

# **AUSTRALIAN FORESTRY MANAGEMENT**

## **2004 PLANTATION INVESTMENT**

**ARSN 108 943 193**

### **ANNUAL FINANCIAL REPORT**

**30 JUNE 2011**

Responsible Entity:  
AgriWealth Capital Limited  
ABN 14 126 768 090  
Level 1, 20 Young Street  
SYDNEY NSW 2000

# Australian Forestry Management 2004 Plantation Investment

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## DIRECTORS' REPORT

The directors of Agriwealth Capital Limited, ("the Responsible Entity") of the Australian Forestry Management 2004 Plantation Investment ("the Scheme"), present their report together with the financial report of the Scheme for the year ended 30 June 2011.

### Principal activities

The principal activity of the Scheme is to act as a vehicle through which investors, acting as growers, undertake a forestry plantation business as a common enterprise pursuant to a series of management agreements between each grower, Australian Forestry Management Pty Limited ("AFM") (the plantation manager and a related entity of the Responsible Entity) and the Responsible Entity.

### Directors

The following persons held office as directors of the Responsible Entity during or since the end of the year:

- Wayne C Jones
- John L Thompson
- Hugh L Dunchue

### Review of operations

The Scheme was registered as a managed investment scheme under Chapter 5C of the Corporations Act 2001 on 4 May 2004 and began operations on 30 June 2004 when investors were issued 589 forestry right interests ("FRI's") and entered into management contracts with AFM for the establishment and ongoing management of softwood plantations on the FRI's. One FRI equates to 1.0 hectare of plantable land. Each investor in the Scheme is establishing and participating in its own forestry plantation business. As such, the Scheme did not acquire any assets during the reporting period.

The 2004 project, including wholesale and retail operations, planted in 2005, had stocking failure in those areas planted early in June 2005, with survival estimated at 71% for the Valley and 80% for Dr Vances. Replanting and refilling of around 300,000 plants was done by FNSW in winter 2006, with a sharing of cost with AFM.

Due to the severe drought of 2006 and early 2007 the restocking of the 2005 plantation suffered heavy losses with estimated survival of 22% of the replants, and along with other losses, requiring an estimated 233,000 plants to achieve a stocking of more than 850 stems per ha on average in the Valley. Dr Vance plantation did not require further refilling.

## Australian Forestry Management 2004 Plantation Investment

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### DIRECTORS' REPORT (continued)

#### Review of operations (continued)

This replanting was organised under a Restocking Plan negotiated with FNSW and is set out in a Supplemental Agreement (2004 Project) to the Forestry Management Contract. Total cost for the project committed for 2007, including some cultivation, plants, planting and some herbicide was in the order of \$310,000. This amount was paid for at the discretion of Arrow Capital Limited (the previous Responsible Entity) as a "one off" and there is no commitment to do so again. Further herbicide work was undertaken in 2008 to protect the restocked plantations.

The restocking of plants has now been completed, with further work required on weed control. The Independent Forester, Dr John Turner inspected most of the restocked plantations on 14 August 2007 and reported that work had been done as contracted.

Aerial surveying was completed following planting and compiled plans of the FRI's prepared. The investors FRI's were registered on 29 March 2006 at the Land and Property Information Office.

Insurance cover for the plantation was arranged on behalf of investors by the Responsible Entity, and insurance cover is now in place up to 30 June 2012. The insurance covers the perils associated with this type of business such as fire, hail and windstorm together with public liability, however specifically excludes drought which is simply not offered as an option by the insurers. The cost of plantation insurance as well as rates and taxes levied on the plantation land were met from sinking funds administered by the Responsible Entity on behalf of investors. In addition, investors were offered the opportunity of additional cover to the full extent of their investment. Investors selecting this higher level paid the additional premium themselves.

On 5 July 2006, the Australian Forestry Management 2004 Land Trust ARSN 108 942 981 ("the Land Trust") acquired the beneficial interest in the land which is now vested in the Land Trust. Investors FRI's were issued over the land as well as adjoining land forming part of the plantation.

