



# ENVIRONMENTAL FOREST FARMS MANAGEMENT LIMITED ACN 087 201 670

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2007



## Corporate information

### Registered Office

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### Directors

Sydney Chesson (Chairman)  
Victor Turco (Director)  
Geoffrey Coad (Director)

### Company Secretary

Simon Chesson

### Members of the Consolidated Group

EFF Limited  
ACN 077 014 594

Environmental Forest Farms Management Limited  
ACN 087 201 670

EFF Timber Pty Ltd  
ACN 082 882 960

Powton Land Holdings Limited  
ACN 087 201 652

A&N Enterprises Pty Ltd  
ACN 113 434 512

Forestry Finance Limited  
ACN 108 513 239

Beenyup Forest Farms Pty Ltd  
ACN 081 216 766

### Auditor

Carlton and Partners  
Level 1, 9-11 Drake Street  
Osborne Park WA 6017

## Shareholder Information

### Shareholder Enquiries

Shareholders with queries about their shareholding should contact the Company.

### Change of Address

Should a Shareholder's registered address change, they should notify the Company in writing immediately.

### Electing Not to Receive an Annual Report

Shareholders who do not wish to receive future Annual Reports, or currently receive more than one copy of the Annual Report should notify the Company in writing.

Shareholders who wish to receive an electronic version of the Annual Report should also notify the Company in writing.

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# Environmental Forest Farms Management Limited

Environmental Forest Farms Management Limited ("EFFM") is a wholly owned subsidiary of E.F.F Limited ("EFF") and a member of the EFF Group of Companies. The EFF Group is one of Australia's leading Paulownia organisations and the role of EFFM within the Group is to establish, grow, maintain and manage the Group's Paulownia plantation interests. This also involves managing the plantations for and on behalf of Growers in the Kiri Park Projects.

In addition to undertaking the plantation management interest of the EFF Group of Companies, EFFM holds an Australian Financial Services License Number 239 635, which enables the Company to act as the Responsible Entity for Paulownia plantations being operated as Managed Investment Schemes that are registered with the Australian Securities and Investments Commission ("ASIC").

EFFM is the Responsible Entity for all of the Kiri Park Projects being:

- Kiri Park Project  
(ARSN: 091 158 897)
- Kiri Park Project No. 2  
(ARSN: 096 225 400)
- Kiri Park Projects (ARSN: 107 747 348)
  - 2004 Growers
  - 2005 Growers
  - 2006 Growers
  - 2007 Growers
- Kiri Timber Trust  
(ARSN: 107 747 348)

EFFM is also the Responsible Entity for the Heritage Paulownia Forests Project No. 1 (ARSN 092 167 103).

EFFM has the management expertise to establish, develop, and manage Paulownia plantations in accordance with industry best practices.

The Company has an on-going commitment to the research and development of Paulownia trees and the different growing techniques for plantations in Western Australia. The Company's nursery and research plantation are continually providing superior planting stock for future Paulownia plantations. The Company's research activities are assisting the EFF Group to remain at the forefront of the Australian Paulownia industry.

EFFM has maintained its commercial objectives and continues to develop the skills, knowledge and management expertise to ascertain these objectives.

# Director's Report

Your Directors present their Report on the Company for the financial year ended 30 June 2007.

## Directors

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

- Mr Sydney J. Chesson
- Mr Victor V. Turco
- Mr Geoffrey J. Coad

## Principal Activities

The principal activity of the Company during the financial year was to establish, maintain and manage Paulownia plantations and to undertake activities relating to the Kiri Park Project, the Kiri Park Project No. 2, the Kiri Park Projects, the Kiri Timber Trust and the Heritage Paulownia Forests Project No. 1, which are all operated as Managed Investment Schemes and registered with the Australian Securities and Investments Commission ("ASIC").

The Company also continues to undertake the Plantation Management activities for plantations owned by the EFF Group of Companies.

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

## Operating Results

The net profit after providing for income tax amounted to \$169,500 (2006: profit \$401,545). The profit was attributed to the Company's increased sales in new Woodlots and a small increase in the management fees being charged to facilitate the long term feasibility of the plantations.

The Net Asset position of the Company has increased by approximately 7.1% during the year to \$2,303,233.

Due to the nature of the business, income is received in advance. As such, the unearned income of approximately \$2,191,072 represents the billing for the 2008 financial year which were invoiced in late April 2007 in accordance with the Lease and Management Agreements.

## Dividends

There are no dividends to be paid or announced.

## Review of Operations

During the year ended 30 June 2007 the Company implemented some key strategies that strengthen the platform for the Company's future growth and development. The Directors report on some of the major achievements and operations of the Company throughout the period as follows:

### *Responsible Entity Activities*

During the financial year, EFFM continued to operate under its Australian Financial Services License ("AFSL") to provide Responsible Entity activities for Paulownia focused Managed Investment Schemes registered with the Australian Securities and Investment Commission ("ASIC").

EFFM acted in the capacity of Responsible Entity for the Kiri Park Project, Kiri Park Project No. 2, Kiri Park Projects, Kiri Timber Trust and the Heritage Paulownia Forests Project No. 1.

