



# FORESTRY FINANCE LIMITED

ACN 108 513 239

ANNUAL FINANCIAL REPORT  
1 JULY 2010 - 30 JUNE 2011



## Corporate information

### Registered Office

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412 - 414 Newcastle Street  
West Perth WA 6005

PO Box 332  
Leederville WA 6903

Telephone: (08) 9227 8422  
Facsimile: (08) 9227 8455  
Email: kpadmin@kiripark.com.au  
Web: www.kiripark.com.au

### Directors

Sydney Chesson (Chairman)  
Thomas Henn (Director)  
Simon Chesson (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  
c/o 3 Alvan Street  
Mount Lawley WA 6050

## Shareholder Information

### Shareholder Enquiries

Shareholders with queries about their shareholding should contact the Company.

### Change of Address

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

### Electing to Receive an Annual Report

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

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

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# Forestry Finance Limited

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

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

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

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

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

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

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

Projects. The Group's plantation activities culminate in the management of over 200,000 trees for approximately 235 investors.

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

# Director's Report

Your Directors present their Report on the Company for the financial year ended 30 June 2011.

## 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 Thomas F. Henn (Appointed 21 January 2011)
- Mr Simon J.S. Chesson (Appointed 14 February 2011)
- Mr Geoffrey J. Coad (Resigned 5 January 2011)
- Mr Stephen M. Campbell (Resigned 13 December 2010)

## Principal Activities & Significant Changes in Nature of Activities

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

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

## Operating Results

The net profit of the Company after providing for income tax amounted to \$178 (2010: profit \$325).

## Dividends

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

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

## Review of Operations

The following sections detail the main operations of the Company during the year ended 30 June 2011.

### *Loans to Growers*

During the year ended 30 June 2011, Forestry Finance Limited did not issue any new loans to Growers.

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

The total amount loaned to Growers amounted to \$828,721 (2010: \$1,765,511)

## Significant Changes in the State of Affairs

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

## Financial Position

The net assets of the company increased by \$178 from 1,771,915 in 30 June 2010 to \$1,772,093 in 2011.

## Shareholders

The Company has two classes of Shareholders:

- Ordinary Shareholders
- Redeemable Ordinary Shareholders

The rights of each underlying type of shareholder are different.

## Significant After Balance Date Events

There have been no significant after balance date events.

## Future Developments

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

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

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

## Environmental Issues

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

## Information on Directors

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

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

### **Sydney Chesson**

M.B.A, C.REM, C.S.M, F.A.I.C.D

*Chairman*

Mr Chesson has been awarded a Master of Business Administration degree from the University of Notre Dame Australia, where he was admitted to the Vice Chancellors list for academic excellence. He is a licensed real estate agent and business broker, and a licensed finance broker. He has extensive experience in importing and exporting, production and manufacturing. He has over 30 years experience in real estate and over 40 years experience in business and commercial activities.

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

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

### **Simon Chesson (Appointed 14 February 2011)**

M.B.A (UWA), CPA, CFP, B.Comm, C.S.M, F Fin

*Director*

Mr Simon Chesson has been awarded the degrees of Master of Business of Administration, and a Bachelor of Commerce. He is a qualified Certified Practising Accountant, a qualified Certified Financial Planner, and a Fellow of the Financial Services Institute of Australasia.

Mr Simon Chesson has over 15 years experience in business, accounting, and the property industry. He has extensive experience as a Director and company secretary of numerous public and private companies.

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

### **Thomas Henn (Appointed 21 January 2011)**

GAICD, FTIA, TEP, MTax, LLB (UWA), LLB (Munich)

*Director*

Before emigrating from Germany to Australia in the mid 90s, Mr Henn practiced as a lawyer in Munich. After finishing a law degree in Australia, Mr Henn has worked for a Big 4 Accounting Firm and various law firms in Perth in tax and commercial law. He is now Head of Tax and Superannuation at HHG Legal Group.

He was Managing Director of one of the first listed Australian Law Firm.

Mr Henn has a Master of Taxation from the University of Western Australia and a Bachelor of Laws Degree. He is a Graduate Member of the Australian Institute of Company Directors and a Fellow of the Taxation Institute of Australia. He has lectured for years taxation at various Universities in Western Australia.

