



Powton Land Holdings Limited

ACN 087 201 652

Annual Report

30 June 2012

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Corporate Directory

Directors

Sydney Chesson (Chairman)

Thomas Henn (Director)

Simon Chesson (Director/Company Secretary)

Company Secretary

Simon Chesson

Registered Office

Level 1, AustAsia House

412 – 414 Newcastle Street

West Perth WA 6005

Postal Address

PO Box 332

Leederville WA 6903

Telephone

08 9227 6300

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08 9227 6400

Auditors

Carlton & Partners

3 Alvan Street

Mount Lawley WA 6050

Powton Land Holdings

Powton Land Holdings Limited

The major asset of PLH is a property known as “Kiri Park” at Regan’s Ford, in the shire of Gingin, Western Australia (“the Property”). The Property is approximately 150 kilometres north of Perth, and is used for establishing and operating commercial Paulownia plantations.

Kiri Park has the capacity to grow up to approximately 230,000 Paulownia trees. The Kiri Park Projects have been operated as Managed Investment Schemes, whereby PLH leases part of the Property, either directly or via a sub-lease, to Growers (Investors in the Projects).

Business and Operations

PLH business considerations as detailed below:

Landlord – of Kiri Park

The land used for the Kiri Park Projects is leased either directly or via a sub-lease to Growers in the Kiri Park Managed Investment Schemes (MIS).

The MIS is now being wound up, therefore this revenue stream is no longer viable.

Unitholder

PLH is the major unitholder in an unlisted unit trust which owns a plantation of 40,000 Paulownia trees that are located on the Kiri Park property. PLH may receive future distributions from the Trust from the sale of the timber generated from those trees.

Kiri Park

Introduction

“Kiri Park,” located at Lot M1254 Hunter Road, Regan’s Ford, in Western Australia, consists of approximately 536 hectares of land on the north bank of the Moore River and is located off the Brand Highway. Over 200 hectares of the Property is suitable for Paulownia plantations, with approximately 198,180 Paulownia trees already being planted, maintained, and managed on the Property.

Location

Kiri Park was selected by foresters as the location for a Paulownia Plantation on the criteria considered necessary to establish, maintain and operate successful Paulownia plantations. The key factors for growing Paulownia timber were determined to include constant sunshine, ample water, sandy well drained soils, nutrients, and protection from severe winds.

Environmental Carbon Offset

Environmental Carbon Offset (“ECO”) was formally Environmental Forest Farms Limited (“EFF”) is the parent company of;

- Powton Land Holdings, (“PLH”),
PLH is the lessor / land owner of the land for the new carbon offset project.
- Enviromental Forrest Farms Management (“EFFM”)
EFFM will play a reduced role in the management of the land use.
- Forestry Finance Limited (“FFL”).
FFL will have the ability to provide finance to investors and business in the forestry industry.



Directors' Report

Directors' Report

Your Directors' present their Report on the Company for the financial year ended 30 June 2012.

Your Company was incorporated on 22 April 1999 and commenced trading on 1 August 1999.

Directors

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

- Mr Sydney Chesson
- Mr Thomas Henn
- Mr Simon Chesson

Principal Activities & Significant Changes in Nature of Activities

The principal activities of the Company during the Financial year were:

- Kiri Park Project leasing of Woodlots
- Ownership of units in the Kiri Timber Trust

No significant changes in the nature of these activities occurred during the year.

Review and results of Operations

The Company posted a loss of \$6942 this financial year (2011: loss \$124,999).

Dividends

No dividends were paid during the year and no recommendation is made as to dividends as the Company has carried forward losses.

Significant Changes in State of Affairs

A figure of \$409,200 was repaid to Debenture holders during the financial year. The Debenture holding is now \$800,000.

Sales of Asset:

- (i) *Property Assets – Rockingham:*

The property at 12 Hurrell Way, Rockingham has been sold with settlement scheduled for 15 June 2012. This has provided the funds for Powton to pay the \$408,200 instalment to Debenture Stockholders.