### *The Existing Kiri Park Projects*

During the financial year, the Company and the consolidated EFF Group continued to implement key strategies at the Kiri Park Property that were designed to benefit all of the plantations on the property. The primary strategies implemented during the year include:

- Fence Improvements

The fence line along Hunter Road was increased by 50cm in height and electrified to prevent feral cattle entering the plantation.

- New Access Road

An access road was laid to provide heavy vehicle access to new planting areas.

- New Pump Shed

A new pump shed was constructed near the dam to improve the irrigation capacity and efficiency.

- Plantings

In the middle of November 2006 woodlots for KPP-06 investors were planted. This year has been a successful year for investment and as such a huge number of new trees have been added to the Kiri Park Plantation.

- Pruning and Uplift of Plantation

All trees in the plantation have been assessed and pruned accordingly. By pruning the trees, farm managers can balance the tree crowns to improve growth and reduce stress on the trees. Kiri Park Farm Manager Laurie Jolly is an experienced tree surgeon who trains and supervises all farm staff who engage in pruning activities.

- Nutrition

Kiri Park Farm Management conduct regular leaf and soil nutrition analyses to determine optimum fertigation regimes for the plantation. This growing season continued to show good nutrient results as in previous years.

- Growth

The trees have continued to show good growth rates over this year. Over the growing season the diameters of over 1000 trees at Kiri Park are measured on a monthly basis and at the end of the growing season a volume analysis was conducted. Heights of the trees are also measured on a regular basis.

- Sales and Allotment of Woodlots

During the financial year, the issue and allotment of Woodlots for the Kiri Park Project 2005/2006 and the Kiri Park Project: 2007 Growers occurred.

The Project was issued with several Product Rulings from the Australian Taxation Office (PR2006/89, PR2007/150 and PR2007/151) and was marketed in Australia. Unlike previous years, the Project was not marketed in New Zealand.

The Project was accepted onto the 'Approved Product Lists' of several holders of an Australian Financial Services License and good sales were made through these relationships. In total, 40 Woodlots were issued and allotted to Kiri Park Project 2005/2006 Growers and 283 Woodlots were issued and allotted to new Growers in the Kiri Park Projects: 2007 Growers on or before 30 June 2007.

- Planting of Woodlots

Woodlots that were sold, issued and allotted under the Kiri Park Project 2005/2006 on or before 30 September 2006 were prepared, established, planted and maintained in accordance with good silvicultural practices and the respective lease and management agreement. Preparation has commenced for the planting of the Kiri Park Projects: 2007 Growers Woodlots, which shall be planted in October 2007.

#### *Heritage Paulownia Forests Project No. 1*

During the financial year, the current Responsible Entity and its parent company (E.F.F Limited) spent considerable funds on the Heritage Paulownia Forests Project No. 1. Some of the occurrences during the year include:

- Review and Improvement to Management Practices

Since being appointed the Responsible Entity for the Project, EFFM has conducted a number of review and assessments of the Project in accordance with its management policies. It has identified a number of areas where the plantation needs to be improved. EFFM has worked toward improving the management practices at the plantation and has endeavoured to implement forestry best practice principles for management programs including:

- Weed Control Program
- Pest Control Program
- Irrigation Program
- Infrastructure, Equipment and General Maintenance Programs.

Defaulting Growers have hampered the ability of the Responsible Entity to manage the Plantation however the Responsible Entity has devoted much of its own resources into maintaining best practice.

#### *Research and Development*

The Company continued its Research and Development program during the financial year in the areas of fertigation, water utilisation and species selection.

The Company also continues to utilise the consolidated Group's significant research plantation to assist the Group in maintaining and improving its plantation establishment and management practices.

The Research and Development activities of the Company are designed to assist the consolidated Group to remain at the forefront of the Australian Paulownia plantation industry.

### Company Personnel

The Company's Directors, management, employees and consultants, remain firmly focused on achieving the commercial objectives of the consolidated EFF Group. All activities are performed with diligence and enthusiasm, and the Company is very appreciative of the persistent and tireless efforts of all personnel involved in furthering the growth and development of the Company and the Kiri Park Projects.

### Significant Changes in the State of Affairs

The following significant changes in the state of the Company's affairs occurred during the financial year:

- The Company varied its Australian Financial Services License to allow it to operate the Kiri Timber Trust.
- The Company continued to market and sell Woodlots in the Kiri Park Project 2005/ 2006, which was provided Australian Taxation Office Product Rulings (PR 2005/ 113, PR 2006/ 60 and PR 2006/89); and also to market and sell Woodlots in the Kiri Park Projects: 2007 Growers which was provided Australian Taxation Office Product Rulings (PR 2006/150 and PR 2006/151)
- In conjunction with its Parent Company E.F.F. Limited, the Company continued harvesting trials of Paulownia timber from the Nowergup Plantation. At the date of this report approximately 4000 trees have been harvested since 1 July 2005 and are in the process of being milled and prepared for use as furniture, blind slats, veneers, decorative mouldings and a variety of samples for marketing purposes. The Company is confident that the trial harvest will assist the Company in establishing markets for the future timber that is being produced at Nowergup and at the Kiri Park Plantation. The initial results of the trial harvest have been positive for the Company and the EFF Group. The extraction rate has been calculated at between 62% and 65%, with the milling contractor indicating that these results could be increased to 70% for future non-experimental harvests and milling.

