

The net assets of the company increased by \$14,742 from 30 June 2009 to \$1,771,915 in 2010.

Shareholders

The Company has two classes of Shareholders:

- Ordinary Shareholders
- Redeemable Ordinary 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.RE.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 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.

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.

Stephen Campbell (Appointed 26 March 2010)

Dip All, Dip FS

Director

Mr Campbell was appointed as a Director on 26 March 2010.

Mr Campbell is a Qualified Practicing Insurance Broker (QPIB) and a Managing Director of Camneldo Pty Ltd trading as Centro Insurance & Risk Managers. A company that he was involved in establishing in 1987.

Through working with clients in many fields to ensure they have suitable insurance and risk management programs in place, he has had the opportunity to gain a rare insight into the workings and functions of these businesses. This experience can now be brought to the board of EFF Limited.

Mr Campbell 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.

Victor Turco (Resigned 26 March 2010)

B.Bus, C.P.A

Director

Mr Turco has been involved in the Public Accounting Arena for approximately 30 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.

Mr Turco resigned as a Director on 26 March 2010.

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	6	6
Geoffrey Coad	6	4
Stephen Campbell	1	1
Victor Turco	5	5

Directors' Remuneration

Disclosure relating to Directors' and Executive Officers' remuneration has been included in Note 9 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 10 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
Geoffrey Coad	Nil	43
Stephen Campbell	Nil	Nil
Victor Turco	Nil	14

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
Geoffrey Coad	Nil	87,140
Stephen Campbell	Nil	Nil
Victor Turco	Nil	28,914

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 2010 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 30th day of September 2010

CARLTON & PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS

ABN 28 251 922 867

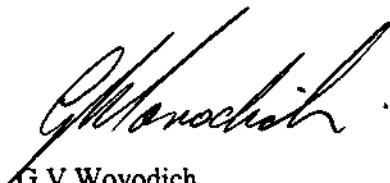
9-11 DRAKE STREET OSBORNE PARK WA 6017

**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 2010 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 2010 at Perth Western Australia

TELEPHONE: (08) 9201 0611
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PO BOX 1860
OSBORNE PARK DC WA 6916

Forestry Finance Limited

ACN 108 513 239

Statement of Comprehensive Income

for the Period 1 July 2009 to 30 June 2010

	Notes	The Company	
		30 June 2010 \$	30 June 2009 \$
<hr/>			
<i>Revenue from ordinary activities</i>			
Revenue Income	2	201,094	215,503
<i>Expenses</i>			
Administration Expenses	3	200,769	520,823
Total Expenses Incurred		200,769	520,823
Profit/(Loss) from Ordinary Activities before Income Tax		325	(305,320)
Income Tax (Expense)/Benefit		-	-
Profit/(Loss) from Ordinary Activities after Income Tax Attributable to Members		325	(305,320)

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

Forestry Finance Limited

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Statement of Financial Position

as at 30 June 2010

	Notes	Economic Entity	
		30 June 2010 \$	30 June 2009 \$
Current Assets			
Cash and cash equivalents	4	1,077	68,900
Interest Bearing Receivables	5a	9,063	150,478
Total Current Assets		10,140	219,378
Non-current Assets			
Trade debtors and other receivables	5b	1,966,136	1,931,871
Total Non-current Assets		1,966,136	1,931,871
Total Assets		1,976,276	2,151,249
Current Liabilities			
Trade creditors and other payables	6a	3,074	204,514
Total Current Liabilities		3,074	204,514
Non Current Liabilities			
Long term Borrowings	6b	201,287	189,562
Total Non Current Liabilities		201,287	189,562
Total Liabilities		204,361	394,076
Net Assets		1,771,915	1,757,173
Equity			
Contributed Equity	7	2,051,000	2,051,000
Accumulated Profits		(279,085)	(293,827)
Total Equity		1,771,915	1,757,173

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

Forestry Finance Limited

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Statements of Recognised Income & Expense

as at 30 June 2010

	Notes	Economic Entity	
		30 June 2010 \$	30 June 2009 \$
Income & expense recognised directly in equity		-	-
Profit/(Loss) for the Year		325	(305,320)
Total recognised income & expenses for the year		325	(305,320)
Attributable to:			
Equity holders of company		325	(305,320)
Total recognised income & expenses for the year		325	(305,320)

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

Forestry Finance Limited

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Statement of Cash Flows

for the Period 1 July 2009 to 30 June 2010

	Notes	Economic Entity	
		30 June 2010 \$	30 June 2009 \$
Cash flows from operating activities			
Interest received		199,705	213,103
Cash receipts from customers		1,389	2,400
Cash payments to suppliers and employees		(201,430)	(521,255)
Net Tax (Paid)/Received		662	432
Net cash flows used in operating activities	11	325	(305,320)
Cash flows from investing activities			
Loan made		(68,148)	290,294
Net cash flows used in investing activities		(68,148)	290,294
Cash flows from financing activities			
Net proceeds from issue of shares		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash held		(67,823)	(15,026)
Cash at the beginning of financial year		68,900	83,926
Cash at the end of financial year		1,077	68,900

Notes to the financial statements

For the Period 1 July 2009 to 30 June 2010

I. 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 (AASB) 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 Forestry Finance Limited as an individual economic entity. Forestry Finance Limited is an unlisted public company, incorporated and domiciled in Australia. Its registered office is 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) 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

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).

