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Form 388
Corporations Act 2001
294, 295, 298-300, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08

Copy of financial statements and reports

Company details

Company name

SOUTH EAST FIBRE EXPORTS PTY LTD

ACN

000 604 795

Reason for lodgement of statement and reports

A large proprietary company that is not a disclosing entity

Dates on which financial year ends

Financial year end date

31-12-2011

Details of large proprietary company

What is the consolidated revenue of the large proprietary company and the entities that it controls?

88228093

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

76825333

How many employees are employed by the large proprietary company and the entities that it controls?

72

How many members does the large proprietary company have?

2

Auditor's report

Were the financial statements audited?

Yes

Form 388 - Copy of financial statements and reports
SOUTH EAST FIBRE EXPORTS PTY LTD ACN 000 604 795

Details of current auditor or auditors

Current auditor

Date of appointment **14-04-2005**
Name of auditor
ERNST & YOUNG
Address
**680 GEORGE STREET
SYDNEY NSW 2000**

Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.
Yes

Signature

Select the capacity in which you are lodging the form
Secretary

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.
Yes

Authentication

This form has been submitted by
Name Graeme Russell SKINNER
Date 30-04-2012

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**SOUTH EAST FIBRE EXPORTS
PTY LTD**

ABN 85 000 604 795

**FINANCIAL REPORT FOR THE
YEAR ENDED 31 DECEMBER 2011**

SOUTH EAST FIBRE EXPORTS PTY LTD
ABN 85 000 604 795

FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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SOUTH EAST FIBRE EXPORTS PTY LTD
ABN 85 000 604 795

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FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS' REPORT

The Directors have determined that the company is not a reporting entity, and as such, have concluded that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 2 to the Financial Statements.

Board of Directors

The names of the Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated:

Representing Nippon Paper Industries Co. Ltd.:

Mr. Toshihiro Eguchi *	(Chairman and Managing Director)	(Appointed 28/07/06)
Mr. Makoto Terao	(Alternate Mr Noa Kaneko)	(Resigned 16/06/11)
Mr. Masayuki Akiyama *	(Alternate Mr. Robert Sauer *)	(both Appointed 1/07/10)
Mr. Haruo Fujisawa *	(Alternate Mr. Peter Mitchell *)	(both Appointed 1/04/10)

Representing ITOCHU Corporation:

Mr. Shoji Yabe *	(Appointed 18/4/08)
(Alternate Mr. Kenya Hattori *)	(Appointed 22/10/10)
Mr. Ichiro Tsuge *	(Appointed 1/04/09)
(Alternate Mr. Masayuki Obuchi *)	(Appointed 21/10/11)
Mr. Masayuki Obuchi	(Resigned 21/10/11)

* Denotes current directorship.

Principal Activities

The principal activities of South East Fibre Exports Pty Ltd during the course of the year were as a manufacturer and exporter of woodchips and hardwood plantation grower.

No significant change in the nature of these activities occurred during the year.

Employees

The Company employed 72 employees as at 31 December 2011.

Results

The loss of the Company for the financial year after providing for income tax amounted to \$126,430 (2010 profit \$4,331,756).

Review of Operations

A review of the operations of the economic entity during the financial year found that the market demand had decreased, and during the year ended 31 December 2011 the company shipped 922,551 green tonnes of hardwood and softwood woodchips.

SOUTH EAST FIBRE EXPORTS PTY LTD
ABN 85 000 604 795

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FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS' REPORT

Review of Operations (Cont'd)

The demand for woodchips from Japan, reduced significantly following the Tsunami which hit their east coast in March 2011 where many of the Company's major customers manufacturing facilities are located. The strong Australian dollar against the US dollar continued to have a detrimental impact on the potential earning capacity of export sales for which 47.7% was exposed to foreign exchange fluctuation. Total revenues from ordinary activities reduced by 10.8%.

Raw material costs reduced due to product mix, whilst overheads were tightly controlled such that the resulting pre-tax loss was minimised to a position which in the current market conditions, is considered to be acceptable and within the Directors' expectations.

