



ENVIRONMENTAL FOREST FARMS MANAGEMENT LIMITED ACN 087 201 670

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009



Corporate information

Registered Office

Level 1, AustAsia House
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)
Victor Turco (Director)
Geoffrey Coad (Director)

Company Secretary

Simon Chesson

Members of the Consolidated Group

EFF Limited
ACN 077 014 594

Environmental Forest Farms Management Limited
ACN 087 201 670

EFF Timber Pty Ltd
ACN 082 882 960

Powton Land Holdings Limited
ACN 087 201 652

A&N Enterprises Pty Ltd
ACN 113 434 512

Forestry Finance Limited
ACN 108 513 239

Auditor

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

Shareholder Information

Shareholder Enquiries

Shareholders with queries about their shareholding should contact the Company.

Change of Address

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

Electing Not to Receive an Annual Report

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

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

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Environmental Forest Farms Management Limited

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

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

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

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

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

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

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

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

Director's Report

Your Directors present their Report on the Company for the financial year ended 30 June 2009.

Directors

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

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

Principal Activities & 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, the Kiri Timber Trust and the Heritage Paulownia Forests Project No. 1, which are all operated as Managed Investment Schemes and registered with the Australian Securities and Investments Commission ("ASIC").

The Company also continues to undertake the Plantation Management activities for 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 \$25,229 (2008: profit \$233,189). The deduction in profit was attributed to the Company's decreased sales in new Woodlots effected by the Global Economic Crisis and the collapse of its competitors, Timber Corp and Great Southern.

The Net Asset position of the Company has increased by approximately 0.78% during the year to \$3,261,650.

Due to the nature of the business, income is received in advance. As such, the unearned income of approximately \$1,717,268 represents the billing for the 2010 financial year which were invoiced in late April 2009 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 \$25,229 from 30 June 2008 to \$3,261,650 in 2009. This was largely due to a decreased in interest bearing liabilities.

Review of Operations

During the year ended 30 June 2009 the Company implemented some key strategies that strengthen the platform for the Company's future growth and development. The Directors report on some of the major achievements and operations of the Company throughout the period as follows:

Responsible Entity Activities

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

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

The Existing Kiri Park Projects

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

- Upgrade of Irrigation

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

- Kiri Park Harvest

During June 2008 the first thinning commenced at Kiri Park for Growers in the Kiri Park Project (ARSN 091 158 897). This thinning occurred in a small area of the plantation that has performed well. This trial harvest concluded during the period and a total of 32.094 m3 of rough sawn timber was produced.

- Plantings

In November 2008 Woodlots for the KPP-08 investors were planted. This was a successful year for planting as over 9,060 new trees have been added to the Kiri Park Plantation.

- Pruning and Uplift of Plantation

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

- Nutrition

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

- Growth

The trees have 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.

- Sales and Allotment of Woodlots

During the financial year, the issue and allotment of Woodlots for the Kiri Park Projects: 2009 Growers occurred.

The 2009 Project was issued with a Product Ruling from the Australian Taxation Office (PR2008/70), was accepted onto the Approved Product List

of several groups of financial planners and was marketed in Australia.

Unfortunately, market conditions were influenced by factors of the Global Economic Crisis, the collapse of some high profile timber Managed Investment Schemes ("MIS") and other factors beyond the control of the company. As a result the sales were a very disappointing 27 Woodlots. These woodlots were issued and allotted to new Growers in the Kiri Park Projects: 2009 Growers on or before 30 June 2009.

- Planting of Woodlots

Woodlots that were sold, issued and allotted under the Kiri Park Projects: 2008 Growers on or before 30 June 2008 were prepared, established, planted and maintained in accordance with good silvicultural practices and the respective lease and management agreement. Preparation has commenced for the planting of the Kiri Park Projects: 2009 Growers Woodlots, which will be planted in or around October 2009.

Heritage Paulownia Forests Project No. 1

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

- On 26 June 2008 the Responsible Entity terminated the Sub-Lease of the Scheme due to a "Reduction in Viability of Woodlots" in the Scheme in accordance with the Prospectus for the Scheme.

- The Responsible Entity has written to the Lessor regarding the reduction in viability in woodlots and has demanded that under the terms of the Prospectus and Scheme Documents, the Lessor is to repay all Rent to Growers in the Scheme.