### Significant After Balance Date Events

Since the end of the financial year, the following significant events have occurred for the Company:

- The Company has prepared for planting, the Woodlots that were sold under the Kiri Park Projects: 2007 Growers.
- The Company finished harvesting trees from the Nowergup plantation under the second round

of thinnings. Further harvests are expected to be conducted in the future as determined by the Board of Directors and Senior Forestry Management.

- Growers in the Heritage Paulownia Forests Project No.1 became the targets of a Woodlot Purchase Offer issued by EFF Limited, the Parent Company of EFFM. At the date of this report EFF Limited has acquired 257 Woodlots in the Scheme.
- The Company has lodged an ATO Product Ruling Application for the next Kiri Park Project. Upon issuance of the Product Ruling, the documentation will be finalised and a new Product Disclosure Statement will be issued.

### Future Developments

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

- The Company expects to continue in the successful operation and management of the existing plantations at Kiri Park.
- The Company expects to continue with its commitment to Research and Development.
- The Company expects to continue to implement best practices in the field of Paulownia forestry.
- The Company expects to continue to offer investments in future Kiri Park Projects.
- The Company expects to use timber from the trial harvest and milling for furniture, blind slats, veneers, decorative mouldings and a variety of samples for marketing purposes.

The Board expects that the above developments will provide benefits for the Company and its Parent Company.

### Environmental Issues

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

### Information on Directors

At the date of this Annual Report, the Board of Directors have not established any specialist committees to take on specific roles and duties of the Board. As such, there are no special responsibilities assigned to any one Director.

The following information is provided in relation to the Directors of the Company

**Sydney Chesson** M.B.A, C.R.E.M, C.S.M, F.A.I.C.D*Chairman*

Mr Chesson has been awarded a Master of Business Administration degree from the University of Notre Dame Australia, where he was admitted to the Vice Chancellors list for academic excellence. He is a licensed real estate agent and business broker, and a licensed finance broker. He has extensive experience in importing and exporting, production and manufacturing. He has over 25 years experience in real estate and over 35 years experience in business and commercial activities.

As a Fellow of the Australian Institute of Company Directors, Mr Chesson has considerable experience as a Director of listed and unlisted public companies, unlisted property trusts, and several private companies.

Mr Chesson is also the Chairman of E.F.F Limited (the parent company of the Responsible Entity), Forestry Finance Limited, Beenyup Forest Farms Pty Ltd, Powton Land Holdings Limited (the Lessor in the Kiri Park Schemes), EFF Timber Pty Ltd and A&N Enterprises Pty Ltd.

**Victor Turco** B.Bus, C.PA*Non-Executive Director*

Mr Turco has been involved in the Public Accounting Arena for approximately 25 years. During this time, Mr Turco has gained considerable experience in Australian and Overseas accounting, taxation, financing, corporate and property issues.

Mr Turco has experience as a Director of numerous companies, including serving as a Director of the Board of a Terminating Building Society managing a \$100 million portfolio.

Mr Turco is a Director of E.F.F Limited (the parent company of the Responsible Entity), Forestry Finance Limited, Beenyup Forest Farms Pty Ltd, Powton Land Holdings Limited (the Lessor in the Kiri Park Schemes), EFF Timber Pty Ltd and A&N Enterprises Pty Ltd.

**Geoffrey John Coad** M.Phil, 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 (the parent company of the Responsible Entity), Forestry Finance Limited, Powton Land Holdings Limited, Beenyup Forest Farms Pty Ltd, EFF Timber Pty Ltd and A&N Enterprises Pty Ltd.

**Directors' Meetings**

During the year, the following number of meetings of Directors were held and attended:

Director	No. of Meetings Eligible to Attend	No. Attended
Sydney Chesson	10	10
Victor Turco	10	10
Geoffrey Coad	10	7

**Directors' Emoluments**

Disclosure relating to Directors' and Executive Officers' emoluments has been included in Note 16 of the Financial Report.

**Indemnifying Officers**

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or of a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

The Company also has an insurance policy to cover Professional Indemnity. The premium for this cover is \$80,000 for a 12 month period. This includes the required cover for fraud and for issues of Product Disclosure Statements.

**Interests of Directors**

At the date of this Report, Directors held the following interest in shares:

Director	Direct Shareholding	Indirect Shareholding	Total
Sydney Chesson	Nil	98,718	98,718
Victor Turco	Nil	4,231	4,231
Geoffrey Coad	Nil	12,752	12,752

**Options**

The Company does not have any options on issue.

**Directors' Interests**

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

Report.

**Rounding of Amounts**

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

**Auditor's Independence Declaration**

The lead auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 10 of this Annual Report.