Due to the long term resource supply contracts that are in place, the Company is confident of being able to meet the expected demand for its product from buyers in the coming financial year.

Significant Changes in State of Affairs

No significant changes in the State of Affairs of the Company occurred during the year ended 31 December, 2011.

International Financial Reporting Standards (IFRS)

The Company commenced reporting under Australian equivalents of IFRS for the year commencing 1 January 2005.

Post Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operation of the Company in the future financial years.

Future Development

In 2010, the Company, lodged a Development Application for the installation of a BioEnergy plant, for the purpose of electricity generation. This led to the requirement for an Environmental Assessment to be developed and lodged with the NSW Department of Planning, approval of which, is yet to be determined.

Environmental Issues

The Company owns and operates a mill at Jews Head, Eden, which is covered by a licence issued by the Environment Protection Authority of New South Wales. This licence stipulates a number of operating conditions relating to emissions impacting on water and air quality.

The Annual Return of the Company to the NSW Environment Protection Authority for the year ended 14 December, 2011 reported no non-compliance with licence conditions, and accordingly, there was no follow up action required by either the EPA or the Company.

Forestry operations are carried out by the Company on private property and Crown Lands in New South Wales and Victoria.

**SOUTH EAST FIBRE EXPORTS PTY LTD
ABN 85 000 604 795**

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FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS' REPORT

Environmental Issues (cont'd)

During 2011 the Company carried out 19 private property log harvesting operations. In Victoria 6 complied with local Government approvals for log harvesting and plantation establishment. In New South Wales 13 complied with the provisions of the Native Vegetation Act 2003 & Plantations Reafforestation Act (1999).

Log harvesting operations on Crown Lands in both Victoria and New South Wales are licensed by and carried out under the direct supervision of VicForests and Forests New South Wales respectively.

During 2011, no significant breaches of environmental protocols or regulations by the Company or its agents were drawn to the attention of the Company.

In 2004, the Company gained ISO14001 accreditation, and has implemented management and audit systems designed to ensure its operations comply with relevant environmental regulations and legislation. An audit process was implemented and maintained to ensure ISO14001 accreditation is retained.

In 2006, the Company gained Certification under the Australian Forestry Standard (AFS). This is a voluntary process by which planning, procedures, systems and performance of the "on the ground" forestry operations are audited by a qualified and independent third party against a predetermined standard.

In 2007, the Company gained Certification under the Australian Standard for "Chain of Custody for Certified Wood & Forest Products" (COC). This process enables the Company to certify on each traceability report for the sale of woodchips, that it has tracked the source of those chips to a log or chip supplier, who has AFS certification. The process also ensures that logs and chips supplied from non-certified suppliers have the appropriate state and local approvals. The process is subject to annual external audit.

In 2009, the Company underwent Re-Certification Audits for ISO 14001, Australian Forestry Standard and Chain of Custody for Certified Wood & Forest Products. All Certifications were renewed to the 31st May, 2012.

Dividends

Dividends paid or declared since the start of the financial year are as follows:

- (a) A fully franked dividend of \$1,000,000 being an ordinary dividend of \$0.133 per share was paid on the 31st March, 2011, as recommended in last year's report.
- (b) A fully franked dividend of \$1,000,000 being an interim dividend of \$0.133 per share was declared from prior year profits and paid on the 28th September, 2011.
- (c) A fully franked dividend of \$1,000,000 being a final dividend of \$0.133 per share was declared on 16th December 2011 from prior year profits and is due for payment on 30th March 2012.

**SOUTH EAST FIBRE EXPORTS PTY LTD
ABN 85 000 604 795**

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FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS' REPORT

Options

No options over issued shares in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnifying Officer or Auditor

During the year the Company paid a premium under a contract to insure the Directors and Officers of the Company against liabilities incurred in their respective capacities. The insurance policy contains a confidentiality clause, which prohibits disclosure of the premium paid.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, in respect of any person who is or has been an auditor of the economic entity.

Proceedings brought against the Company

There is an ongoing dispute between the Company and an Engineering Company which was contracted to install shiploading facilities in 1999.