Financial position

The net assets of the company decreased by \$6942 from 30 June 2011 to \$124,999 in 2012.

Shareholders

The Company extends a special acknowledgement to all shareholders of all companies within the EFF Group.

Significant After Balance Date Events

No significant events have occurred since the balance date.

Future Developments

The ECO group has a range of assets which are currently being collected, reviewed and marketed for sale to pay out the debentures. This includes

- (i) *Equipment Assets – Harvesting Equipment*
- (ii) *Equipment Assets – Processing Facility*
- (iii) *Stock on Hand – Finished Timber*

(iv) *Collections of Outstanding Fees from Growers*

(v) *Collections of Growers Loans*

Future Direction of ECO:

As set out in the Environmental Carbon Offset Ltd Rights Issue Prospectus dated 1 May 2012 and lodged with the ASIC on that date, the ECO Group is changing its focus from an integrated manufacturer of timber products to carbon and environmentally based industries.

The aim is to utilise the Group's assets in the trees that are already grown, and the expertise in growing trees to generate a business which may include carbon offset and green energy initiatives.

Due to the early stages of the carbon tax and related environmental issues, any cash flow or income from the change in focus of the ECO Group are unlikely to come to fruition for two to three years.

The Board expect that the above developments will provide benefits for the Group.

Environmental Issues

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

Directors Information

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 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, managed investment schemes, and several private companies.

Mr Chesson is the Chairman of E.F.F Limited, Environmental Forest Farms Management Limited, EFF Timber Pty Ltd, Forestry Finance Limited and A&N Enterprises Pty Ltd.

Simon Chesson

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

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.

Directors' Meetings

During the year, three (3) meetings of Directors were held, with the attendances reported as follows:

Director	No. of Meetings Eligible to Attend	No. Attended
S. Chesson	3	3
T. Henn	3	3
Simon Chesson	3	3

Directors' Senior Executive Remuneration

Disclose relating to Directors' and Executive Officers' remuneration has been included in Note 17 of the Financial Report.

Indemnification and Insurance of Officers and Auditors

The Company has not, during or since the financial year, in respect of any person who is or has been an office 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

The Director's of the Company hold the following interest in fully paid ordinary shares and partly paid ordinary shares in the Company as at the date of this Report:

Fully Paid Ordinary Shares

Director	Direct Holding	Indirect Holding	Total	Percentage of Shares on Issue
S. Chesson	NIL	9,697	9,697	19.34%
T. Henn	NIL	95	95	0.19%
Simon Chesson	NIL	9,762	9,762	19.47%
TOTAL	INL	19,555	19,555	39.00%

Directors' interests in contracts and related party transactions are detailed in note 17 & 18 of the Financial Report.

Options

No options to acquire shares in the Company have been granted during this financial year and there were no options outstanding at the end of the financial year.

Employees

There were no employees of the Company during the year or at year end.

Rounding of Amounts

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

Non-Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

Auditors Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 10 of this Annual Report.

Directors' Authorization

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:

Simon Chesson

Director

Dated this 28th day of September 2012.

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
POWTON LAND HOLDINGS LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 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 day of 2012 at Perth Western Australia

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PO BOX 42
MOUNT LAWLEY WA 6050

Statement of Comprehensive Income

For the year ended 30 June 2012

		30 June 2012 \$	30 June 2011 \$
Revenue from ordinary activities			
Revenue Income	2 (a)	155,570	10,438
Expenses			
Administration Expenses	2 (b)	(93,773)	(112,170)
Borrowing Costs and Interest Expense	2 (c)	(67,429)	(72,553)
Total Expenses Incurred		(161,202)	(184,723)
<hr/>			
Profit/(Loss) From Ordinary Activities Before Income Tax		(5,631)	(174,285)
Income Tax Benefit/(Expense)	3	(1,311)	49,285
<hr/>			
Profit/(Loss) From Ordinary Activities After Income Tax Attributable to Members		(6,942)	(124,999)

The above statement of financial performance is to be read in conjunction with the attached notes.