**Directors' Authorisation**

This Report is made in accordance with a resolution of the Board of Directors and is signed by authority for and on behalf of the Directors by:



Sydney J. Chesson  
Chairman

Dated this 28th day of September 2007

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# CARLTON & PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS

ABN 28 251 922 867

9-11 DRAKE STREET OSBORNE PARK WA 6017

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**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001 TO THE DIRECTORS OF  
ENVIRONMENTAL FOREST FARMS MANAGEMENT LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 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 ..... 28 ..... day of SEPTEMBER ..... 2007 at Perth Western Australia

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# Environmental Forest Farms Management Limited

ACN 087 201 670

## Income Statement

for the Period 1 July 2006 to 30 June 2007

Notes	The Company	
	30 June 2007 \$	30 June 2006 \$
<b>Revenue from ordinary activities</b>		
Revenue Income	2 (a) 3,103,388	2,582,404
<b>Expenses</b>		
Administration Expenses	2 (b) (2,633,771)	(1,883,113)
Borrowing Costs	(77,163)	(26,084)
Plantation Management	(150,312)	(306,247)
<b>Total Expenses Incurred</b>	<b>(2,861,245)</b>	<b>(2,215,445)</b>
Profit/(Loss) from Ordinary Activities before Income Tax	242,143	366,959
<b>Income Tax (Expense)/Benefit</b>	<b>3 (72,643)</b>	<b>(34,586)</b>
<b>Profit/(Loss) from Ordinary Activities after Income Tax Attributable to Members</b>	<b>169,500</b>	<b>401,545</b>

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

# Environmental Forest Farms Management Limited

ACN 087 201 670

## Balance Sheet

as at 30 June 2007

Notes	Economic Entity	
	30 June 2007 \$	30 June 2006 \$
<b>Current Assets</b>		
Cash and cash equivalents	291,161	647,357
Trade and other receivables	4 3,062,601	820,107
Other financial assets	5 644,570	865,000
<b>Total Current Assets</b>	<b>3,998,332</b>	<b>2,332,464</b>
<b>Non-current Assets</b>		
Property, plant and equipment	6 1,129,708	1,017,320
Deferred tax assets	7 684,051	453,893
Other financial assets	1,000,000	1,000,000
<b>Total Non-current Assets</b>	<b>2,813,758</b>	<b>2,471,214</b>
<b>Total Assets</b>	<b>6,812,090</b>	<b>4,803,677</b>
<b>Current Liabilities</b>		
Trade creditors and other payables	8 945,439	166,631
Unearned income	9 2,191,072	1,424,054
Interest bearing liabilities	10 -	47,015
Tax liabilities	11 618,215	250,056
Provisions	13 43,865	43,691
<b>Total Current Liabilities</b>	<b>3,798,591</b>	<b>1,931,447</b>
<b>Non-current Liabilities</b>		
Interest bearing Liabilities	10 702,302	663,443
Deferred tax liabilities	12 7,965	59,585
<b>Total Non-current Liabilities</b>	<b>710,267</b>	<b>723,027</b>
<b>Total Liabilities</b>	<b>4,508,858</b>	<b>2,654,474</b>
<b>Net Assets</b>	<b>2,303,232</b>	<b>2,149,203</b>
<b>Equity</b>		
Contributed Equity	15 300,000	300,000
Accumulated Profits	14 2,003,233	1,849,203
<b>Total Equity</b>	<b>2,303,233</b>	<b>2,149,203</b>

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

# Environmental Forest Farms Management Limited

ACN 087 201 670

## Statement of Changes in Equity

as at 30 June 2007

	Fully Paid Ordinary \$	Retained Earnings \$	Asset Revaluation Reserve \$	Financial Assets Reserve \$	General Reserves \$	Total
<b>At 1 July 2006</b>	<b>300,000</b>	<b>1,849,203</b>	-	-	-	<b>2,149,203</b>
Retrospective adjustment upon change in accounting policy	-	-	-	-	-	-
Profit attributable to members of parent entity	-	154,030	-	-	-	154,030
Transfers to and from reserves - general reserves	-	-	-	-	-	-
Transfers from retained profits	-	-	-	-	-	-
Sub-total	300,000	2,003,233	-	-	-	2,303,233
Dividends paid or provided for	-	-	-	-	-	-
<b>At 30 June 2007</b>	<b>300,000</b>	<b>2,003,233</b>	-	-	-	<b>2,303,233</b>

# Environmental Forest Farms Management Limited

ACN 087 201 670

## Cash Flow Statement

for the Period 1 July 2006 to 30 June 2007

	Notes	Economic Entity	
		30 June 2007 \$	30 June 2006 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		1,072,591	2,392,512
Cash payments to suppliers and employees		(1,073,634)	(2,091,224)
Net Taxes (paid)/received		158,024	38,042
Interest received		8,733	18,676
Interest and cost of finance paid		(77,163)	(26,084)
<b>Net cash flows used in operating activities</b>	<b>22</b>	<b>89,552</b>	<b>331,922</b>
<b>Cash flows from investing activities</b>			
Payment for property plant and equipment		(422,122)	(663,331)
<b>Net cash flows used in investing activities</b>		<b>(422,122)</b>	<b>(663,331)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		(23,626)	488,981
<b>Net cash flows used in financing activities</b>		<b>(23,626)</b>	<b>488,981</b>
<b>Net increase/(decrease) in cash held</b>		<b>(356,196)</b>	<b>157,573</b>
Cash at the beginning of financial year		647,357	489,785
<b>Cash at the end of financial year</b>		<b>291,161</b>	<b>647,357</b>

# Notes to the financial statements

For the Period 1 July 2006 to 30 June 2007

## I. Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Boards and the Corporations Act 2001.

The financial report covers Environmental Forest Farms Management Limited as an economic entity. Environmental Forest Farms Management Limited is an unlisted public company, incorporated and domiciled in Australia.