An award on quantum was determined by an Arbitrator in favour of the Engineering Company in 2008.

To date, the Engineering Company has not sought to pursue recovery of the costs made in its favour.

Non-Audit Services

The following non-audit services were provided by the entity's auditor Ernst and Young during the year. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditor imposed by the Corporation Act 2001. The nature and scope of each type of non-audit service provided, means that auditor independence is not compromised.

The auditor received or is due to receive the following amounts for the provisions of non-audit services:

Tax Compliance Service	\$13,200
Assurance Related	\$24,438

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001, is set out on Page 6.

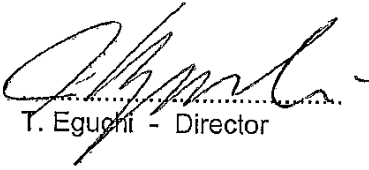
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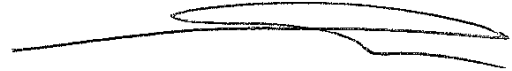
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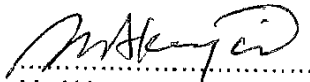
FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS' REPORT

Signed on the 19th April 2012 at Sydney, in accordance with a resolution of the Directors.


.....
T. Eguchi - Director


.....
S. Yabe - Director


.....
M. Akiyama - Director


.....
M. Obuchi - Director



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Auditor's Independence Declaration to the Directors of South East Fibre Exports Pty Ltd

In relation to our audit of the financial report of South East Fibre Exports Pty Ltd for the financial year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A stylized, handwritten signature of the Ernst & Young firm, written in black ink.

Ernst & Young

A handwritten signature of Gregory J Logue, written in black ink.

Gregory J Logue
Partner
19 April 2012

SOUTH EAST FIBRE EXPORTS PTY LTD
ABN 85 000 604 795

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTE	2011 \$	2010 \$
Continuing Operations			
Revenues from Ordinary activities	3 (a)	88,154,779	98,858,204
Revenues from Other activities	3 (b)	73,314	1,017,610
Total Revenue		<u>88,228,093</u>	<u>99,875,814</u>
Changes in Inventories of Finished Goods		(804,547)	(4,121,498)
Raw Materials & Consumables Used		(69,018,253)	(73,662,729)
Employee Remuneration		(9,908,879)	(8,792,655)
Employee Benefits Expense		(882,404)	(782,085)
Depreciation & Amortisation Expense	4 (a)	(2,352,154)	(2,405,837)
Borrowing Costs Expense		(40,884)	(73,601)
Plantation Expense Transferred to Standing Timber		(441,144)	(206,193)
Repairs and Maintenance		(2,487,191)	(1,898,808)
Electricity		(1,151,887)	(911,554)
Pension Fund movement		(210,000)	(309,000)
Other Expenses from Ordinary Activities		(1,085,430)	(601,199)
Profit from continuing operations before income tax		<u>(154,680)</u>	<u>6,110,655</u>
Income Tax (Expense)/Credit	5	28,250	(1,778,899)
Profit from continuing operations after income tax		<u>(126,430)</u>	<u>4,331,756</u>
Other Comprehensive Income			
Actuarial gain/(loss) on defined benefit plan		<u>(719,600)</u>	<u>(184,800)</u>
Other Comprehensive income for the period net of tax		<u>(719,600)</u>	<u>(184,800)</u>
Total comprehensive income for the period		<u>(846,030)</u>	<u>4,146,956</u>