(e) Comparative Figures

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

(f) 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 an 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.

g) Impairment of Assets

At each reporting date, the Group 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.

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.

h) 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.

i) 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 or sale.

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

j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised 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.

	Economic Entity	
	30 June 2010 \$	30 June 2009 \$
2. Revenue Income		
Interest Income	199,705	213,103
FFL Loan Application Income	-	2,400
Legal Fees Income	1,389	-
Total Revenue Income	201,094	215,503
3. Expenses		
Administration Expenses	182,773	94,750
Bank Charges	185	343
ASIC Lodgment Fees	1,000	1,270
Accounting & Audit Fees	4,100	1,850
Interest Expense	12,711	26,924
Legal Fees	-	1,818
Provision for Doubtful Debts	-	393,826
Other Expenses	-	42
Total Expenses	200,769	520,823
4. Cash and Cash Equivalents		
Cash and cash equivalents	1,077	68,900
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	1,077	68,900
Balance per cashflow statement	1,077	68,900
Total Cash	1,077	68,900
5a. Current Receivables		
Accounts Receivable - Interest Bearing Growers Loans	9,063	150,478
Total Current Receivables	9,063	150,478
5b. Non-Current Trade and Other Receivables		
Account Receivable - EFF Limited	267,761	249,333
Account Receivable - EFFM Limited	7,704	17,236
Account Receivable - Interest Bearing Growers Loans	1,765,511	1,868,999
Accounts Receivable - Trade Debtors	318,987	190,129
Provision for Doubtful Debts	(393,826)	(393,826)
Total Non-Current Trade and Other Receivables	1,966,136	1,931,871
6a. Trade Creditors and Other Payables		
Short term Borrowings - Interest Bearing	-	200,000
Dividend Payable	-	14,417
Income Tax Payable	(46)	(616)
GST Suspense	(1,390)	(9,287)
Trade Creditors	4,510	-
Total Trade Creditors and Other Payables	3,074	204,514
6b. Non Current Liabilities		
Long term Borrowings	201,287	189,562
Total Non Current Liabilities	201,287	189,562

	Economic Entity	
	30 June 2010 \$	30 June 2009 \$
7. 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	2,050,000
Total Share Capital	2,051,000	2,051,000
<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	2,050,000	2,050,000
Movements during the year	-	-
Closing Balance	2,050,000	2,050,000

8. Events Subsequent to Balance Date

Since 30 June 2010 no transaction or event of a material nature has occurred which is likely to significantly affect the operations of the scheme, the results of those operations, or the state of affairs of the scheme.

9. 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
- Stephen Campbell

b. Directors Remuneration

2010	Salary & Fees Superannuation		Equity	Other	Total
	\$	\$	\$	\$	\$
Mr. S Chesson	-	-	-	-	-
Mr. V Turco	-	-	-	-	-
Mr. G Coad	-	-	-	-	-
Mr S Campbell	-	-	-	-	-
Total	-	-	-	-	-

2009	Salary & Fees Superannuation		Equity	Other	Total
	\$	\$	\$	\$	\$
Mr. S Chesson	-	-	-	-	-
Mr. V Turco	-	-	-	-	-
Mr. G Coad	-	-	-	-	-
Mr. S Campbell	-	-	-	-	-
Total	-	-	-	-	-

*Note: The FFL Directors' fees were paid by EFF Limited and have not been included as an expense in FFL. The expense has therefore been borne by the parent company.

	Economic Entity	
	30 June 2010 \$	30 June 2009 \$
10. 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>		
Accounting services paid to AustAsia Accounting Services, a company related to Syd Chesson	4,100	350
Consulting fees paid to AustAsia Group, a company related to Syd Chesson	11,192	150
(ii) <u>Amount owing to related entities</u>		
Accounting fees owing to AustAsia Accounting Services, a company related to Syd Chesson	4,510	-
(iii) <u>Loans from related entities</u>		
Agricultural Mortgage Trust, a scheme relating to Syd Chesson, Geoffrey Coad & Victor Turco	201,287	-

(iv) Directors Interests

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

	30 June 2010 \$	30 June 2009 \$
11. 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	1,077	68,900
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	325	(305,320)
Changes in Assets and Liabilities		
Increase/(decrease) in tax liability	-	-
Net Cash Provided by Operating and Investment Activities	325	(305,320)

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.

13. 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 I of the IASB's project to replace IAS 39	1 January 2013	No changes are expected to materiality affect the company.
AASB 124	Related Party Disclosures	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition.	1 January 2011	Disclosure only

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 2010 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 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 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, 30th of September 2010

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 2010 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

2010 at Perth Western Australia

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