Statement of Financial Position

For the year ended 30 June 2012

	Notes	30 June 2012 \$	30 June 2011 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalent	4	2,235	1,623
Trade and other receivables	5	421,348	418,853
Total current assets		423,583	420,477
NON-CURRENT ASSETS			
Property, plant & equipment	6	5,736,975	5,752,125
Financial Assets	7	772,661	772,661
Receivables	8	220,830	371,839
Deferred tax assets	9	-	-
Total non-current assets		6,730,466	6,896,625
TOTAL ASSETS		7,154,049	7,317,102
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	348,538	96,759
Provision for Income Tax	11	-	-
Interest bearing liabilities	12	-	-
Total current liabilities		348,538	96,759
NON-CURRENT LIABILITIES			
Interest bearing liabilities	12	834,000	1,243,200
Deferred tax liability	11	1,480,183	1,478,872
Total non-current liabilities		2,314,183	2,722,072
TOTAL LIABILITIES		2,662,721	2,818,831
NET ASSETS		4,491,328	4,498,270
EQUITY			
Contributed equity	13	4,990,468	4,990,468
Asset Revaluation Reserve	15	3,030,801	3,030,801
Accumulated Losses	14	(3,529,941)	(3,522,999)
TOTAL EQUITY		4,491,328	4,498,270

Statement of Recognised Income & Expense

For the year ended 30 June 2012

		30 June 2012 \$	30 June 2011 \$
	Note		
Revaluation of property, plant & equipment	23	-	-
Income and expense recognised directly in equity		-	-
Profit for the year		(6,942)	(124,999)
Total recognised income and expense for the year		<u>(6,942)</u>	<u>(124,999)</u>
Attributable to:			
Equity holders of company		(6,942)	(124,999)
Total recognised income and expense for the year		<u>(6,942)</u>	<u>(124,999)</u>

Statement of Cashflow Statement

For the year ended 30 June 2012

	Note	30 June 2012 \$	30 June 2011 \$
Cash Flows From Operating Activities			
Receipts from customers		153,075	258,700
Payments to suppliers and employees		174,467	(389,294)
Interest received		-	2,731
Net Tax (Paid)/ Received	3	(1,311)	49,285
Finance costs		(67,428)	(72,552)
Interest expense		(1)	(0)
Net Cash Provided By/ (Used in) Operating Activities	19	258,803	(151,130)
Cash Flows From Investing Activities			
Payment for property, plant and equipment		-	-
Net Cash Provided By/(Used in) Investing Activities		-	-
Cash Flows From Financing Activities			
Growers Loan Repayment		-	-
Proceeds from Loans (Loans Made)		151,009	145,919
Proceeds from (repayment of) interest bearing liabilities		(409,200)	-
Net Cash Provided By/(Used in) Financing Activities		(258,191)	145,919
Net Increase/(Decrease) in Cash Held		612	(5,211)
Cash at the Beginning of Financial Year		1,623	6,835
Cash at the End of Financial Year	4	2,235	1,623

Notes to and Forming Part of the Financial Statements

1. Statements of Significant Accounting Policies

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board 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 Powton Land Holdings Limited as an individual parent entity. Powton Land Holdings Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is Level 1 AustAsia House, 412-414 Newcastle Street, West Perth, WA 6005.

The financial report of Powton Land Holdings Limited as an individual parent entity complied with all International Financial Reporting Standards (IFRS) in their entirety.

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

Accounting Policies

(a) Reporting Basis and Conventions

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

Reporting Basis and Conventions

The financial report has been prepared on an accrual basis and is based on historical costs modified by the revaluations 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 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 liabilities 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 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 and 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 Dividend Revenue

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 periodic but at least triennial, valuation for external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is estimated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure that 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 cash flows have been discounted to their present values in determining recoverable amounts.

The costs 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 assets carrying amount or recognised 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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

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

Depreciation rates used for each class of depreciable assets are:

Leasehold Improvement	4-5%
Plant and equipment	5-33%
Motor Vehicle	10%
Office equipment	10%
Buildings	2%

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) 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.