The accompanying notes form part of these financial statements

SOUTH EAST FIBRE EXPORTS PTY LTD
ABN 85 000 604 795

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	NOTE	2011 \$	2010 \$
CURRENT ASSETS			
Cash	8	22,325,491	22,268,350
Trade & Other Receivables	9	7,571,112	7,998,940
Inventories	10	9,576,749	10,306,610
Other Assets	11	401,057	343,584
TOTAL CURRENT ASSETS		<u>39,874,409</u>	<u>40,917,484</u>
NON-CURRENT ASSETS			
Deferred Tax Assets	12	1,354,904	1,038,556
Property, plant and equipment	13	23,904,169	24,993,344
Plantation Establishment	14	3,024,339	2,799,298
Standing Timber at net market value	15	8,667,512	9,133,928
TOTAL NON-CURRENT ASSETS		<u>36,950,924</u>	<u>37,965,126</u>
TOTAL ASSETS		<u>76,825,333</u>	<u>78,882,610</u>
CURRENT LIABILITIES			
Trade and other Payables	16	5,170,001	4,079,992
Interest Bearing Loans and Borrowings	17	0	624,290
Income Tax Payable	18	0	899,457
Short Term Provisions	19 (a)	3,049,354	2,888,159
TOTAL CURRENT LIABILITIES		<u>8,219,355</u>	<u>8,491,898</u>
NON-CURRENT LIABILITIES			
Long Term Provisions	19 (b)	844,352	990,733
Deferred Tax Liabilities	20	3,553,271	3,583,594
Pension Liability	21	1,327,000	89,000
TOTAL NON-CURRENT LIABILITIES		<u>5,724,623</u>	<u>4,663,327</u>
TOTAL LIABILITIES		<u>13,943,978</u>	<u>13,155,225</u>
NET ASSETS		<u>62,881,355</u>	<u>65,727,385</u>
EQUITY			
Contributed Capital	22 (a)	7,500,000	7,500,000
Retained Earnings		39,181,355	42,027,385
Other Reserves	22 (b)	16,200,000	16,200,000
TOTAL EQUITY		<u>62,881,355</u>	<u>65,727,385</u>

The accompanying notes form part of these financial statements

SOUTH EAST FIBRE EXPORTS PTY LTD
ABN 85 000 604 795

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTE	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		87,053,608	90,787,189
Payments to suppliers and employees		(82,990,854)	(89,371,130)
Interest received		1,463,999	1,502,534
Finance Costs		(40,884)	(73,601)
Income tax paid		(909,478)	(746,355)
Net cash provided by operating activities	23 (b)	<u>4,576,391</u>	<u>2,098,637</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(1,288,215)	(2,885,992)
Payment for plantation timber establishment		(666,185)	(418,701)
Proceeds from sale of property, plant and equipment		59,440	1,017,610
Loans to unrelated parties payments made		0	0
Loans to related parties payments made		0	0
loans reinvested on STMM proceeds from repayments		<u>0</u>	<u>8,000,000</u>
Net cash used in investing activities		<u>(1,894,960)</u>	<u>5,712,917</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(624,290)	(1,010,448)
Lease finance borrowings		0	0
Dividends paid		<u>(2,000,000)</u>	<u>(2,000,000)</u>
Net cash provided by (used in) financing activities		<u>(2,624,290)</u>	<u>(3,010,448)</u>
Net increase in cash held		57,141	4,801,106
Cash at the beginning of financial year		<u>22,268,350</u>	<u>17,467,244</u>
Cash at the end of financial year	23 (a)	<u>22,325,491</u>	<u>22,268,350</u>

The accompanying notes form part of these financial statements

SOUTH EAST FIBRE EXPORTS PTY LTD
ABN 85 000 604 795

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Other Reserves	Ordinary Shares	Retained Earnings	Total
Balance 1 January, 2011	16,200,000	7,500,000	42,027,385	65,727,385
Profit for the period	0	0	(126,430)	(126,430)
Other comprehensive income	0	0	(719,600)	(719,600)
Total comprehensive income for the period	16,200,000	7,500,000	41,181,355	64,881,355
Transactions with owners in their capacity as owners				
Dividends paid or provided			(2,000,000)	(2,000,000)
Balance at 31 December, 2011	<u>16,200,000</u>	<u>7,500,000</u>	<u>39,181,355</u>	<u>62,881,355</u>
Balance 1 January, 2010	16,200,000	7,500,000	39,880,429	63,580,429
Profit for the period	0	0	4,331,756	4,331,756
Other comprehensive income	0	0	(184,800)	(184,800)
Total comprehensive income for the period	16,200,000	7,500,000	44,027,385	67,727,385
Transactions with owners in their capacity as owners				
Dividends paid or provided			(2,000,000)	(2,000,000)
Balance at 31 December, 2010	<u>16,200,000</u>	<u>7,500,000</u>	<u>42,027,385</u>	<u>65,727,385</u>