#### Results and distribution

	30 June 2011	30 June 2010
	\$	\$
Profit attributable to members	-	-
Distribution paid and payable	-	-
Distribution (dollars per interest)	-	-

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**DIRECTORS' REPORT (continued)**

**Significant changes in state of affairs**

In the opinion of the directors, there were no significant changes in the state of affairs of the Scheme that occurred during the financial year ended 30 June 2011.

**Matters subsequent to the end of the financial period**

Except as disclosed previously, no other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- the operation of the Scheme in future financial years; or
- the result of those operations in future financial years; or
- the state of affairs of the Scheme in future financial years.

**Likely developments and expected results of operations**

No developments are likely to take place in relation to the land owned by the Land Trust until after the timber produce from the Plantation Investment is sold.

**Indemnification and insurance of the responsible entity**

No insurance premiums are paid out of the assets of the Scheme in regards to insurance cover to either the Responsible Entity or the auditors of the Scheme. In addition to any indemnity under any law, the Responsible Entity is entitled to be indemnified by an Investor on a full indemnity basis, in respect of a matter, unless, in respect of that matter, the Responsible Entity has acted negligently, fraudulently or in breach of trust or the indemnity is not otherwise available under law. The Responsible Entity has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability incurred as such by an officer or auditor.

**Fees paid to and interests held in the scheme by the responsible entity or its associates**

Other than the payment of application moneys by the growers as set out in the Review of Operations section of the Directors' Report, no fees were paid or payable to the Responsible Entity, its directors or its associates out of Scheme property during the period except for an administration charge for arranging insurance. The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the financial period are disclosed in Note 5 of the financial statements.

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**DIRECTORS' REPORT (continued)**

**Interests in the scheme**

The movement in interests on issue in the Scheme during the year ended 30 June 2011 is set out below:

	30 June 2011 Interests	30 June 2010 Interests
Interests on issue	589	589
Interests issued	-	-
Interests redeemed	-	-
Total interests on issue	<u>589</u>	<u>589</u>

**Carrying value of assets**

	30 June 2011 \$	30 June 2010 \$
Carrying value of assets in the Scheme	<u>-</u>	<u>-</u>

The value of the Scheme's assets as at the end of the financial year is disclosed in the Balance Sheet as "Total Assets" and the basis of valuation is included in Note 1 to the financial statements.

**Environmental regulations**

As manager responsible for the establishment and on-going management of the plantations, Australian Forestry Management Pty Limited is subject to environmental regulation primarily through the Plantations and Reafforestation Act 1999, which supports the establishment of plantations on essentially cleared land, while safeguarding environmental values. The Act and associated Code are regulated by the Department of Infrastructure, Planning and Natural Resources (DIPNR). The Plantation Manager also has obligations under the NSW Pesticides Act 1999 for chemical usage on plantations and bush fire management obligations under the Rural Fires Act 1977. The Plantation Manager has complied with all applicable obligations during the financial period.

**Auditor's independence declaration**

The auditor's independence declaration is included on page 6.

This report is made in accordance with a resolution of the Directors made pursuant to s 298(2) of the Corporations Act 2001:

.....  
Wayne G Jones

Director  
Sydney

29 September 2011

.....  
John L Thompson

Director  
Sydney

**Australian Forestry Management  
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**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF AGRIVEALTH CAPITAL LIMITED**

**Australian Forestry Management  
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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2011**

	30 June 2011	30 June 2010
	\$	\$
<b>Revenue</b>	-	-
<b>Expenses</b>	-	-
<b>Profit attributable to members</b>	-	-
<b>Finance Costs</b>	-	-
Distribution to members	-	-
<b>Net Profit attributable to members</b>	-	-

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2011**

	Retained earnings	Equity
	\$	\$
Opening balance at 1 July 2009	-	-
Profit/(loss) attributable to members	-	-
<b>Balance at 30 June, 2010</b>	-	-
Profit/(loss) attributable to members	-	-
<b>Balance at 30 June, 2011</b>	-	-

The above Income Statement and Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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**BALANCE SHEET  
AS AT 30 JUNE 2011**

	30 June 2011	30 June 2010
	\$	\$
<b>Assets</b>	-	-
<b>Total Assets</b>	<u>-</u>	<u>-</u>
<b>Liabilities</b>	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>
<b>Net Assets</b>	<u>-</u>	<u>-</u>

The above Balance Sheet should be read in conjunction with the accompanying notes.