(g) Revenue Recognition

Revenue is measured at the fair value if the consideration received or receivable after taking into 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 good 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).

(i) Account Payable

Accounts payable represents the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

(j) Leases

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

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

Lease assets are depreciated on a short line bases over the shorter of their estimated useful lives or the lease term.

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

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

(k) Financial Instrument

Recognition

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

Financial assets at Fair Value Through Profit and Loss

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

Loan and Receivables.

Loan 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 amortized cost.

Held to Maturity Investments

These investments are non-derivative financial assets that are either not suitable to be classified into other categories if 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 their 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.

(l) Impairment of Assets

At each reporting date, the Company 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 assets fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets 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.

(m) Investments in Associates

Investments in associate companies are recognized in the financial statement by applying the equity method of accounting. The equity method of accounting recognizes the Company's share of post acquisition reserves of its associates.

(n) Goods and Service Tax (GST)

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 an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

(o) Comparative Figures

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

(p) Provisions

Provisions are recognized 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.

(q) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that

necessarily take a substantial period of the time to prepare for their intended use or sale, and added to the cost of those assets, unit such time as the assets are substantially ready for their intended use of sale.

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

Notes to and Forming Part of the Financial Statements

	2012 \$	2011 \$
2 (a) Revenue		
Operating Revenue		
Interest Received- Other Parties	-	0
Lease Income from EFFM	155,570	230,999
Long Term Loan Interest	-	2,731
Decrement In Value of Plantation	-	(223,293)
	<u>155,570</u>	<u>10,438</u>
2 (b) Administrative Expenses		
Auditors Remuneration	9,000	9,000
Depreciation of Non-current assets	15,150	15,150
Other Expenses	69,623	88,020
	<u>93,773</u>	<u>112,170</u>
2 (c) Borrowing Costs		
Interest on Debentures	67,429	72,553
Other Interest Expense	1	0
	<u>67,429</u>	<u>72,553</u>
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 expense/(benefit) on operating profit/(loss) at 30%	(1,689)	(52,285)
Non-deductible Expenditure	3,000	3,000
Income Tax expense/(benefit) attributable	<u>1,311</u>	<u>(49,285)</u>
(Under)/Over Provision in Prior Years	-	-
Income tax benefit not brought to account	-	-
Transferred to parent entity	-	-
Income tax Expense/(Benefit)	<u>1,311</u>	<u>(49,285)</u>
Represented By:		
Movement in PDITL	-	-
Movement in FITB	-	-
	<u>-</u>	<u>-</u>

	2012	2011
	\$	\$
4 Cash Assets - Cash and Cash Equivalents		
Cash and cash equivalents	2,235	1,623
The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:		
Cash at bank and on hand	2,235	1,623
Cash and cash equivalents	2,235	1,623
Bank overdraft	-	-
Balance per cash flow statement	2,235	1,623

	2012	2011
	\$	\$
5 Current Receivables		
Growers Loan	113,088	113,088
Less: Provision for Doubtful Debts	(175,506)	(175,506)
Income Tax Benefit	479,770	479,770
BAS Tax Refund	3,996	1,501
Total Current Receivables	421,348	418,853

6 Property Plant & Equipment		
Land & Buildings	2,574,687	2,574,687
Revaluation	3,030,801	3,030,801
Less: Accumulated Depreciation	(70,000)	(60,000)
Total Land & Building	5,535,488	5,545,488
Dam at Cost	205,968	205,968
Less: Accumulated Depreciation	(44,481)	(39,331)
Total Dam	161,487	166,637
Leasehold Improvement at Cost	40,000	40,000
Total Property Plant & Equipment	5,736,975	5,752,125

	2012	\$
	\$	\$
Movements in Property, Plant & Equipment		
Freehold land		
Opening balance	1,534,000	1,534,000
Closing Balance	1,534,000	1,534,000
Buildings		
Opening Balance	82,000	92,000
Less: Depreciation	(10,000)	(10,000)
Closing Balance	72,000	82,000
Dam at Cost	205,968	205,968