The accompanying notes form part of these financial statements

SOUTH EAST FIBRE EXPORTS PTY LTD
ABN 85 000 604 795

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 1 COMPANY INFORMATION

The special purpose financial report of South East Fibre Exports Pty Ltd for the year ended 31 December 2011 was authorised for issue in accordance with a resolution of the Directors on 19th April, 2012.

South East Fibre Exports Pty Ltd is a Company limited by shares that is incorporated and domiciled in Australia. Its ultimate parent entity is Nippon Paper Group Inc, being a public company listed in Japan.

The nature of the operations and principal activities of the company are described in the Directors' Report.

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

This special purpose financial report has been prepared for distribution to the members to fulfil the directors' financial reporting requirements under the Corporations Act 2001. The accounting policies used in the preparation of this financial report, as described below, are consistent with the previous years, and are, in the opinion of the directors, appropriate to meet the needs of members:

- (i) The financial report has been prepared on an accrual basis of accounting including the historical cost convention and the going concern assumption.
- (ii) The Company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs.

Accordingly, the financial report has been prepared in accordance with the Corporations Act 2001, the basis of accounting specified by all Accounting Standards and Interpretations and the disclosure requirements of AASB 101 '*Presentation of Financial Statements*', AASB 107 '*Cash Flow Statements*', AASB 108 '*Accounting Policies, Changes in Accounting Estimates and Errors*', AASB 1031 '*Materiality*' and AASB 1048 '*Interpretation and Application of Standards*' which apply to all entities required to prepare financial reports under the Corporations Act 2001.

The directors have determined that in order for the financial report to give a true and fair view of the Company's performance, cash flows and financial position, the requirements of Australian Accounting Standards and other financial reporting requirements in Australia relating to the measurement of assets, liabilities, revenues, expenses and equity should be complied with.

SOUTH EAST FIBRE EXPORTS PTY LTD
ABN 85 000 604 795

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Statement of Compliance

Certain Australian Accounting Standards and interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the annual reporting period ended 31st December, 2011. The Directors have not early adopted any of these new or amended standards or interpretations.

This special purpose financial report complies with Australian Accounting Standards as described above.

(c) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

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

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of product code weight received and manufactured.

SOUTH EAST FIBRE EXPORTS PTY LTD
ABN 85 000 604 795

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Property, Plant and Equipment

Property, Plant and Equipment

Each class of property, plant and equipment is carried at historical cost less accumulated depreciation and impairment losses.

Property

It is the policy of the Company to have an independent valuation carried out every 3 years, with annual approvals being made by the Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

The cost of fixed assets constructed by the Company include the cost of materials and labour hire associated with the construction.

Subsequent costs are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and leased assets, but excluding freehold land and plantation timber, are depreciated on a straight line basis over their estimated useful lives to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5% to 13.0%
Plant & Equipment	2.5% to 40.0%

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 the net disposal proceeds with the carrying amount. These gains or losses are included in the Income Statement. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

SOUTH EAST FIBRE EXPORTS PTY LTD
ABN 85 000 604 795

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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, are transferred to the Company; are classified as finance leases.

Finance leases are capitalised 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 their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease, whichever is the shorter.

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

(g) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible assets when events or circumstances indicate 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.

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

(h) Foreign Currency Transactions and Balances

Both the functional and presentation currency of South East Fibre Exports Pty Ltd is Australian dollars (A\$).

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Financial Assets - Investments

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments.

(j) 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, plus related on-costs. 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.

Contributions are made by the Company to five managed funds. One of the managed funds is both an Accumulation and Defined Benefit Fund (DBF) whilst the others are Accumulation funds only.

The cost of providing benefits under the plan is determined using the projected unit credit actuarial method.

Actuarial gains and losses are recognised in equity.