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

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

- The Company continued to market and sell Woodlots in the Kiri Park Projects: 2009 Growers, which was provided Australian Taxation Office Product Ruling (PR 2008/70).
- In conjunction with its Parent Company E.F.F. Limited, the Company continued harvesting trials of Paulownia timber from the Kiri Park Plantation. At the date of this report the trial harvest for Project 1 Growers and the Kiri Timber Trust was completed and a total of 2,574 trees were harvested and 2,495 were suitable for milling. The Company is confident that the trial harvest will assist the Company in establishing markets for the future timber that is being produced at the Kiri Park Plantation.

Provision for Doubtful Debts

The company made provisions for Doubtful Debts in relation to loans that were being pursued with legal proceedings. The company expects to recover 50-75% of the loans that are currently doubtful.

Significant After Balance Date Events

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

- The Company has prepared for planting, the Woodlots that were sold under the Kiri Park Projects: 2009 Growers.
- Deregistration of Heritage which was lodged with ASIC on 28 July 2009 and accepted by ASIC on 2 September 2009.

Future Developments

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

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

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

Environmental Issues

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

Information on Directors

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

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

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

Chairman

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

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

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

Victor Turco B.Bus, C.PA

Non-Executive Director

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

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

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

Geoffrey John Coad M.Phil, LLB, G.A.I.C.D

Director

Mr Coad was admitted to the Supreme Court of Western Australia in 1973, and has practiced law in Western Australia since 1975. He practices law in areas of commercial law, conveyancing and civil litigation.

Mr Coad is a member of the Australian Institute of Company Directors, and an external member of several other compliance committees for Managed Investment Schemes.

Mr Coad is also a Director of E.F.F Limited (the parent company of the Responsible Entity), Forestry Finance Limited, Powton Land Holdings Limited, EFF Timber Pty Ltd and A&N Enterprises Pty Ltd.

Directors' Meetings

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

Director	No. of Meetings Eligible to Attend	No. Attended
Sydney Chesson	7	7
Victor Turco	7	7
Geoffrey Coad	7	6

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
Victor Turco	Nil	4,231	4,231
Geoffrey Coad	Nil	12,752	12,752
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 2009 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 15th day of September 2009

Insert Independence Statement

Environmental Forest Farms Management Limited

ACN 087 201 670

Profit and Loss Statement

for the Period 1 July 2008 to 30 June 2009

Notes	The Company	
	30 June 2009 \$	30 June 2008 \$
Revenue from ordinary activities		
Revenue Income	2 2,180,370	3,812,596
Expenses		
Administration Expenses	2 (a) (2,076,147)	(1,926,688)
Borrowing Costs and interest expenses	2 (b) (78,574)	(116,348)
Plantation Management	(420)	(1,536,371)
Total Expenses Incurred	(2,155,141)	(3,579,407)
Profit/(Loss) from Ordinary Activities before Income Tax	25,229	233,189
Income Tax (Expense)/Benefit	3 -	-
Profit/(Loss) from Ordinary Activities after Income Tax Attributable to Members	25,229	233,189

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

Environmental Forest Farms Management Limited

ACN 087 201 670

Balance Sheet

as at 30 June 2009

Notes	Economic Entity	
	30 June 2009 \$	30 June 2008 \$
Current Assets		
Cash and cash equivalents	389,118	442,968
Trade and other receivables	4 2,443,345	2,552,979
Other financial assets	5 868,956	710,645
Total Current Assets	3,701,419	3,706,591
Non-current Assets		
Property, plant and equipment	6 733,206	875,642
Deferred tax assets	7 453,893	453,893
Other financial assets	1,000,000	1,000,000
Total Non-current Assets	2,187,099	2,329,535
Total Assets	5,888,518	6,036,126
Current Liabilities		
Trade creditors and other payables	8 191,242	222,044
Unearned income	9 1,717,268	1,787,452
Interest bearing liabilities	10 -	-
Tax liabilities	11 295,304	181,574
Provisions	12 13,375	18,608
Total Current Liabilities	2,217,190	2,209,677
Non-current Liabilities		
Interest bearing Liabilities	10 350,094	530,443
Deferred tax liabilities	13 59,585	59,585
Total Non-current Liabilities	409,679	590,028
Total Liabilities	2,626,869	2,799,705
Net Assets	3,261,650	3,236,421
Equity		
Accumulated Profits	15 2,261,650	2,236,421
Contributed Equity	16 1,000,000	1,000,000
Total Equity	3,261,650	3,236,421

The above balance sheet 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 2009

Notes	Economic Entity	
	30 June 2009 \$	30 June 2008 \$
Income & expense recognised directly in equity	-	-
Profit/(Loss) for the Year	25,229	233,189
Total recognised income & expenses for the year	25,229	233,189
Attributable to:		
Equity holders of company	25,229	233,189
Total recognised income & expenses for the year	25,229	233,189