Less: Depreciation	(44,481)	(39,331)
Closing Balance	161,487	166,637
Total Land & Buildings	1,767,487	1,782,637

7 Financial Assets

Unlisted Investments, at cost		
Kiri Park Timber Investment Units	772,661	772,661
Revaluation	-	-
Kiri Park Timber Investment Units	772,661	772,661
Paulownia Plantation		
Paulownia Plantation	-	-

8 Non-Current Receivables

Amount Receivable from EFF	-	238,152
Amount Receivable from EFFM	87,143	-
Long Term Loan Interest	133,687	133,687
Total Current Receivables	220,830	371,839

9 Tax Assets

Future Income Tax Benefits- Timing Difference	-	-
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Future income tax benefit comprises the estimated future benefit at the applicable of 30%.

The potential future income tax benefit will only be obtained if:

- the Company devises future assessable income of a future and an amount sufficient to enable the benefit to be realised.
- The relevant company continues to comply with the conditions for deductibility imposed by the law; and
- No charges in the tax legislation adversely affect the Company in realising the benefit.

10 Payables

Amount Payable to -EFF	306,198	-
Amount Payable to -EFFM	-	68,427
Trade Creditors	3,752	(1,918)
Barter Card	1,100	1,100
Accruals	26,954	27,088
Non Resident Withholding Tax	2,062	2,062
Total Payables	340,065	96,759

11 Tax Liabilities

Current Income Tax	-	-
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Non Current

Provision for Deferred Income Tax Liabilities	1,480,183	1,478,872
	2012	2011
	\$	\$
12 Interest Bearing Liabilities		
a Current		
Debenture Stock-Secured	400,000	-
b Non-current		
Debenture Stock		
Debenture Stock - Secured	400,000	1,243,200
Total	800,000	1,243,200

The debenture stocks are secured by a fixed charge over the land as described in note 6 and a floating charge over all other assets of the Company.

A resolution was passed to extend the Debenture term. A copy of resolution is below.

Resolution 2 Extension of Debenture Term to 20 June 2014

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That the term of the Debenture Stock expiring 30 June 2012 for Powton Land Holdings Ltd be and is hereby extended to 30 June 2014 on the following terms and conditions:

(i) *Payment of \$409,200 to be received by 30 June 2012 for all stockholders to be distributed by the Debenture Trustee;*

(ii) *Repayment of remaining Debenture Stock by 30 June 2014 by six monthly instalments of no less than \$200,000, being on or before:*

- a. 31 December 2012*
- b. 30 June 2013*
- c. 31 December 2013*
- d. 30 June 2014*

(iii) *Interest be and is hereby payable on the outstanding value of Debenture Stock at the rate of 9% per annum, payable quarterly by the 15th day following the end of quarter."*

13 Contributed Equity		
Share Capital		
50,141 (2007: 50,141) ordinary shares, fully paid	4,990,468	4,990,468
NIL (2007: NIL) rights issue shares, second installment	-	-
NIL (2007: NIL) rights issue shares, first installment	-	-
	<u>4,990,468</u>	<u>4,990,468</u>
(a) Ordinary shares		
Movements during the year		
Balance at beginning of the year		
50,141 (2007: 50,141) shares	4,990,468	4,990,468
Shares issued- from Prospectus dated 3 June 2004		
NIL (2007: NIL) for cash	-	-
- Transaction costs arising from issue for cash	-	-
Share issued - from Rights Issue		

	NIL (2007: NIL) for cash	-	-
	- Transaction costs arising from issue for cash	-	-
	Balance at the end of the year	<u>4,990,468</u>	<u>4,990,468</u>
		\$	\$
14	Accumulated Losses		
	Accumulated Losses- opening balance	(3,522,998)	(3,398,000)
	Net Profit/ (Loss) Attributable to Members	<u>(6,942)</u>	<u>(124,999)</u>
	Accumulated Losses- closing balance	<u><u>(3,529,939)</u></u>	<u><u>(3,522,998)</u></u>
15	Asset Revaluation Reserve		
	Opening Balance	<u>3,030,801</u>	<u>3,030,801</u>
	Asset Revaluation	-	-
	Asset Revaluation brought to profit and loss account	-	-
	Closing Balance	<u><u>3,030,801</u></u>	<u><u>3,030,801</u></u>

The asset revaluation reserve records revaluations of non-current assets. Please see Note 20.