The pension liability recognised in the Balance Sheet represents the present value of the Defined Benefit obligation, net of the fair value of the plan assets.

(k) Provisions

Provisions are recognised when the company has a present 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.

(l) Cash and Cash Equivalents

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

(m) Revenue

Revenue from the sale of goods is recognised upon ownership of the goods passing to the customer.

Interest

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Revenue (Cont'd)

Change in value of Standing Timber

The net increment or decrement in the net market value of standing timber recognised as revenue or expense, is determined as the difference between the net market value as at the beginning of the financial year, and the net market value at the end of the financial year.

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

(n) Plantation Establishment

The cost of plantation establishment is included under Non-Current Assets in the Balance Sheet, and is carried at cost. Established timber has no active market until it has reached its 6th year of maturity.

The cost of Company owned land used for plantations is included under freehold land as part of property, plant and equipment in the balance sheet

(o) Standing Timber (Biological Assets)

Standing timber is plantation timber (which has reached its 6th year of maturity) plus forest timber and is valued based on fair value less point of sale costs in accordance with Accounting Standard AASB 141, Agriculture (refer Note 15). Standing timber planned for harvest within twelve months, is reported as a current asset, whilst the balance is reported as a non-current asset.

Fair value less point of sales cost is determined as the expected sales revenue in the planned year of harvesting, less the cost of plantation establishment and maintenance, costs of extraction, conversion to woodchips and distribution expenses.

Significant assumptions made in determining the net market value of standing timber are:

- (i) Standing Timber is valued based upon expected extractable timber that could be obtained from existing stands, given current management strategies and legislative and other externally imposed restrictions.
- (ii) Only the current standing timber is valued. The limit of the cash flow analysis is the expected year of harvesting individual plantations and/or native forests.
- (iii) Costs and revenues are based upon expected rates.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Standing Timber (Biological Assets) (Cont'd)

- (iv) The valuation assumes the continuation of existing practices with regard to silviculture and harvesting.
- (v) A nominal pre-tax discount rate of 9.5% per annum is applied to the estimated cash flows. This discount rate takes into account the risks associated with future cash flows.

(p) 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 Australian Taxation 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. The net GST component of all transactions is disclosed separately as cash flows from operating activities.

(q) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

SOUTH EAST FIBRE EXPORTS PTY LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 3	REVENUE	NOTE	2011 \$	2010 \$
	3 (a) Revenues from Ordinary Activities	2 (m)		
	Sales of Goods		86,696,925	97,358,331
	Interest Received	3 (c)	<u>1,457,854</u>	<u>1,499,873</u>
	Revenues for Ordinary Activities		<u>88,154,779</u>	<u>98,858,204</u>
	3 (b) Non-Operating Activities:			
	Proceeds on Disposal of P. P. & E.		59,440	1,017,610
	Rent		<u>13,874</u>	<u>0</u>
	Revenues from Non-Operating Activities		<u>73,314</u>	<u>1,017,610</u>
	Total Revenue		<u>88,228,093</u>	<u>99,875,814</u>
	3 (c) Revenue includes Interest Received from:			
	Related Entities		0	142,419
	Other Entities		<u>1,457,854</u>	<u>1,357,454</u>
			<u>1,457,854</u>	<u>1,499,873</u>
NOTE 4	PROFIT FROM ORDINARY ACTIVITIES			
	Profit from Ordinary Activities before Income Tax has been determined after:			
	(a) Expenses			
	Cost of Sales		82,489,467	89,716,047
	Depreciation & Amortisation			
	Buildings		17,212	17,800
	Plant & Equipment		2,217,218	2,160,820
	Leased Plant & Equipment		117,724	227,217
	Total Depreciation		<u>2,352,154</u>	<u>2,405,837</u>
	Borrowing Costs			
	Other Persons		40,884	73,601
	Auditors Remuneration	6	109,824	113,214
	Loss on sale of plant & equipment		3,462	22,935
	Rental Expenses on Operating Leases		<u>106,828</u>	<u>108,801</u>
	(b) Significant Revenue and Expenses			
	Profit on Sale of P. P. & E.		<u>37,663</u>	<u>0</u>
			<u>37,663</u>	<u>0</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 5	INCOME TAX EXPENSE	NOTE	2011	2010
			\$	\$
	A reconciliation of Income Tax Expense applicable to accounting profit before Income Tax at the statutory income tax rate to Income Tax Expense at the Company's effective Income tax rate for the years ended 31 December 2011 & 2010 is as follows:			
	Accounting Profit Before Income Tax		<u>(154,680)</u>	<u>6,110,655</u>
	At the Statutory Income Tax rate of 30% (2010 : 30%)		(46,406)	1,833,196
	Adjustments in respect of current Income Tax of previous years		10,021	(27,775)
	Non-deductible depreciation & amortisation		<u>5,164</u>	<u>5,340</u>
			(31,221)	1,810,761
	Other allowable deductions		<u>(2,971)</u>	<u>31,862</u>
	Income Tax Expense		<u>(28,250)</u>	<u>1,778,899</u>
	The applicable weighted average effective tax rates are as follows:			
			18.3%	29.1%
 NOTE 6	 AUDITORS' REMUNERATION			
	Remuneration of the Auditor of the Company for:			
	- auditing or reviewing the Financial Report		72,186	67,980
	- taxation and other services		37,638	45,234