Under A-IFRS, growers hold contractual rights (FRI's). FRI's are not classified as equity, rather they are a contractual right to distributions arising under the Scheme.



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**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2011**

	30 June 2011 \$	30 June 2010 \$
<b>Cash flows from operating activities</b>	<u>-</u>	<u>-</u>
<b>Net cash flows from investing activities</b>	<u>-</u>	<u>-</u>
<b>Net cash flows from financing activities</b>	<u>-</u>	<u>-</u>
<b>Net increase/(decrease) in cash held</b>	<u>-</u>	<u>-</u>
Cash at the beginning of the period	-	-
<b>Cash at the end of the period</b>	<u>-</u>	<u>-</u>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

## Australian Forestry Management 2004 Plantation Investment

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report covers the Australian Forestry Management 2004 Plantation Investment (“the Scheme”) which was registered as a managed investment scheme under Chapter 5C of the Corporations Act 2001 on 4 May 2004, established and domiciled in Australia. Under its Constitution, the Scheme will terminate on the earlier of:

- the 80th anniversary of the date of the Plantation Investment Constitution less one day;
- a date specified by the Responsible Entity as the date the Plantation Investment will terminate in a notice given to investors; and
- the date on which the Plantation Investment is terminated in accordance with another provision of the Constitution or by operation of law.

The Scheme issued interests for nil consideration on 30 June 2004 and the Responsible Entity received a plantation establishment fee of \$9,800 per Forestry Right Interest (excluding GST), to cover the establishment cost of the plantation.

Investors also made an initial contribution of \$370 per Forestry Right Interest to a sinking fund administered by Australian Forestry Management Pty Limited (“AFM”) on behalf of investors for the payment of plantation insurance premiums and rates and taxes levied on the plantation land. Interest accruing on sinking funds held by AFM is attributable to investors. An additional contribution of \$450 per Forestry Right Interest is to be made by investors at the time of first thinning. Any surplus in the sinking funds at the conclusion of the Scheme will be remitted to investors. If the sinking funds contributed by investors are insufficient to meet future costs, investors may be required to make additional contributions.

Forestry investments associated with the project are the property of the individual investors and are not considered scheme property. As a result, such investments held by investors are not included in the Balance Sheet.

#### **Basis of preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board.

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 to which they apply. 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. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011 (continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a) Comparative figures**

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

**b) Critical accounting estimates and judgements**

The responsible entity evaluates estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the trust.

**c) Adoption of new and revised accounting standards**

During the current year, the Scheme has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

**d) New accounting standards for application in future periods**

The Australian Accounting Standards Board has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Scheme has decided not to early adopt. In respect of the more applicable Accounting Standards and Interpretations, a discussion of those future requirements and their impact on the Scheme is as follows;

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. This revised standard introduces a partial exemption of disclosure requirement for government-related entities. The adoption of this standard from 1 July 2011 will not have a material impact on the Scheme.

- AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011 (continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d) New accounting standards for application in future periods (continued)**

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

Since the Scheme is a for-profit private sector entity that does not have public accountability, it qualifies for the reduced disclosure requirements for Tier 2 entities. It is anticipated that the adoption of Tier 2 reporting would not change any of the Scheme's reporting requirements.

AASB 2010-2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

The Scheme does not anticipate early adoption of any of the above Australian Accounting Standards.