16. Events Subsequent to Balance Date

Since 20 June 2012 the following events have occurred:

Future Commitments

A payment of \$800,000 to be repaid to Debenture holders as per the resolution.

18. Related Parties Transaction

	2012	2011
	\$	\$
<u>(i) Director Related Entities</u>		
Settlement Fees paid to Master Settlement, a firm related to Sydney Chesson	-	2,250
Accounting Services Fees paid to AustAsia Accounting Services, a firm related to Sydney Chesson	-	2,250
Printing Cost paid to AustAsia Group Pty Ltd, a firm related to Sydney Chesson	0	0
<u>(ii) Directors Interests</u>		
Directors interests in shares have been disclosed in the Directors Report		

19. Related Parties Transaction

\$ \$

Profit After income Tax		(6,942)
Add Back Non-Cashflow Items in Profit		
Increment in Value of Plant	-	
Depreciation	15,150	15,150
Change in Assets & liabilities, net of the effects of purchase and disposal of subsidiaries		
Increase in Accounts Rec	(2,495)	
Increase in Trade creditors	251,779	
Decrease in Share Subscription	-	
Adjustment to Tax & Asset reval	-	
Increase in Tax Liability	1,311	250,594
Cashflow from Operations		258,803
Cashflow from Ops as per Cashflow Statement		<u>258,803</u>
Difference		-

Taxes Paid:	
Opening Balance	1,478,872
Add Tax Expense	1,311
Less PDITL For Yr	-
Less FITB For Yr	0
Less Closing Balance	(1,480,183)
Taxes Paid for Year	0

20. Valuation to Market Value

	2012	2011
	\$	\$
Net Increment/(Decrement) in Market Value of Paulownia Plantation	-	-
Net Increment in Market Value of Land & Building	-	-
Total Net Increment In Market Value recognised in Equity	-	-

21. Segement Reporting

Revenue

Lease Income Related parties	-
Interest Received- Other Parties	-
Interest Income - Plantation	-
Sale of Kiri Timber Tree Units	-
Other Income-Other Parties	155,570
	<u>155,570</u>

RESULT

Landowner	-
Landowner Revenue	-
Admin Fee (1/3)	-
	<hr/>
	-
	<hr/>
Financing & Investing	
Loan Interest Income	-
Borrowing Costs	(67,429)
Admin Fee (1/3)	-
	<hr/>
	(67,429)
	<hr/>
Tree Plantation	
Plantation Revenue	-
Plantation Revenue	-
Admin Fee (1/3)	-
	<hr/>
	-
	<hr/>
Unallocated	155,570
	<hr/>
	<hr/>
Total	88,141
	<hr/>
	<hr/>

Landowner

Land & Buildings - Cost	2,574,687
Revaluation	3,030,801
Acc Depreciation	(70,000)
DamConstruction	205,968
Acc Deprecation	(44,481)
Leasehold Improvement	40,000
	<hr/>
	5,736,975
	<hr/>
	<hr/>

FINANCING AND INVESTING

L/T Loan Interest Grower loan interest receivable	133,686
Growers Loans - S/T Loans	113,087
Less: Provision for Doubtful Debts	(175,506)
PLH Loans - Grower Loans Project 1	-
PLH Loans - Grower Loans Project 2	-
PLH Loans - Grower Loans Project 2A	-
Growers Loan Project 2004/2005	-
	<hr/>
	71,269
	<hr/>
	<hr/>

KiriPark Timber Investment Units	772,661
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UNALLOCATED

