



ENVIRONMENTAL FOREST FARMS MANAGEMENT LIMITED ACN 087 201 670

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010



Corporate information

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Directors

Sydney Chesson (Chairman)
Geoffrey Coad (Director)
Stephen Campbell (Director)

Company Secretary

Simon Chesson

Members of the Consolidated Group

EFF Limited
ACN 077 014 594

Environmental Forest Farms Management Limited
ACN 087 201 670

EFF Timber Pty Ltd
ACN 082 882 960

Powton Land Holdings Limited
ACN 087 201 652

A&N Enterprises Pty Ltd
ACN 113 434 512

Forestry Finance Limited
ACN 108 513 239

Auditor

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

Shareholder Information

Shareholder Enquiries

Shareholders with queries about their shareholding should contact the Company.

Change of Address

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

Electing 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 role of EFFM within the Group is to establish, grow, maintain and manage the Group's Paulownia plantation interests. This also involves managing the plantations for and on behalf of Growers in the Kiri Park Projects.

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

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

- Kiri Park Project
(ARSN: 091 158 897)
- Kiri Park Project No. 2
(ARSN: 096 225 400)
- Kiri Park Projects (ARSN: 107 747 348)
 - 2004 Growers
 - 2005 Growers
 - 2006 Growers
 - 2007 Growers
 - 2008 Growers
 - 2009 Growers
- Kiri Timber Trust
(ARSN: 107 747 348)

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.

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 2010.

Directors

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

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

Principal Activities & Significant Changes in Nature of Activities

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

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

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

Operating Results

The net profit after providing for income tax amounted to \$32,742 (2009: profit \$25,229).

The Net Asset position of the Company has increased by approximately 1.0% during the year to \$3,294,392.

Due to the nature of the business, income is received in advance. As such, the unearned income of approximately \$1,889,054 represents the billing for the 2011 financial year which were invoiced in early April 2010 in accordance with the Lease and Management Agreements.

Dividends

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

Financial Position

The net assets of the company increased by \$32,742 from 30 June 2009 to \$3,294,392 in 2010. This was largely due to a decreased in interest bearing liabilities.

Review of Operations

During the year ended 30 June 2010 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, and the Kiri Timber Trust.

The Existing Kiri Park Projects

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

- Upgrade of Irrigation
Irrigation contractors completed work which upgrades the irrigation capacity of Kiri Park and allows for the planting of new seedlings.

- 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 generally shown good growth rates this year. Over the growing season the diameters of over 1,150 trees at Kiri Park are measured on a monthly basis and at the end the growing season a volume analysis was conducted. Heights of the trees are also measured on a regular basis. Each years plantings is separately assessed for performance.

Heritage Paulownia Forests Project No. 1

Some of the occurrences during the year for the Heritage Paulownia Forests Project No.1 include:

- The Scheme was deregistered with ASIC on 8 November 2009.

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.

MIS Timber Scheme Competitors

Due to the Global Economic Crisis and the re-call of financing by banks during the year, the company saw the collapse of two significant participants in the MIS timber industry.

There were two major advantages that have been central in our MIS schemes:

- Annual Lease and Management Fees provides funds each year for the maintenance of the plantation rather than relying upon new investments each year for plantation maintenance.

- There is low reliance by the company on financing from the banks. Currently the company only has finance for A&N Enterprises for which has a loan to value ratio of less than 50%. We have not relied heavily on funding from the banks.

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

There have been no significant changes in the state of the Company's affairs occurred during the financial year.

Significant Events After Reporting Date

Since the end of the financial year, there have been no significant events have occurred for the Company.

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

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

Stephen Mark Campbell Dip All, Dip FS
Director - Appointed 26 March 2010

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

Mr Campbell is a Qualified Practicing Insurance Broker (QPIB) and a Managing Director of Camneldo Pty Ltd trading as Centro Insurance &

Risk Managers. A company that he was involved in establishing in 1987.

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

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

Victor Turco B.Bus, C.PA

Non-Executive Director - Resigned 26 March 2010

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

Mr Turco resigned as Director on 26 March 2010.