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

### **Geoffrey Coad (Resigned 5 January 2011)**

M.Phil, LLB, G.A.I.C.D

*Director*

### **Stephen Campbell (Resigned 13 December 2010)**

Dip All, Dip FS

*Director*

## Directors' Meetings

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

Director	No. Eligible to Attend	No. Attended
Sydney Chesson	4	4
Thomas Henn	3	3
Simon Chesson	4	4
Geoffrey Coad	1	1
Stephen Campbell	1	1

## Redeemable Ordinary Shares

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

Director	Direct Shareholding	Indirect Shareholding
Syd Chesson	Nil	396,537
Thomas Henn	Nil	3,915
Simon Chesson	Nil	399,121

## Directors' Remuneration

Disclosure relating to Directors' and Executive Officers' remuneration has been included in Note 9 of the Financial Report.

## Indemnifying Officers

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

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

## Directors' Interests

Directors' interests in contracts and related party transactions are detailed in note 10 of the Financial Report.

## Ordinary Shares

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

Director	Direct Shareholding	Indirect Shareholding
Syd Chesson	Nil	193
Thomas Henn	Nil	2
Simon Chesson	Nil	195

## Options

The Company does not have any options on issue.

## Rounding of Amounts

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

## Proceedings on Behalf of the Company

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

## Non-Audit Services

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

## Auditor's Independence Declaration

The lead auditors independence declaration for the year ended 30 June 2011 has been received and can be found on page 8 of this Report.

## Directors' Authorisation

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



Sydney J Chesson  
Chairman

Dated this 30th day of September 2011

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# CARLTON & PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS

ABN 28 251 922 867

3 ALVAN STREET MOUNT LAWLEY WA 6050

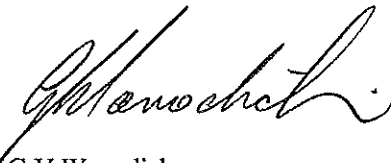
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**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001 TO THE DIRECTORS OF  
FORESTRY FINANCE LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 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 30<sup>th</sup> day of September 2011 at Perth Western Australia

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MOUNT LAWLEY WA 6050

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# Forestry Finance Limited

ACN 108 513 239

## Statement of Comprehensive Income

for the Period 1 July 2010 to 30 June 2011

		The Company	
		30 June 2011	30 June 2010
Notes		\$	\$
<hr/>			
<i>Revenue from ordinary activities</i>			
Revenue Income	2	112,423	201,094
<i>Expenses</i>			
Administration Expenses	3	112,245	200,769
<b>Total Expenses Incurred</b>		<b>112,245</b>	<b>200,769</b>
Profit/(Loss) from Ordinary Activities before Income Tax		178	325
<b>Income Tax (Expense)/Benefit</b>		<b>-</b>	<b>-</b>
<b>Profit/(Loss) from Ordinary Activities after Income Tax Attributable to Members</b>		<b>178</b>	<b>325</b>

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

# Forestry Finance Limited

ACN 108 513 239

## Statement of Financial Position

as at 30 June 2011

	Notes	Economic Entity	
		30 June 2011 \$	30 June 2010 \$
<b>Current Assets</b>			
Cash and cash equivalents	4	2,358	1,077
Interest Bearing Receivables	5a	14,747	9,063
<b>Total Current Assets</b>		<b>17,105</b>	<b>10,140</b>
<b>Non-current Assets</b>			
Trade debtors and other receivables	5b	1,984,585	1,966,136
<b>Total Non-current Assets</b>		<b>1,984,585</b>	<b>1,966,136</b>
<b>Total Assets</b>		<b>2,001,690</b>	<b>1,976,276</b>
<b>Current Liabilities</b>			
Trade creditors and other payables	6a	6,380	3,074
<b>Total Current Liabilities</b>		<b>6,380</b>	<b>3,074</b>
<b>Non Current Liabilities</b>			
Long term Borrowings	6b	223,217	201,287
<b>Total Non Current Liabilities</b>		<b>223,217</b>	<b>201,287</b>
<b>Total Liabilities</b>		<b>229,597</b>	<b>204,361</b>
<b>Net Assets</b>		<b>1,772,093</b>	<b>1,771,915</b>
<b>Equity</b>			
Contributed Equity	7	2,051,000	2,051,000
Accumulated Profits		(278,907)	(279,085)
<b>Total Equity</b>		<b>1,772,093</b>	<b>1,771,915</b>

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

# Forestry Finance Limited

ACN 108 513 239

## Statements of Recognised Income & Expense

as at 30 June 2011

	Notes	Economic Entity	
		30 June 2011 \$	30 June 2010 \$
Income & expense recognised directly in equity		-	-
Profit/(Loss) for the Year		178	325
<b>Total recognised income &amp; expenses for the year</b>		<b>178</b>	<b>325</b>
<b>Attributable to:</b>			
Equity holders of company		178	325
<b>Total recognised income &amp; expenses for the year</b>		<b>178</b>	<b>325</b>