Cash on Hand	2,235
Payroll Account	-
Electronic Clearing Account	-

Undeposited Funds-EFF	-
Intercompany - EFF	-
Intercompany Loan - EFFM	87,143
FITB	-
Prepaid Management Fees	-
	89,378
LIABILITIES	
<u>Landowner</u>	
Trade Creditors	3,752
Accruals	9,000
	12,752
<u>Financing and Investing</u>	
Debenture Interest Payable	17,954
Debenture Stock	834,000
Provision for for Share Subscription	-
Unearned Income	-
	851,954
<u>Unallocated</u>	
Payroll Liabilites	-
Tax Payable assume GST	(481,704)
Intercompany - EFFM	306,198
PDITL	1,480,183
	1,304,677
Total	2,169,382

22. Financial Instruments

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments represented in the table.

a. Interest Bearing Loans and Borrowings

Fair value is calculated based on the face value of loans receivable and liabilities. Due to the interest rates generally being fixed, and matching the liability interest rate to the asset interest rate the face value is considered reasonable.

b. Trade and other Receivables/Payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

c. Interest rates Used for Determining Fair Value

The entity uses the government yield curve as of 30 June 2008 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2012	2011
Loans and Borrowings	6.0%- 10.0%	6.0%-10.0%
Loans Receivable	10.5%- 12.5%	10.5%- 12.5%

d. 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.

e. Net Fair Values

The net fair value of assets and liabilities approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in a standardised form. Financial assets where the carrying amount exceeds net fair values have not been written down as the Company intends to hold these assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

f. Interest Rate Risk

Powton Land Holdings Limited's exposure to interest rate risk, which is the risk that a financial instrument will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on those financial assets are as follows:

Financial Instruments

	weighted interest		floating interest		fixed interest		non-interest		total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Financial Assets										
Cash	2%	2%	2,235	1,623	-	-	-	-	2,235	1,623
Receivables	11%	11%	-	-	843,930	843,930	260,715	649,495	1,104,645	1,493,425
Total Financial Assets		225000%	2,235	1,623	843,930	843,930	260,715	649,495	1,106,880	1,495,048
Financial Assets Accounts Payable	0%	225000%					38,344	26,831	38,344	26,831
Interest Bearing Liabilities	6%	6%	-	-	834,000	1,243,200	-	-	834,000	1,243,200
Total Financial Liabilities			-	-	834,000	1,243,200	38,344	26,831	872,344	1,270,031
Net Financial Assets			2,235	1,623	9,930	(399,270)	222,371	622,664	234,536	225,017

Reconciliation of Net Financial Assets to Net Assets

Net Financial Assets as above	234,536	225,017
Plus: Non Financial Assets		

	(1,48	
Deferred Tax	0,183	(1,545,86
Liability)	0)
	5,736,	5,767,27
Fixed Assets	975	5
Future Income		
Tax Benefit	-	-
	<hr/>	<hr/>
Net Assets per	4,491,	4,446,43
Balance Sheet	<u>328</u>	<u>2</u>

24. Contingent Liability

The Company has no major capital commitment and has no known contingent liability as at 30 June 2012.

Directors' Declaration

In the opinion of the Directors of the Company:

- a. The accompanying financial statements and notes are in accordance with the Corporation Act 2001, comply with the accounting standards, corporate regulations and other mandatory professional reporting requirements, and give a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date.
- b. At the date of this declaration, there are reasonable grounds to believe that the Company can meet its debts 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 value.

The declaration is signed in accordance with resolution of the Board of Directors.

Simon Chesson

Director

Dated this 28 day of September 2012

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 POWTON LAND HOLDINGS LIMITED

Report on the financial report

We have audited the accompanying financial report of Powton Land Holdings Limited, which comprises the balance sheet as at 30 June 2012, 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 Powton Land Holdings 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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FAX: (08) 9272 3509
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POSTAL ADDRESS:
PO BOX 42
MOUNT LAWLEY 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 Powton Land Holdings 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 2012 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 day of 2012 at Perth Western Australia

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