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE	NOTE	2011 \$	2010 \$
NOTE 7	DIVIDENDS PAID AND PROPOSED		
	Interim fully franked dividend for 2011 - 13.3 cents (2010 –13.3 cents)	1,000,000	1,000,000
	Proposed fully franked Final Dividend for 2011 – 13.3 cents (2010 – 13.3 cents)	1,000,000	1,000,000
		<u>2,000,000</u>	<u>2,000,000</u>
	Franking Credit Balance		
	The amount of franking credits available for the subsequent financial year are:		
	- Franking account balance as at the end of the financial year at 30% (2010 : 30%)	25,453,596	25,401,261
	- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	0	899,457
	- Less Franking debits that will arise from the payment of dividends as at the end of the financial year	<u>(428,571)</u>	<u>(428,571)</u>
	Franking credits available for future reporting periods	<u>25,025,025</u>	<u>25,872,147</u>
	The tax rate at which paid dividends have been franked is 30% (2010 : 30%).		
	Dividends proposed will be franked at the rate of 30% (2010 : 30%).		
NOTE 8	CASH		
	Cash at Bank and in hand	1,125,491	68,350
	Short-term Bank deposits	21,200,000	22,200,000
	23 (a)	<u>22,325,491</u>	<u>22,268,350</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTE	2011 \$	2010 \$
NOTE 9	TRADE & OTHER RECEIVABLES		
	CURRENT		
	Trade receivables	<u>6,634,986</u>	<u>7,149,819</u>
	Other receivables	1,042,126	890,121
	Less Provision for impairment of receivables	<u>(106,000)</u>	<u>(41,000)</u>
		<u>936,126</u>	<u>849,121</u>
		<u><u>7,571,112</u></u>	<u><u>7,998,940</u></u>
	Trade receivables are non-interest bearing and are generally on 30 day terms.		
NOTE 10	INVENTORIES		
	CURRENT		
	At Cost		
	Raw materials	1,543,112	1,468,426
	Finished Goods	<u>8,033,637</u>	<u>8,838,184</u>
		<u><u>9,576,749</u></u>	<u><u>10,306,610</u></u>
NOTE 11	OTHER ASSETS		
	CURRENT		
	Prepayments	<u>401,057</u>	<u>343,584</u>
NOTE 12	DEFERRED TAX ASSETS		
	NON-CURRENT		
	Deferred Tax Asset comprises Tax Allowances relating to:		
	Carried Forward Tax Loss	18,219	0
	Provisions	938,585	917,575
	Pension Plan	398,100	26,700
	Plant & Equipment	0	94,281
		<u>1,354,904</u>	<u>1,038,556</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTE	2011 \$	2010 \$
NOTE 13			
PROPERTY, PLANT AND EQUIPMENT			
LAND & BUILDINGS			
Freehold land at cost	2 (e)	<u>8,703,429</u>	<u>8,610,154</u>
Total Land		<u>8,703,429</u>	<u>8,610,154</u>
Buildings at Cost	2 (e)	2,251,793	2,251,792
Less: Accumulated depreciation		<u>(1,970,327)</u>	<u>(1,953,114)</u>
Total buildings		<u>281,466</u>	<u>298,678</u>
Total land & buildings		<u>8,984,895</u>	<u>8,908,832</u>