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

Directors' Remuneration

Disclosure relating to Directors' and Executive Officers' remuneration has been included in Note 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
Geoffrey Coad	Nil	12,752	12,752
Stephen Campbell	Nil	Nil	Nil
Victor Turco	Nil	4,231	4,231
Total	Nil	115,701	115,701

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 2010 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 30th day of September 2010

CARLTON & PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS

ABN 28 251 922 867

9-11 DRAKE STREET OSBORNE PARK WA 6017

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

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

Carlton & Partners



G.V Wovodich
Registered Company Auditor

Dated this 30th day of September 2010 at Perth Western Australia

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Environmental Forest Farms Management Limited

ACN 087 201 670

Statement of Comprehensive Income

for the Period 1 July 2009 to 30 June 2010

Notes	The Company		
	30 June 2010 \$	30 June 2009 \$	
Revenue from ordinary activities			
Revenue Income	2	1,665,998	2,242,810
Expenses			
Administration Expenses	2 (a)	(1,568,135)	(2,138,587)
Borrowing Costs and interest expenses	2 (b)	(51,088)	(78,574)
Plantation Management		-	(420)
Total Expenses Incurred		(1,619,223)	(2,217,581)
Profit/(Loss) from Ordinary Activities before Income Tax		46,775	25,229
Income Tax (Expense)/Benefit	3	(14,032)	-
Profit/(Loss) from Ordinary Activities after Income Tax Attributable to Members		32,742	25,229

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

Environmental Forest Farms Management Limited

ACN 087 201 670

Statement of Financial Position

as at 30 June 2010

Notes	Economic Entity	
	30 June 2010 \$	30 June 2009 \$
Current Assets		
Cash and cash equivalents	392,635	389,118
Trade and other receivables	4a 1,326,779	786,945
Other financial assets	5 88,087	82,011
Total Current Assets	1,807,502	1,258,074
Non-current Assets		
Other receivables	4b 2,073,912	2,443,345
Property, plant and equipment	6 539,574	733,206
Deferred tax assets	7 504,540	453,893
Other financial assets	1,000,000	1,000,000
Total Non-current Assets	4,118,025	4,630,444
Total Assets	5,925,526	5,888,518
Current Liabilities		
Trade creditors and other payables	8 158,073	191,242
Unearned income	9 1,889,054	1,717,268
Interest bearing liabilities	10 125,555	-
Tax liabilities	11 364,806	295,304
Provisions	12 10,411	13,375
Total Current Liabilities	2,547,899	2,217,190
Non-current Liabilities		
Interest bearing Liabilities	10 49,794	350,094
Deferred tax liabilities	13 33,441	59,585
Total Non-current Liabilities	83,236	409,679
Total Liabilities	2,631,134	2,626,869
Net Assets	3,294,392	3,261,650
Equity		
Accumulated Profits	15 2,294,392	2,261,650
Contributed Equity	16 1,000,000	1,000,000
Total Equity	3,294,392	3,261,650

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

Environmental Forest Farms Management Limited

ACN 087 201 670

Statements of Recognised Income & Expense

as at 30 June 2010

Notes	Economic Entity	
	30 June 2010 \$	30 June 2009 \$
Income & expense recognised directly in equity	-	-
Profit/(Loss) for the Year	32,742	25,229
Total recognised income & expenses for the year	32,742	25,229
Attributable to:		
Equity holders of company	32,742	25,229
Total recognised income & expenses for the year	32,742	25,229

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

Environmental Forest Farms Management Limited

ACN 087 201 670

Statement of Cash Flow

for the Period 1 July 2009 to 30 June 2010

	Notes	Economic Entity	
		30 June 2010 \$	30 June 2009 \$
Cash flows from operating activities			
Cash receipts from customers		1,093,507	2,089,340
Cash payments to suppliers and employees		(1,253,709)	(1,925,800)
Net Taxes (paid)/received		6,744	113,730
Interest received		26,580	42,353
Interest and cost of finance paid		(51,088)	(78,574)
Net cash flows used in operating activities	20	(177,965)	241,048
Cash flows from investing activities			
Payment for property plant and equipment		(13,206)	(114,550)
Net cash flows used in investing activities		(13,206)	(114,550)
Cash flows from financing activities			
Proceeds from borrowings		(174,744)	(180,349)
Proceeds from loan/(loan made)		369,433	-
Net cash flows used in financing activities		194,689	(180,349)
Net increase/(decrease) in cash held		3,518	(53,850)
Cash at the beginning of financial year		389,118	442,968
Cash at the end of financial year		392,635	389,118

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

Notes to the financial statements

For the Period 1 July 2009 to 30 June 2010

I. Statement of Significant Accounting Policies

Basis of preparation

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

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

The financial report covers Environmental Forest Farms Management Limited as an economic entity. Environmental Forest Farms Management Limited is an unlisted public company, incorporated and domiciled in Australia. Its registered office is located at Level 1 AustAsia House, 412-414 Newcastle Street, West Perth WA 6005.