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

Environmental Forest Farms Management Limited

ACN 087 201 670

Cash Flow Statement

for the Period 1 July 2008 to 30 June 2009

	Notes	Economic Entity	
		30 June 2009 \$	30 June 2008 \$
Cash flows from operating activities			
Cash receipts from customers		2,089,340	4,104,574
Cash payments to suppliers and employees		(1,925,800)	(4,172,758)
Net Taxes (paid)/received		113,730	(154,864)
Interest received		42,353	25,578
Interest and cost of finance paid		(78,574)	(116,348)
Net cash flows used in operating activities	20	241,048	(313,818)
Cash flows from investing activities			
Payment for property plant and equipment		(114,550)	(62,516)
Net cash flows used in investing activities		(114,550)	(62,516)
Cash flows from financing activities			
Proceeds from borrowings		(180,349)	(171,859)
Net proceeds from issue of shares		-	700,000
Net cash flows used in financing activities		(180,349)	528,141
Net increase/(decrease) in cash held		(53,850)	151,807
Cash at the beginning of financial year		442,968	291,161
Cash at the end of financial year		389,118	442,968

Notes to the financial statements

For the Period 1 July 2008 to 30 June 2009

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) Cash and Cash Equivalents

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

(m) Revenue 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).

(n) Borrowing Costs

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

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

(o) Payables

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

(p) Goods and Services Tax

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

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

(q) Comparative Figures

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

(r) 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.

(s) 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.

(t) 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 2009	30 June 2008
	\$	\$
2 Revenue Income		
Harvest Income	46,706	-
Woodlot Project Fees	2,062,025	3,738,261
Interest Received	42,353	25,578
Other Revenue	29,286	48,757
Total	2,180,370	3,812,596
a. Administration Expenses		
Auditors - Remuneration	25,673	23,540
Depreciation of non-current assets	140,079	160,706
Amortisation of leased assets	116,906	155,876
Payroll expenses	371,900	431,125
Plantation Maintenance	243,141	255,186
Equipment operating cost	268,729	257,613
Marketing Expense	241,716	26,223
PLH Management Expense*	-	125,992
Write Off of Doubtful Debts	240,446	-
Other Expenses	427,556	490,428
Total	2,076,147	1,926,688

*Note: 2008 figure was a correction to PLH Management Fees for over charge to Unearned Income in 2005/2006 financial year.

b. Borrowing Costs and Interest Expense		
Interest	78,574	116,348
Total	78,574	116,348
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%	7,569	69,957
Recognition of timing differences not previously recognised		
Income tax liability transferred to head entities*	(7,569)	(69,957)
Income Tax Expense/(Benefit)	-	-
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.

4. Trade and Other Receivables		
<i>Current</i>		
Amount receivable - EFF Ltd	1,949,353	2,042,069
Amount receivable - Powton Land Holdings Ltd	(17,236)	(319)
Amount receivable - Forestry Finance Ltd	504,246	504,246
Amount receivable - EFF Timber Pty Ltd	6,983	6,983
Total	2,443,345	2,552,979

	Economic Entity	
	30 June 2009 \$	30 June 2008 \$
5. Other Financial Assets		
<i>Current</i>		
Grower maintenance	1,044,280	617,594
Less: Provision for doubtful debts	(270,446)	(30,000)
Seedlings	-	23,360
Trade debtors	13,111	13,111
Prepayment & deposit	20,925	20,925
Prepaid rent	-	10,165
Prepaid insurance	60,984	55,387
ABN Withholding	103	103
Total Other Financial Assets	868,956	710,645
6. Property, Plant and Equipment		
Plant and equipment - at cost	218,543	218,543
Less: Accumulated depreciation	(192,400)	(165,057)
Total	26,143	53,486
Buildings - at cost	77,818	75,003
Leasehold improvements - at cost	57,300	57,300
Less: Accumulated depreciation	(118,321)	(114,598)
Total	16,797	17,706
Irrigation systems - at cost	1,730,129	1,618,394
Less: Accumulated depreciation	(1,401,959)	(1,277,943)
Total	328,170	340,451
Lease assets - at cost	1,018,537	1,018,537
Less: Accumulated amortisation	(656,442)	(554,538)
Total	362,096	463,999
Total plant, property and equipment	733,206	875,642
6. Movements in plant, property and equipment		
<i>Plant and equipment</i>		
At cost		
Opening Balance	218,543	203,981
Additions	-	14,562
Disposals	-	-
Closing balance	218,543	218,543
Accumulated depreciation		
Opening balance	165,057	157,725
Depreciation	27,342	7,332
Less: Accumulated depreciation on disposal	-	-
Closing balance	192,400	165,057