**2. INVESTORS' INTERESTS ON ISSUE**

	30 June 2011 No.	30 June 2011 \$	30 June 2010 No.	30 June 2010 \$
Opening balance	589	589	589	589
Applications	-	-	-	-
Transfer to/(from) investors' interests	-	-	-	-
Closing balance	<u>589</u>	<u>589</u>	<u>589</u>	<u>589</u>

The issue price of each investors' interest is \$Nil but investors paid an application fee of \$9,800 (excluding GST) per Forestry Right Interest to the Responsible Entity when investors interests in the Scheme were allotted.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011 (continued)**

**3. AUDITOR'S REMUNERATION**

Auditor's remuneration of \$1,300 (2010: \$2,000) for audit of these annual financial statements and the Scheme's compliance plan was charged to and is to be paid by the Responsible Entity from its own resources and is not paid out of assets of the Scheme.

**4. SEGMENT INFORMATION**

The Scheme operates solely in the business of forestry plantation investment in Australia.

**5. RELATED PARTIES**

**Responsible entity**

The Responsible Entity is a subsidiary of Aspiring MIS Limited.

**Key management personnel ("KMP")**

The Scheme does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Scheme. The key management personnel are directors of the Responsible Entity. During the year ended 30 June 2011, key management personnel were paid by a related party of the Responsible Entity.

No compensation is paid directly by the Scheme to any of the key management personnel of the Responsible Entity. No payments made by the Scheme are directly attributable to the compensation of key management personnel.

The following persons held office as directors of the Responsible Entity during or since the end of the year:

- Wayne C Jones
- John L Thompson
- Hugh L Dunchue

The following table outlines the interests of those unitholders who were also directors of the Responsible Entity in the Scheme during the financial year:

	Number of interests held as at 30 June 2011	Percentage interest held as at 30 June 2011	Number of interests held as at 30 June 2010	Percentage interest held as at 30 June 2010
Wayne C Jones	20	3.42 %	20	3.42 %

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011 (continued)**

**5. RELATED PARTIES (continued)**

**Responsible entity's transactions**

No interests in the Scheme were issued during the year ending 30 June 2011.

During the year, AFM made payments from the sinking fund on behalf of investors for rates and taxes levied on the plantation land and insurance premiums in respect of the plantation totalling \$34,202 (2010: \$25,672). Interest totalling \$7,890 (2010: \$5,252) was accrued on sinking funds. As at 30 June 2011 the balance of sinking funds held on trust for growers was \$183,413 (30 June 2010: \$209,724).

**6. SUBSEQUENT EVENTS**

No matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- the operation of the Scheme in future financial periods; or
- the result of those operations in future financial periods; or
- the state of affairs of the Scheme in future financial periods.

**7. CONTINGENT LIABILITIES**

The Scheme has no contingent liabilities which, either individually or as a category of commitments or contingent liabilities, are material.

**8. FINANCIAL INSTRUMENTS**

There are no financial assets or liabilities in the scheme.

**9. ADDITIONAL INFORMATION**

Agriwealth Capital Limited, an unlisted public company incorporated and operating in Australia, is the Responsible Entity of the Scheme

Principal registered office:

Level 1, 20 Young Street  
Neutral Bay, NSW 2089

Principal place of business:

Level 1, 20 Young Street  
Neutral Bay, NSW 2089

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**DIRECTORS' DECLARATION**

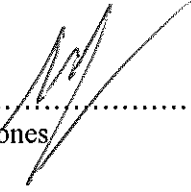
The Directors of the Responsible Entity declare that the financial statements and notes of the Scheme as set out on pages 7 to 14:

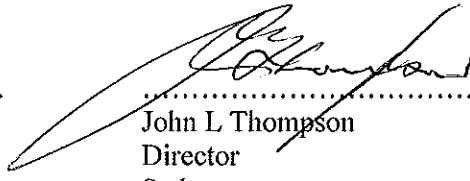
- (a) comply with the Scheme's Constitution, Australian Accounting Standards, the Corporations Act 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Scheme's financial position as at 30 June 2011 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended 30 June 2011.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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

  
.....  
Wayne C Jones  
Director  
Sydney

  
.....  
John L Thompson  
Director  
Sydney

29 September 2011