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

Accounting Policies

(a) Reporting Basis and Conventions

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

(b) Income Tax

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

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

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

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

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

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

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

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

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

(c) Investments

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

(d) Interest and Dividends

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

(e) Property, Plant and Equipment

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

Property

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

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

Plant and Equipment

Plant and equipment are measured on the cost basis.

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

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

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

Depreciation

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

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

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

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

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

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

(f) Leases

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

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

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

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

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

(g) Cash and Cash Equivalents

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

(h) Financial Instruments

Financial instruments are measured initially at cost on trade 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 AASBI 39: Recognition and Measurement of Financial Instruments. Derivatives are also categorized as held for trading unless they are designated as hedges. Realised and unrealized gains and losses arising from changes in fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

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

Held to maturity investments

These investments are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Available for sale financial assets

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

Financial liabilities

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

(i) Impairment

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets

to determine whether 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 recognises 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) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate

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

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of

significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

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

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

(m) Borrowing Costs

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

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

(n) Payables

The management agreement states that the manager is not to be remunerated until the fees are received by the Scheme. As a result, a corresponding payable is not recognised in note 8 to the financial statements.

(o) Goods and Services Tax

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

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

(p) Comparative Figures

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

(q) Receivables

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

(r) Provisions

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

(s) Employee Benefits

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

	Economic Entity	
	30 June 2010 \$	30 June 2009 \$
2 Revenue Income		
Harvest Income	20,641	46,706
Woodlot Project Fees	1,575,213	2,062,025
Interest Received	26,580	42,353
Other Revenue	43,564	91,726
Total	1,665,998	2,242,810
a. Administration Expenses		
Auditors - Remuneration	26,455	25,673
Depreciation of non-current assets	119,694	140,079
Amortisation of leased assets	87,145	116,906
Payroll expenses	393,866	371,900
Plantation Maintenance	91,123	243,141
Equipment operating cost	178,203	331,169
Marketing Expense	240,777	241,716
Write Off of Doubtful Debts	-	240,446
Other Expenses	430,872	427,556
Total	1,568,135	2,138,587
b. Borrowing Costs and Interest Expense		
Interest	51,088	78,574
Total	51,088	78,574
3. Income Tax Expense		
The prima facie income tax payable on operating profit/(loss) is reconciled to the income tax provided as follows:		
Prima facie income tax payable on operating profit/(loss) at 30%	14,032	7,569
Recognition of timing differences not previously recognised		
Income tax liability transferred to head entities*	-	(7,569)
Income Tax Expense/(Benefit)	14,032	-
Represented as movements in:		
Future Income Tax Benefits	-	-
Provision for Deferred Income Tax Liabilities	-	-
Total	-	-

*Note: The company is a subsidiary of a consolidated group. As such the taxable income has been transferred to the EFF parent company as it is the head entity. The resultant taxation expense for the year is nil.