The financial report of Environmental Forest Farms Management Limited complies with all International Financial Reporting Standards (IFRS) in their entirety.

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

### Basis of preparation

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

#### (a) Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### Accounting Policies

#### (b) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognized from the initial recognition of an asset or a liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognized by the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilized.

The amount of benefits brought to account or which may be realized in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realized and comply with the conditions of deductibility imposed by the law.

#### (c) Investments

Investments brought to account are at cost or at valuation. The carrying amount of investments is reviewed annually to ensure it is not in excess of the recoverable amount of the investments.

#### (d) Interest and Dividends

Interest is brought to account in the profit and loss statement when earned. Dividends are brought to account in the profit and loss statement when received.

#### (e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

##### Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on a periodic, but at least triennial, valuations by external independent valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

##### Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials direct labour; borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement and depreciation based on the assets original cost is transferred from revaluation reserve to retained earnings.

#### Depreciation

The depreciable amount of all fixed assets including building and capitalized lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease of the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Building	2%
Leasehold Improvements	4 - 5%
Plant and Equipment	5 - 33%
Plant and Equipment Leased to External Parties	10 - 20%
Leased Plant and Equipment	15%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred

to retained earnings.

#### (f) Leases

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

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

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

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

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

#### (g) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

#### (h) Financial Instruments

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

#### *Financial assets at fair value through profit and loss*

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

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised

cost using the effective interest rate method.

#### *Held to maturity investments*

These investments have fixed maturities, and it is the Company's intentions to hold these investments to maturity. Any held to maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

#### *Available for sale financial assets*

Available for sale financial assets include any financial assets not included in the above categories. Available for sale assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

#### *Financial liabilities*

Non-derivative financial liabilities are recognized at amortised cost, comprising debt less principal payments and amortisation.

#### *Derivative instruments*

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

#### *Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

#### **(i) Impairment**

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

At each reporting date, the group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to

which the asset belongs.

#### **(j) Investments in Associates**

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the group's share of post-acquisition reserves of its associates.

#### **(k) Research and development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

#### **(l) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

#### **(m) Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

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

Revenue from investment properties is recognised on an accruals basis or straight-line basis in accordance with lease agreements.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon delivery of the service to the customers.

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

#### **(n) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

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

**(o) Payables**

The management agreement states that the manager is not to be remunerated until the fees are received by the Scheme. As a result, a corresponding payable is not recognised in note 6 to the financial statements.

**(p) Goods and Services Tax**

Revenues, expenses and assets are recognized net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognized as part of the cost of acquisition of the asset or as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(q) Comparative Figures**

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

	Economic Entity	
	30 June 2007 \$	30 June 2006 \$
<b>2 Revenue Income</b>		
PLH Plantation Management	300,000	1,234,121
Woodlot Project Fees	2,701,719	1,290,207
Interest Received	8,733	18,676
Other Revenue	92,936	39,401
<b>Total</b>	<b>3,103,388</b>	<b>39,401</b>
<b>a. Administration Expenses</b>		
Auditors - Remuneration	22,173	7,250
Depreciation of non-current assets	137,667	162,359
Amortisation of leased assets	172,067	38,688
Payroll expenses	555,813	453,104
Plantation Maintenance	400,354	215,200
Equipment operating cost	350,902	340,113
Marketing Expense	615,239	567,429
Other Expenses	379,557	99,257
<b>Total</b>	<b>2,633,771</b>	<b>1,883,399</b>
<b>b. Borrowing Costs</b>		
Interest	77,163	26,084
<b>Total</b>	<b>77,163</b>	<b>26,084</b>
<b>3. Income Tax Expense</b>		
The prima facie income tax payable on operating profit/(loss) is reconciled to the income tax provided as follows:		
Prima facie income tax payable on operating profit/(loss) at 30%	72,643	110,088
Recognition of timing differences not previously recognised		
Current year timing differences	-	-
Tax losses not recognised (recouped)	-	-
Income tax benefit not brought to account	-	(144,588)
Income Tax Expense/(Benefit)	72,643	(34,500)
Represented as movements in:		
Future Income Tax Benefits	230,157	22,980
Provision for Deferred Income Tax Liabilities	51,620	11,606
<b>Total</b>	<b>281,778</b>	<b>34,586</b>
<b>4. Trade and Other Receivables</b>		
<i>Current</i>		
Amount receivable - EFF Ltd	2,596,167	800,068
Amount receivable - Powton Land Holdings Ltd	300	284
Amount receivable - Forestry Finance Ltd	463,246	19,755
Amount receivable - EFF Timber Pty Ltd	2,888	-
<b>Total</b>	<b>3,062,601</b>	<b>820,107</b>