	Economic Entity	
	30 June 2009 \$	30 June 2008 \$
<i>Building & Leasehold Improvements</i>		
At cost		
Opening balance	132,303	132,303
Additions	2,815	-
Disposals	-	-
Closing balance	135,118	132,303
Accumulated depreciation		
Opening balance	114,598	109,461
Depreciation	3,723	5,138
Closing balance	118,321	114,598
<i>Irrigation systems</i>		
At cost		
Opening balance	1,618,394	1,521,500
Additions	111,735	96,894
Disposals	-	-
Closing balance	1,730,129	1,618,394
Accumulated depreciation		
Opening balance	1,277,943	1,095,769
Depreciation	124,016	182,174
Less: Accumulated depreciation on disposal	-	-
Closing balance	1,401,959	1,277,943
<i>Lease assets</i>		
At cost		
Opening balance	1,018,537	1,018,537
Additions	-	-
Disposals	-	-
Closing balance	1,018,537	1,018,537
Accumulated depreciation		
Opening balance	554,538	383,659
Depreciation	101,904	170,879
Closing balance	656,442	554,538
7. Deferred Tax Assets		
FITB	453,893	453,893
Total	453,893	453,893
8. Trade Creditors and Other Payables		
<i>Current</i>		
Sundry Creditors and accrued expenses	106,234	81,857
Trade creditors	84,436	139,615
Heritage payables	572	572
Total	191,242	222,044

	Economic Entity	
	30 June 2009 \$	30 June 2008 \$
9. Unearned Income		
Management Fees	1,687,274	1,684,497
Lease Fees	1,980	11,668
Woodlot Planting Fees	28,014	91,286
Total	1,717,268	1,787,452
10. Interest Bearing Liabilities		
<i>Current</i>		
Short term borrowings	-	-
Total	-	-
<i>Non-current</i>		
Lease liability	350,094	530,443
Total	350,094	530,443
Total Liabilities	350,094	530,443
11. Income Tax		
<i>Current</i>		
GST/PAYG	222,661	108,931
Provision fro Income Tax	72,643	72,643
Total	295,304	181,574
12. Provisions		
<i>Current</i>		
Employee Entitlements	13,375	18,608
Total	13,375	18,608
13. Deferred Tax Liabilities		
<i>Non-current</i>		
Provision for deferred income tax	59,585	59,585
Total	59,585	59,585

14. Events Subsequent to Balance Date

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

- The Company has prepared the Woodlots for planting under the Kiri Park Projects: 2009 Growers as and when they were sold.
- Deregistration of Heritage which was lodged with ASIC on 28 July 2009 and accepted by ASIC on 2 September 2009.

	Economic Entity	
	30 June 2009 \$	30 June 2008 \$
15 Accumulated Profits/ (Accumulated Losses)		
Retained Profits at the Beginning of Financial Year	2,236,421	2,003,232
Net profit/(loss) attributed to Members	25,229	233,189
Retained Profits at the End of Financial Year	2,261,650	2,236,421
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
- Victor Turco
- Geoffrey Coad

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

b. Directors' Remuneration

2009	Salary & Fees Superannuation		Equity	Other	Total
	\$	\$	\$	\$	\$
Mr. S Chesson	-	-	-	-	-
Mr. V Turco	-	-	-	-	-
Mr. G Coad	-	-	-	-	-
2008	Salary & Fees Superannuation		Equity	Other	Total
	\$	\$	\$	\$	\$
Mr. S Chesson	-	-	-	-	-
Mr. V Turco	-	-	-	-	-
Mr. G Coad	-	-	-	-	-

	Economic Entity	
	30 June 2009 \$	30 June 2008 \$
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>iv) Director Related Entities:</i>		
Accounting services paid to AustAsia		
Accounting Services a firm related to Syd Chesson	1,300	2,000
Legal Fees paid to AustAsia Legal Pty Ltd a firm related to Syd Chesson	300	6,771