	Economic Entity	
	30 June 2010 \$	30 June 2009 \$
4a. Trade and Other Receivables		
<i>Current</i>		
Growers Maintenance	1,584,115	1,044,280
Amount receivable - Powton Land Holdings Ltd	(270,446)	(270,446)
Amount receivable - Forestry Finance Ltd	13,111	13,111
Total	1,326,779	786,945
4b. Trade and Other Receivables		
<i>Non Current</i>		
Amount receivable - EFF Ltd	1,711,897	1,949,353
Amount receivable - Powton Land Holdings Ltd	(7,704)	(17,236)
Amount receivable - Forestry Finance Ltd	298,398	504,246
Amount receivable - EFF Timber Pty Ltd	71,321	6,983
Total	2,073,912	2,443,345
5. Other Financial Assets		
<i>Current</i>		
Prepayment & deposit	1,860	20,925
Loan - Jillalec	18,000	-
Prepaid insurance	68,124	60,984
ABN Withholding	103	103
Total Other Financial Assets	88,087	82,011
6. Property, Plant and Equipment		
Plant and equipment - at cost	223,196	218,543
Less: Accumulated depreciation	(202,871)	(192,400)
Total	20,325	26,143
Buildings - at cost	77,818	77,818
Leasehold improvements - at cost	57,300	57,300
Less: Accumulated depreciation	(122,343)	(118,321)
Total	12,776	16,797
Irrigation systems - at cost	1,753,419	1,730,129
Less: Accumulated depreciation	(1,507,161)	(1401,959)
Total	246,258	328,170
Lease assets - at cost	985,692	1,018,537
Less: Accumulated amortisation	(725,478)	(656,442)
Total	260,215	362,096
Total plant, property and equipment	539,574	733,206

	Economic Entity	
	30 June 2010 \$	30 June 2009 \$
6. Movements in plant, property and equipment		
<i>Plant and equipment</i>		
At cost		
Opening Balance	218,543	218,543
Additions	4,653	-
Disposals	-	-
Closing balance	223,196	218,543
Accumulated depreciation		
Opening balance	192,400	165,057
Depreciation	10,471	27,342
Less: Accumulated depreciation on disposal	-	-
Closing balance	202,871	192,400
<i>Building & Leasehold Improvements</i>		
At cost		
Opening balance	135,118	132,303
Additions	-	2,815
Disposals	-	-
Closing balance	135,118	135,118
Accumulated depreciation		
Opening balance	118,321	114,598
Depreciation	4,021	3,723
Closing balance	122,343	118,321
<i>Irrigation systems</i>		
At cost		
Opening balance	1,730,129	1,618,394
Additions	23,290	111,735
Disposals	-	-
Closing balance	1,753,419	1,730,129
Accumulated depreciation		
Opening balance	1,401,959	1,277,943
Depreciation	105,202	124,016
Less: Accumulated depreciation on disposal	-	-
Closing balance	1,507,161	1,401,959
<i>Lease assets</i>		
At cost		
Opening balance	1,018,537	1,018,537
Additions	-	-
Disposals	(32,845)	-
Closing balance	985,692	1,018,537
Accumulated depreciation		
Opening balance	656,442	554,538
Depreciation	87,145	101,904
Disposals	(18,109)	-
Closing balance	725,478	656,442

	Economic Entity	
	30 June 2010 \$	30 June 2009 \$
7. Deferred Tax Assets		
FITB	504,540	453,893
Total	504,540	453,893
8. Trade Creditors and Other Payables		
<i>Current</i>		
Sundry Creditors and accrued expenses	57,610	106,234
Trade creditors	99,891	84,436
Heritage payables	572	572
Total	158,073	191,242
9. Unearned Income		
Management Fees	1,889,054	1,687,274
Lease Fees	-	1,980
Woodlot Planting Fees	-	28,014
Total	1,889,054	1,717,268
10. Interest Bearing Liabilities		
<i>Current</i>		
Lease Liability	125,555	-
Total	125,555	-
<i>Non-current</i>		
Lease liability	49,794	350,094
Total	49,794	350,094
Total Liabilities	175,350	350,094
11. Income Tax		
<i>Current</i>		
GST/PAYG	201,340	222,661
Provision for Income Tax	163,465	72,643
Total	364,806	295,304
12. Provisions		
<i>Current</i>		
Employee Entitlements	10,411	13,375
Total	10,411	13,375
13. Deferred Tax Liabilities		
<i>Non-current</i>		
Provision for deferred income tax	33,441	59,585
Total	33,441	59,585

14. Events Subsequent to Balance Date

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

	Economic Entity	
	30 June 2010 \$	30 June 2009 \$
15 Accumulated Profits/ (Accumulated Losses)		
Retained Profits at the Beginning of Financial Year	2,261,650	2,236,421
Net profit/(loss) attributed to Members	32,742	25,229
Retained Profits at the End of Financial Year	2,294,392	2,261,650
16. Contributed Equity		
<i>Paid up Capital</i>		
1,000,000 ordinary shares at \$1.00 each	1,000,000	1,000,000
Total	1,000,000	1,000,000

No further shares have been issued.