	Economic Entity	
	30 June 2007 \$	30 June 2006 \$
<b>5. Other Financial Assets</b>		
<i>Current</i>		
Grower maintenance	419,543	537,576
Less: Provision for doubtful debts	(30,000)	(30,000)
Seedlings	94,160	177,700
Trade debtors	15,275	16,681
Refundable deposit	2,158	2,008
Prepayment & deposit	20,925	-
Prepaid rent	10,165	-
Prepaid insurance	103,492	212,183
Prepaid Heritage insurance	8,750	8,750
ABN Withholding	103	103
<b>Total Other Financial Assets</b>	<b>644,570</b>	<b>865,000</b>
<b>6. Property, Plant and Equipment</b>		
Plant and equipment - at cost	211,313	190,752
Less: Accumulated depreciation	(165,057)	(149,070)
<b>Total</b>	<b>46,256</b>	<b>41,682</b>
Buildings - at cost	75,003	75,003
Less: Accumulated depreciation	(69,044)	(68,328)
<b>Total</b>	<b>5,959</b>	<b>6,675</b>
Irrigation systems - at cost	1,561,381	1,269,303
Less: Accumulated depreciation	(1,135,650)	(1,012,472)
<b>Total</b>	<b>425,731</b>	<b>256,830</b>
Leasehold improvements - at cost	57,300	57,300
Less: Accumulated depreciation	(40,417)	(33,546)
<b>Total</b>	<b>16,833</b>	<b>23,754</b>
Lease assets - at cost	1,018,537	895,597
Less: Accumulated amortisation	(383,659)	(207,219)
<b>Total</b>	<b>634,878</b>	<b>688,378</b>
<b>Total plant, property and equipment</b>	<b>1,129,708</b>	<b>1,017,320</b>
<b>Movements in plant, property and equipment</b>		
<i>Plant and equipment</i>		
At cost		
Opening Balance	189,234	189,234
Additions	14,747	-
Disposals	-	-
<b>Closing balance</b>	<b>203,981</b>	<b>189,234</b>
Accumuated depreciation		
Opening balance	147,553	133,605
Depreciation	10,172	13,948
Less: Accumulated depreciation on disposal	-	-
<b>Closing balance</b>	<b>157,725</b>	<b>147,553</b>

	Economic Entity	
	30 June 2007 \$	30 June 2006 \$
<i>Property</i>		
At cost		
Opening balance	-	-
Additions	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>
Accumulated depreciation		
Opening balance	-	-
Depreciation	12,286	12,286
Less: Accumulated depreciation on disposal	(12,286)	(12,286)
<b>Closing balance</b>	<b>-</b>	<b>-</b>
<i>Buildings</i>		
At cost		
Opening balance	75,003	75,003
Additions	-	-
Disposals	-	-
<b>Closing balance</b>	<b>75,003</b>	<b>75,003</b>
Accumulated depreciation		
Opening balance	68,328	62,469
Depreciation	716	5,859
<b>Closing balance</b>	<b>69,044</b>	<b>68,328</b>
<i>Irrigation systems</i>		
At cost		
Opening balance	1,229,422	1,229,422
Additions	292,078	-
Disposals	-	-
<b>Closing balance</b>	<b>1,521,500</b>	<b>1,229,422</b>
Accumulated depreciation		
Opening balance	972,591	861,750
Depreciation	123,178	110,841
Less: Accumulated depreciation on disposal	-	-
<b>Closing balance</b>	<b>1,095,769</b>	<b>972,591</b>
<i>Leasehold improvements</i>		
At Cost		
Opening balance	57,300	57,300
Additions	-	-
Disposals	-	-
<b>Closing balance</b>	<b>57,300</b>	<b>57,300</b>
Accumulated depreciation		
Opening balance	33,547	27,621
Depreciation	6,870	5,926
<b>Closing balance</b>	<b>40,417</b>	<b>33,547</b>
<i>Lease assets</i>		
At cost		
Opening balance	896,093	232,267
Additions	122,444	663,826
Disposals	-	-
<b>Closing balance</b>	<b>1,018,537</b>	<b>896,093</b>

	Economic Entity	
	30 June 2007 \$	30 June 2006 \$
Accumulated depreciation		
Opening balance	207,219	142,746
Depreciation	176,440	64,473
<b>Closing balance</b>	<b>383,659</b>	<b>33,547</b>
<b>7. Deferred Tax Assets</b>		
FITB	684,051	453,893
<b>Total</b>	<b>684,051</b>	<b>453,893</b>
<b>8. Trade and Other Payables</b>		
<i>Current</i>		
Sundry Creditors and accrued expenses	90,110	64,193
Trade creditors	843,257	90,336
Heritage payables	12,072	12,072
<b>Total</b>	<b>945,439</b>	<b>166,631</b>
<b>9. Unearned Income</b>		
Management Fees	1,428,718	1,129,000
Lease Fees	21,354	278,191
Woodlot Planting Fees	741,000	16,683
<b>Total</b>	<b>2,191,072</b>	<b>1,424,054</b>
<b>10. Interest Bearing Liabilities</b>		
<i>Current</i>		
Short term borrowings	-	47,015
<b>Total</b>	<b>-</b>	<b>47,015</b>
<i>Non-current</i>		
Lease liability	702,302	663,443
<b>Total</b>	<b>702,302</b>	<b>663,443</b>
<b>Total Liabilities</b>	<b>702,302</b>	<b>710,458</b>
<b>11. Income Tax</b>		
<i>Current</i>		
GST/PAYG	263,795	250,056
Provision fro Income Tax	354,420	-
<b>Total</b>	<b>618,215</b>	<b>250,056</b>
<b>12. Deferred Tax Liabilities</b>		
<i>Non-current</i>		
Provision for deferred income tax	7,965	59,585
<b>Total</b>	<b>7,965</b>	<b>59,585</b>
<b>13. Provisions</b>		
<i>Current</i>		
Employee Entitlements	43,865	43,691
<b>Total</b>	<b>43,865</b>	<b>43,691</b>