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

# Forestry Finance Limited

ACN 108 513 239

## Statement of Cash Flows

for the Period 1 July 2010 to 30 June 2011

	Notes	Economic Entity	
		30 June 2011 \$	30 June 2010 \$
<b>Cash flows from operating activities</b>			
Interest received		112,423	199,705
Cash receipts from customers		-	1,389
Cash payments to suppliers and employees		(112,245)	(201,430)
Net Tax (Paid)/Received		-	662
<b>Net cash flows used in operating activities</b>	<b>11</b>	<b>178</b>	<b>325</b>
<b>Cash flows from investing activities</b>			
Loan made		1,103	(68,148)
<b>Net cash flows used in investing activities</b>		<b>1,103</b>	<b>(68,148)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of shares		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash held</b>		<b>1,282</b>	<b>(67,823)</b>
Cash at the beginning of financial year		1,077	68,900
<b>Cash at the end of financial year</b>		<b>2,358</b>	<b>1,077</b>

# Notes to the financial statements

For the Period 1 July 2010 to 30 June 2011

## I. Statement of Significant Accounting Policies

### Basis of preparation

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

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

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

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

### Accounting Policies

#### (a) Basis of Accounting

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

#### (b) Cash and Cash Equivalents

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

#### (c) Receivables

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

#### (d) Revenue Recognition

Revenue is measured at the fair value of the

consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

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

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

#### (e) Comparative Figures

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

#### (f) Income Tax

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

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

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

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

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

there is no effect on accounting or taxable profit or loss.

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

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

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

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

#### *g) Impairment of Assets*

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

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

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### *h) Provisions*

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

#### *i) Borrowing Costs*

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

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

#### *j) Goods and Services Tax (GST)*

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

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

	Economic Entity	
	30 June 2011 \$	30 June 2010 \$
<b>2. Revenue Income</b>		
Interest Income	112,423	199,705
Legal Fees Income	-	1,389
<b>Total Revenue Income</b>	<b>112,423</b>	<b>201,094</b>
<b>3. Expenses</b>		
Administration Expenses	365,000	182,773
Bank Charges	297	185
ASIC Lodgment Fees	1,029	1,000
Accounting & Audit Fees	4,400	4,100
Interest Expense	23,651	12,711
Provision/(Reversal) for Doubtful Debts	(282,132)	-
Other Expenses	-	-
<b>Total Expenses</b>	<b>112,245</b>	<b>200,769</b>
<b>4. Cash and Cash Equivalents</b>		
Cash and cash equivalents	2,358	1,077
The above figures are reconciled to cash at the end of the financial year as shown in the cashflow statement as follows:		
Cash at bank and on hand	2,358	1,077
Balance per cashflow statement	2,358	1,077
<b>Total Cash</b>	<b>2,358</b>	<b>1,077</b>
<b>5a. Current Receivables</b>		
Accounts Receivable - Interest Bearing Growers Loans	14,747	9,063
<b>Total Current Receivables</b>	<b>14,747</b>	<b>9,063</b>
<b>5b. Non-Current Trade and Other Receivables</b>		
Account Receivable - EFF Limited	43,041	267,761
Account Receivable - EFFM Limited	838,032	7,704
Account Receivable - Interest Bearing Growers Loans	813,974	1,765,511
Accounts Receivable - Trade Debtors	364,432	318,987
Provision for Doubtful Debts	(111,395)	(393,826)
GST Suspense	36,500	-
<b>Total Non-Current Trade and Other Receivables</b>	<b>1,984,585</b>	<b>1,966,136</b>
<b>6a. Trade Creditors and Other Payables</b>		
Income Tax Payable	-	(46)
GST Suspense	-	(1,390)
Trade Creditors	6,380	4,510
<b>Total Trade Creditors and Other Payables</b>	<b>6,380</b>	<b>3,074</b>
<b>6b. Non Current Liabilities</b>		
Long term Borrowings	223,217	201,287
<b>Total Non Current Liabilities</b>	<b>223,217</b>	<b>201,287</b>

	Economic Entity	
	30 June 2011 \$	30 June 2010 \$
<b>7. Contributed Equity</b>		
Share Capital		
10,000 ordinary shares, fully paid	1,000	1,000
2,050,000 Redeemable Ordinary Shares, fully paid	2,050,000	2,050,000
<b>Total Share Capital</b>	<b>2,051,000</b>	<b>2,051,000</b>
<i>a. Ordinary Shares</i>		
Opening Balance	1,000	1,000
Movements During the Year	-	-
Closing Balance	1,000	1,000
<i>b. Redeemable Ordinary Shares</i>		
Opening Balance	2,050,000	2,050,000
Movements during the year	-	-
Closing Balance	2,050,000	2,050,000

#### 8. Events Subsequent to Balance Date

Since 30 June 2011 no transaction or event of a material nature has occurred which is likely to significantly affect the operations of the scheme, the results of those operations, or the state of affairs of the scheme.