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

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

17 Directors Remuneration

a. Directors names

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

- Syd Chesson
- Geoffrey Coad
- Stephen Campbell

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

b. Directors' Remuneration

2010	Salary & Fees Superannuation		Equity	Other	Total
	\$	\$			
Mr: S Chesson	-	-	-	-	-
Mr: G Coad	-	-	-	-	-
Mr: S Campbell	-	-	-	-	-
Mr: V Turco	-	-	-	-	-
2009	\$	\$	\$	\$	\$
Mr: S Chesson	-	-	-	-	-
Mr: G Coad	-	-	-	-	-
Mr: S Campbell	-	-	-	-	-
Mr: V Turco	-	-	-	-	-

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

Economic Entity

	30 June 2010 \$	30 June 2009 \$
18. Related Party Transactions		
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Transaction with related parties during the financial year are as follows:		
<i>i) Director Related Entities:</i>		
Accounting services paid to AustAsia		
Accounting Services a firm related to Syd Chesson	4,800	1,300
Legal Fees paid to AustAsia Legal Pty Ltd a firm related to Syd Chesson	16,342	300
Registered Office Fee paid to AustAsia Group Pty Ltd a firm related to Syd Chesson	150	-
Insurance Premium paid to Centro Insurance & Risk Managers, a firm related to Stephen Campbell	121,457	169,248
Interest on finance for Insurance Premiums paid to Western Premiun Funding, a firm related to Stephen Campbell	5,529	12,015
(ii) Amount owing to Related Entities		
Accounting services paid to AustAsia		
Accounting Services a firm related to Syd Chesson	5,280	-

(iii) Directors Interests

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

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

- Syd Chesson and related entities have a 10 year lease and management agreement in the following projects:
 - 1 woodlot in the Kiri Park Projects: 2004 Growers at a cost of \$9,746.00 and annual management fees
 - 1 woodlot in the Kiri Park Projects: 2005 Growers at a cost of \$10,038.00 and annual management fees
 - 25 woodlots in the Kiri Park Projects: 2006 Growers at a cost of \$155,075.00 and annual management fees
 - 8 woodlot in the Kiri Park Projects: 2007 Growers at a cost of \$51,120.00 and annual management fees
 - 10 woodlot in the Kiri Park Projects: 2008 Growers at a cost of \$66,000.00 and annual management fees
- Geoffrey Coad has a 10 year lease and management agreement in the following projects:
 - 2 woodlots in the Kiri Park Projects: 2004 Growers at a cost of \$19,492.00 and annual management fees
 - 14 woodlots in the Kiri Park Projects: 2006 Growers at a cost of \$86,842.00 and annual management fees
- Stephen Campbell and related entities have a 10 year lease and management agreement for 30 woodlots in the Kiri Park Projects: 2006 Growers at a cost of \$186,090.00 and annual management fees
- Victor Turco and related entities have a 10 year lease and management agreement for 4 woodlots in the Kiri Park Projects: 2005 Growers at a cost of \$24,812 and annual management fees
 - 1 woodlot in the Kiri Park Projects: 2005 Growers at a cost of \$10,038.00 and annual management fees

(iv) Key Personnel Interests

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

- Simon Chesson, the Company Secretary of the EFFM, and related entities have a 10 year lease and management agreement in the following projects:
 - 1 woodlot in the Kiri Park Projects: 2004 Growers at a cost of \$9,746.00 and annual management fees
 - 6 woodlots in the Kiri Park Projects: 2005 Growers at a cost of \$41,053.00 and annual management fees
 - 10 woodlots in the Kiri Park Projects: 2006 Growers at a cost of \$62,030.00 and annual management fees
 - 4 woodlots in the Kiri Park Projects: 2007 Growers at a cost of \$25,560.00 and annual management fees
 - 5 woodlots in the Kiri Park Projects: 2008 Growers at a cost of \$30,000.00 and annual management fees
- Bruce Jamieson, the Operations Manager at Kiri Park, has a 10 year lease and management agreement in the following projects:
 - 1 woodlot in the Kiri Park Project at a cost of \$8,635.00 and annual management fees
 - 1 woodlot in the Kiri Park Project No.2 at a cost of \$8,663.60 and annual management fees