#### 14. Events Subsequent to Balance Date

Since the end of the financial year, the following events have occurred. The financial effect of these events is not reflected in the accounts:

- The Company lodged an ATO Product Ruling Application for the next Kiri Park Project. Upon issuance of the Product Ruling, the documentation will be finalised and a new Product Disclosure Statement will be issued.
- At the date of this report the Company issued and allotted 15 Woodlots since 1 July 2007.
- The Company has prepared the Woodlots for planting under the Kiri Park Projects: 2007 Growers as and when they were sold.
- The Company, in conjunction with its Parent Company E.F.F. Limited, completed harvesting of Paulownia timber from the Nowergup Plantation. Approximately 500 cubic meters has been removed from the plantation in total since harvesting began approximately 2 years ago are in the process of being milled and prepared for use as furniture, blind slats, veneers and decorative mouldings.

	Economic Entity	
	30 June 2007 \$	30 June 2006 \$
<b>15 Accumulated Profits/ (Accumulated Losses)</b>		
Retained Profits at the Beginning of Financial Year	1,849,203	1,447,660
Prior Year Adjustment to Retained Earning	15,470	-
Net profit/(loss) attributed to Members	169,500	401,543
<b>Retained Profits at the End of Financial Year</b>	<b>2,003,233</b>	<b>1,849,203</b>
<b>16. Contributed Equity</b>		
<i>Paid up Capital</i>		
50,000 ordinary shares at \$1.00 each	50,000	50,000
250,000 ordinary shares at \$1.00 each	250,000	250,000
<b>Total</b>	<b>300,000</b>	<b>300,000</b>

No further shares have been issued

Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

#### 16 Directors Remuneration

a. Directors names

The names of the Directors in office at the date of this report are:

- Syd Chesson
- Victor Turco
- Geoffrey Coad

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

b. Directors' Remuneration

2007	Salary & Fees Superannuation		Equity	Other	Total
	\$	\$	\$	\$	\$
Mr. S Chesson	-	-	-	-	-
Mr. V Turco	-	-	-	-	-
Mr. G Coad	-	-	-	-	-
2006	Salary & Fees Superannuation		Equity	Other	Total
	\$	\$	\$	\$	\$
Mr. S Chesson	-	-	-	-	-
Mr. V Turco	-	-	-	-	-
Mr. G Coad	-	-	-	-	-

	Economic Entity	
	30 June 2007 \$	30 June 2006 \$
<b>17. Related Party Transactions</b>		
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>(i) Ultimate Parent Entity</i>		
Amount receivable from Parent Entity - EFF Limited	2,596,167	800,068
Management Fee charged by Parent Entity - EFF Limited	-	120,000
<i>(ii) Associated Company (PLH)</i>		
Lease fees for Grower woodlots paid to PLH		
Management fee received from PLH for a 5% reduction in the harvest fee	300,000	300,000
Lease fees for Growers Woodlots from EFFM	-	125,992
Amount receivable to PLH	463,246	19,755
<i>(iii) Associated Company (FFL)</i>		
Amount receivable to FFL	300	-
<i>(iv) Associated Company (EFF Timber)</i>		
	2,888	-
<i>(v) Director Related Entities:</i>		
Office rental paid to AustAsia Real Estate, a company related to Syd Chesson	-	22,000
Accounting services paid to AustAsia Accounting Services a firm related to Syd Chesson	-	6,900
Settlement Fees Paid to Master Settlements a firm related to Syd Chesson	-	1,000

#### Identification of Related Parties

##### *Ultimate Parent Entity*

The entity is ultimately controlled by EFF Limited

##### *(iv) Directors Interests*

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

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

- Jade Glen Pty Ltd, a related entity of Syd Chesson, has a 10 year lease & management agreement for 1 woodlot in the Kiri Park Projects: 2004 Growers.
- Syd Chesson has a 10 year lease and management agreement for 5 woodlots in the Kiri Park Projects: 2006 Growers.
- The First Knight Pty Ltd, an entity related to Mr Syd Chesson has a 10 year lease and management agreement

for 15 woodlots in the Kiri Park Projects: 2006 Growers and for 8 Woodlots in the Kiri Park Projects: 2007 Growers

- Callao Pty Ltd, an entity related to Mr Syd Chesson has a 10 year lease and management agreement for 5 woodlots in the Kiri Park Projects: 2006 Growers
- Jet Black Pty Ltd, an entity related to Mr Victor Turco has a 10 year lease and management agreement for 4 woodlots in the Kiri Park Projects: 2005 Growers
- Geoffrey Coad, has a 10 year lease & management agreement for 2 Woodlots in the Kiri Park Projects: 2004 Growers and a 10 year lease and management agreement for 14 Woodlots in the Kiri Park Projects: 2006 Growers.

## **18. Financial Instruments**

The financial instruments of the Company are those which are classified as assets & liabilities.