(ii) Directors Interests

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

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

- Jade Glen Pty Ltd, a related entity of Syd Chesson, has a 10 year lease & management agreement for 1 woodlot in the Kiri Park Projects: 2004 Growers at a cost of \$9,746 and annual management fees.
- Syd Chesson has a 10 year lease and management agreement for 5 woodlots in the Kiri Park Projects: 2006 Growers at a cost of \$31,015 and annual management fees.
- The First Knight Pty Ltd, an entity related to Mr Syd Chesson has a 10 year lease and management agreement for 15 woodlots in the Kiri Park Projects: 2006 Growers and for 8 Woodlots in the Kiri Park Projects: 2007 Growers at a cost of \$144,165 and annual management fees.
- Callao Pty Ltd, an entity related to Mr Syd Chesson has a 10 year lease and management agreement for 5 woodlots in the Kiri Park Projects: 2006 Growers at a cost of \$31,015 and annual management fees.
- Jet Black Pty Ltd, an entity related to Mr Victor Turco has a 10 year lease and management agreement for 4 woodlots in the Kiri Park Projects: 2006 Growers at a cost of \$24,812 and annual management fees.
- Geoffrey Coad, has a 10 year lease & management agreement for 2 Woodlots in the Kiri Park Projects: 2004 Growers and a 10 year lease and management agreement for 14 Woodlots in the Kiri Park Projects: 2006 Growers at a cost of \$106,334 and annual management fees.
- The First Knight Pty Ltd ATF SJ Chesson Extended Family Trust, an entity related to Mr Syd Chesson has a 10 year lease and management agreement for 10 woodlots in the Kiri Park Projects: 2008 Growers at a cost of \$66,000 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 coverage interest rate on those financial assets as follows:

19. Financial Instruments

	Weighted Average Interest Rate		Floating Interest Rate		Fixed Interest Rate		Non Interest Bearing		Total	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008
Financial Assets										
Cash and Stock	2.00%	2.00%	389,118	442,968	-	-	-	-	389,118	442,968
Receivable	8.00%	8.00%	-	-	868,956	710,645	2,443,345	2,552,979	3,312,300	3,263,623
Total Financial Assets	-	-	389,118	442,968	868,956	10,645	2,443,345	2,552,979	3,701,419	3,706,591
Financial Liabilities										
Account Payable	-	-	-	-	-	-	191,242	222,044	191,242	222,044
Unearned Income	-	-	-	-	-	-	1,717,268	1,787,452	1,717,268	1,787,452
Interest Bearing Liabilities	23.00%	23.00%	-	-	350,094	530,443	-	-	350,094	530,443
Taxation	-	-	-	-	-	-	295,304	181,574	295,304	181,574
Total Financial Liabilities	-	-	-	-	350,094	530,443	2,203,814	2,191,069	2,553,909	2,721,512
Net Financial Assets	-	-	389,118	442,968	518,862	180,202	239,530	361,909	1,147,510	985,079

Reconciliation of Net Financial Assets to Net Assets

	30 June 2009	30 June 2008
Net Financial Assets as above	1,147,510	985,079
Plus No Financial Assets		
Fixed Asset	733,206	875,642
Paulownia Trees	453,893	453,893
Intangibles	1,000,000	1,000,000
Tax Assets	(13,375)	(18,608)
Tax Liabilities	(59,585)	(59,585)
Net Assets as per Balance Sheet	3,261,650	3,236,421

	Economic Entity	
	30 June 2009 \$	30 June 2008 \$
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	389,118	442,968
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	25,229	233,189
Non Cash Flows on Operating Profit/(Loss)		
Depreciation	256,985	160,706
Amortisation	-	155,876
Changes in Assets and Liabilities		
(Increase)/Decrease in receivables	(48,677)	443,548
Increase/(Decrease) in accounts payable	(100,985)	(1,127,015)
Increase/(Decrease) in tax liability	113,729	(154,864)
Increase/(Decrease) in Provision	(5,233)	(25,257)
Net Cash Provided by Operating Activities	241,048	(313,818)

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 8	Segment Reporting	New standard which replaces AASB 114.	1 January 2009	Disclosure only
AASB 101	Presentation of Financial Statements	Revised standard - amends disclosure requirements and format of financial statements	1 January 2009	Disclosure only
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101	Amends the majority of standards and Interpretations as a result of issue of AASB 101	1 January 2009	Disclosure only
AASB 2009-2	Amendments to Australian Accounting Standards - Improving Disclosure about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	Amends AASB 7 to require enhanced disclosures about fair value measurements and liquidity risk.	1 January 2009	The Scheme does not expect these requirements to have any material effect on the Scheme's financial statements.

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 15 to 28, are in accordance with the Corporations Act 2001, and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the company's financial position as at 30 June 2009, 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, 15th day of September 2009.

Insert Auditors Report



Environmental Forest Farms Management Limited

Level 1 AustAsia House, 412 - 414 Newcastle Street, West Perth WA 6005 · PO Box 332 Leederville, WA 6903

Phone (08) 9227 8422 Fax (08) 9227 8455 Email kpadmin@kiripark.com.au www.kiripark.com.au ACN 087 201 670