19. Financial Instruments

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

Credit Risk

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

Net Fair Values

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

Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument will fluctuate as a result of changes in market interest rates and the effective weighted average 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 2010	30 June 2009	30 June 2010	30 June 2009	30 June 2010	30 June 2009	30 June 2010	30 June 2009	30 June 2010	30 June 2009
Financial Assets										
Cash and Stock	2.00%	2.00%	392,635	389,118	-	-	-	-	392,635	389,118
Receivable	8.00%	8.00%	-	-	1,414,866	868,956	2,073,912	2,443,345	3,488,778	3,312,301
Total Financial Assets	-	-	392,635	389,118	1,414,866	868,956	2,073,912	2,443,345	3,881,413	3,701,419
Financial Liabilities										
Account Payable	-	-	-	-	-	-	158,073	191,242	158,073	191,242
Unearned Income	-	-	-	-	-	-	1,889,054	1,717,268	1,889,054	1,717,268
Interest Bearing Liabilities	23.00%	23.00%	-	-	175,350	350,094	-	-	175,350	350,094
Taxation	-	-	-	-	-	-	364,806	295,304	364,806	295,304
Total Financial Liabilities	-	-	-	-	175,350	350,094	2,411,932	2,203,815	2,587,282	2,553,909
Net Financial Assets	-	-	392,635	389,118	1,239,517	518,862	(338,021)	239,530	1,294,131	1,147,510

Reconciliation of Net Financial Assets to Net Assets

	30 June 2010	30 June 2009
Net Financial Assets as above	1,294,131	1,147,510
Plus Non Financial Assets		
Fixed Asset	539,574	733,206
Paulownia Trees	504,540	453,893
Intangibles	1,000,000	1,000,000
Tax Assets	(10,411)	(13,375)
Tax Liabilities	(33,441)	(59,585)
Net Assets as per Balance Sheet	3,294,392	3,261,650

	Economic Entity	
	30 June 2010 \$	30 June 2009 \$
20. Reconciliation of Cash		
Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash at bank	32,742	389,118
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	(14,032)	25,229
Non Cash Flows on Operating Profit/(Loss)		
Depreciation	206,838	256,985
Amortisation	-	-
Changes in Assets and Liabilities		
(Increase)/Decrease in receivables	(545,910)	(48,677)
Increase/(Decrease) in accounts payable	138,617	(100,985)
Increase/(Decrease) in tax liability	6,744	113,729
Increase/(Decrease) in Provision	(2,964)	(5,233)
Net Cash Provided by Operating Activities	(177,965)	241,048

21. Leasing Commitments

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

22. Contingent Liabilities

There are no Contingent Liabilities.

23. Dividends

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

24. New Standards and Interpretations Issued but not yet effective

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 9	Financial Instruments	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is a result of the first part of Phase 1 of the IASB's project to replace IAS 39	1 January 2013	No changes are expected to materially affect the company.
AASB 124	Related Party Disclosures	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition.	1 January 2011	Disclosure only

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 10 to 27, are in accordance with the Corporations Act 2001, and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the company's financial position as at 30 June 2010, and of the performance for the year ended on that date of the company and consolidated group;
2. the Company Secretary and the Directors have each declared that;
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporation Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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



Sydney J Chesson
Director
Perth, 30th day of September 2010.

CARLTON & PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS

ABN 28 251 922 867

9-11 DRAKE STREET OSBORNE PARK WA 6017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 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 2010, 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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OSBORNE PARK DC WA 6916

CARLTON & PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS

ABN 28 251 922 867

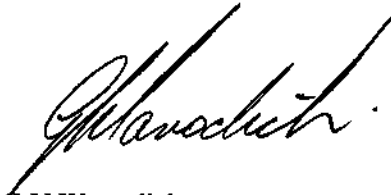
9-11 DRAKE STREET OSBORNE PARK WA 6017

Auditor's Opinion

In our opinion:

- a) The financial report of 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 2010 and of their performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b) The financial report also complies with International Financial Standards as disclosed in Note 1.

Carlton & Partners



G.V Wovodich
Registered Company Auditor

Dated this 30th day of September

2010 at Perth Western Australia

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