### *Credit Risk*

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements. The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

### *Net Fair Values*

The net fair value of assets and liabilities approximates their carry value. No financial assets and financial liabilities are readily traded on organised markets in a standardised form other than listed investments. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

### *Interest Rate Risk*

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument will fluctuate as a result of changes in market interest rates and the effective weighted coverage interest rate on those financial assets as follows:

19. Financial Instruments

	Weighted Average Interest Rate		Floating Interest Rate		Fixed Interest Rate		Non Interest Bearing		Total	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006
<b>Financial Assets</b>										
Cash and Stock	2.00%	2.00%	291,161	647,357	-	-	-	-	291,161	647,357
Receivable	8.00%	8.00%	-	-	644,570	865,000	3,062,601	820,107	3,707,171	1,685,107
<b>Total Financial Assets</b>	-	-	<b>291,161</b>	<b>647,357</b>	<b>644,570</b>	<b>865,000</b>	<b>3,062,601</b>	<b>820,107</b>	<b>3,998,332</b>	<b>2,332,464</b>
<b>Financial Liabilities</b>										
Account Payable	-	-	-	-	-	-	945,439	166,631	945,439	166,631
Unearned Income	-	-	-	-	-	-	2,191,072	1,424,054	2,191,072	1,424,054
Interest Bearing Liabilities	23.00%	23.00%	-	-	702,302	710,458	-	-	702,302	710,458
Taxation	-	-	-	-	-	-	618,215	250,056	618,215	250,056
<b>Total Financial Liabilities</b>	-	-	-	-	<b>702,302</b>	<b>710,458</b>	<b>3,754,727</b>	<b>1,840,741</b>	<b>4,457,029</b>	<b>2,551,199</b>
<b>Net Financial Assets</b>	-	-	<b>291,161</b>	<b>647,357</b>	<b>(57,732)</b>	<b>154,542</b>	<b>(692,126)</b>	<b>(1,020,634)</b>	<b>(458,697)</b>	<b>(218,734)</b>

	30 June 2007	30 June 2006
<b>Reconciliation of Net Financial Assets to Net Assets</b>		
Net Financial Assets as above	104,276	(218,734)
Plus No Financial Assets		
Fixed Asset	1,129,708	555,037
Paulownia Trees	684,051	430,914
Intangibles	1,000,000	1,000,000
Tax Assets	(43,865)	(13,375)
Tax Liabilities	(7,965)	(71,192)
<b>Net Assets as per Balance Sheet</b>	<b>2,657,653</b>	<b>1,682,650</b>

	Economic Entity	
	30 June 2007 \$	30 June 2006 \$
<b>20. Reconciliation of Cash</b>		
Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash at bank	291,161	647,357
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	169,500	401,545
Non Cash Flows om Operating Profit/(Loss)		
Depreciation	137,667	162,359
Amortisation	172,067	38,688
<b>Changes in Assets and Liabilities</b>		
(Increase)/decrease in receivables	(2,022,064)	(171,216)
Increase/(decrease) in accounts payable	1,545,826	(202,398)
Decrease/(Increase) in FITB	(230,157)	(22,980)
Increase/(decrease) in provision for income tax	368,159	107,215
Increase/(decrease) in PDIT	(51,620)	(11,607)
Increase/(Decrease) in Provision	174	30,316
Movement in Intercompany balance	-	-
<b>Net Cash Provided by Operating Activities</b>	<b>89,552</b>	<b>331,922</b>
<b>21. Leasing Commitments</b>		
Lease payment due within 1 year	90,487	90,487
Greater than 1 year less than 5 years	89,223	139,356
Later than 5 years	89,745	130,099
Minimum lease payments	269,455	359,942

## 22. Changes in Accounting Standards

There have been no changes in the accounting standards.

## 23. Contingent Liabilities

There are no Contingent Liabilities.

## 24. Dividends

No Dividends have been declared or paid.

## 25. Company Details

The Company was incorporated in Australia on the 11th of September 1996 and is domiciled in Australia.

### The ultimate parent entity is:

E.F.F. Limited  
Level 1, AustAsia House  
412 – 414 Newcastle Street  
West Perth, Western Australia, 6005

### The principal place of business is:

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

## Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 15 to 28, are in accordance with the Corporations Act 2001, and:
  - a. comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. give a true and fair view of the company's financial position as at 30 June 2007, and of the performance for the year ended on that date of the company and consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporation Act 2001;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration is made in accordance with a resolution of the Boards of Directors.



Sydney J Chesson  
Director  
Perth, 28th September 2007

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# CARLTON & PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS

ABN 28 251 922 867

9-11 DRAKE STREET OSBORNE PARK WA 6017

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENVIRONMENTAL FOREST FARMS MANAGEMENT LIMITED

### Report on the financial report

We have audited the accompanying financial report of Environmental Forest Farms Management Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Environmental Forest Farms Management Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

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# CARLTON & PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS

ABN 28 251 922 867

9-11 DRAKE STREET OSBORNE PARK WA 6017

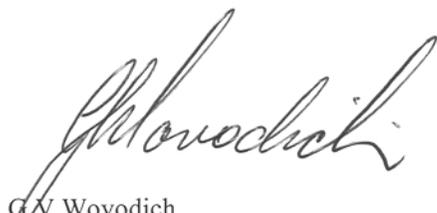
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*Auditor's Opinion*

In our opinion:

- a) The financial report of Environmental Forest Farms Management Limited is in accordance with the Corporations Act 2001, including:
  - i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 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 ..... 28 ..... day of SEPTEMBER ..... 2007 at Perth Western Australia

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