#### 9. Directors and Executives Remuneration

##### a. Directors

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

- Sydney Chesson
- Thomas Henn (Appointed)
- Simon Chesson (Appointed)
- Geoffrey Coad (Resigned)
- Stephen Campbell (Resigned)

##### b. Directors Remuneration

2011	Salary & Fees Superannuation		Equity	Other	Total
	\$	\$	\$	\$	\$
Mr. S Chesson	-	-	-	-	-
Mr. T Henn (Appointed)	-	-	-	-	-
Mr. Simon Chesson (Appointed)	-	-	-	-	-
Mr. G Coad (Resigned)	-	-	-	-	-
Mr. S Campbell (Resigned)	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

2010	Salary & Fees Superannuation		Equity	Other	Total
	\$	\$	\$	\$	\$
Mr. S Chesson	-	-	-	-	-
Mr. T Henn (Appointed)	-	-	-	-	-
Mr. Simon Chesson (Appointed)	-	-	-	-	-
Mr. G Coad (Resigned)	-	-	-	-	-
Mr. S Campbell (Resigned)	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

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

	Economic Entity	
	30 June 2011 \$	30 June 2010 \$
<b>10. 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) <u>Director related entities</u>		
Accounting services paid to AustAsia Accounting Services, a company related to Syd Chesson and Simon Chesson	1,700	4,100
Consulting fees paid to AustAsia Group, a company related to Syd Chesson and Simon Chesson	-	11,192
(ii) <u>Amount owing to related entities</u>		
Accounting fees owing to AustAsia Accounting Services, a company related to Syd Chesson and Simon Chesson	5,800	4,510
(iii) <u>Director Related Loans</u>		
Short term borrowing from Agricultural Mortgage Trust, a scheme related to Syd Chesson and Simon Chesson	223,217	201,287
(iv) <u>Directors Interests</u>		
Directors interests in shares have been disclosed in the Directors' Report.		

	30 June 2011 \$	30 June 2010 \$
<b>11. Reconciliation of Cash</b>		
Cash at the end of the period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash at bank	2,358	1,077
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	178	325
<b>Changes in Assets and Liabilities</b>		
Increase/(decrease) in tax liability	-	-
<b>Net Cash Provided by Operating and Investment Activities</b>	<b>178</b>	<b>325</b>

## 12. Contingent Liabilities

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

## 13. New Standards and Interpretations Issued but not yet effective

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 9	Financial Instruments	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is a result of the first part of Phase 1 of the IASB's project to replace IAS 39	1 January 2013	No changes are expected to materially affect the company.

# Directors' Declaration


The directors of the company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001, comply with the accounting standards, corporations regulations and other mandatory professional reporting requirements, and give a true and fair view of the company's financial position as at 30 June 2011 and of its performance for year ended on that date.
2. at the date of this declaration, there are reasonable grounds to believe that the company can meet its debts as and when they fall due.

The Company Secretary and the Directors have each declared that:

- a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
- b. The financial statements and notes for the financial year comply with the Accounting Standards;
- c. The financial statements and notes for the financial year give a true and fair view.

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



Sydney J Chesson  
Chairman  
Perth, 30th of September 2011

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# CARLTON & PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS

ABN 28 251 922 867

3 ALVAN STREET MOUNT LAWLEY WA 6050

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORESTRY FINANCE LIMITED

### Report on the financial report

We have audited the accompanying financial report of Forestry Finance Limited, which comprises the balance sheet as at 30 June 2011, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year.

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

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

### *Auditor's responsibility*

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

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

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

### *Independence*

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

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FAX: (08) 9272 3509  
TAN: 76556 015

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PO BOX 42  
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# CARLTON & PARTNERS

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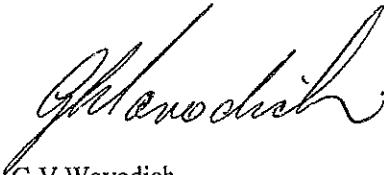
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*Auditor's Opinion*

In our opinion:

- a) The financial report of Forestry Finance Limited is in accordance with the Corporations Act 2001, including:
  - i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 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 30<sup>th</sup> day of September 2011 at Perth Western Australia

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