PLANT & EQUIPMENT			
Plant & Equipment at cost		50,254,894	48,703,784
Less Accumulated Depreciation		<u>(35,335,620)</u>	<u>(33,255,648)</u>
		<u>14,919,274</u>	<u>15,448,136</u>
Leased Plant & Equipment			
Capitalised leased assets	2 (f)	0	1,037,305
Less Accumulated Amortisation		<u>0</u>	<u>(400,929)</u>
		<u>0</u>	<u>636,376</u>
Total plant & equipment		<u>14,919,274</u>	<u>16,084,512</u>
Total property, plant and equipment		<u>23,904,169</u>	<u>24,993,344</u>
NOTE 14			
PLANTATION ESTABLISHMENT			
On Company Land at cost		1,735,039	1,199,919
Profit a Prendre at cost		<u>1,289,300</u>	<u>1,599,379</u>
Non Current Assets	2 (n)	<u>3,024,339</u>	<u>2,799,298</u>
NOTE 15			
STANDING TIMBER – at fair value less point of sale cost (Biological Assets)			
Self Generating & Regenerating Asset		<u>8,667,512</u>	<u>9,133,928</u>
Non Current Asset	2 (o)	<u>8,667,512</u>	<u>9,133,928</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTE	2011 \$	2010 \$
NOTE 16	TRADE & OTHER PAYABLES		
	CURRENT		
	Trade Creditors	3,245,179	2,583,960
	Sundry Creditors	<u>1,924,822</u>	<u>1,496,032</u>
		<u>5,170,001</u>	<u>4,079,992</u>
	Trade payables and sundry creditors are non-interest bearing and are generally on up to 30 day terms.		
NOTE 17	INTEREST – BEARING LOANS AND BORROWINGS		
	CURRENT		
	Bank Overdraft	23 (c) 0	0
	Lease Liability	2 (f) <u>0</u>	<u>624,290</u>
		<u>0</u>	<u>624,290</u>
NOTE 18	INCOME TAX		
	CURRENT		
	Income Tax Payable	<u>0</u>	<u>899,457</u>
NOTE 19	PROVISIONS		
	Analysis of Total Provisions		
	(a) Current	3,049,354	2,888,159
	(b) Non-Current	<u>844,352</u>	<u>990,733</u>
		<u>3,893,706</u>	<u>3,878,892</u>
NOTE 20	DEFERRED TAX LIABILITIES		
	NON-CURRENT		
	Deferred Tax Liability comprises Tax Allowances relating to:		
	Standing Timber	2,600,255	2,740,180
	Plantation Expenditure	907,300	839,789
	Plant & Equipment	32,366	3,625
	Prepaid Workers Comp.	<u>13,350</u>	<u>0</u>
		<u>3,553,271</u>	<u>3,583,594</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 \$	2010 \$
NOTE 21 PENSION LIABILITY		
Represented by:		
Present Value of Benefit Obligation	6,341,000	6,579,000
Fair Value of Plan Assets	<u>(5,014,000)</u>	<u>(6,490,000)</u>
Defined Benefit Plan Liability	<u>1,327,000</u>	<u>89,000</u>

NOTE 22 CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary Shares

2,812,500 "I" class ordinary shares issued at \$1.00 each fully paid	2,812,500	2,812,500
4,687,500 "N" class ordinary shares issued at \$1.00 each fully paid	<u>4,687,500</u>	<u>4,687,500</u>
	<u>7,500,000</u>	<u>7,500,000</u>

Both classes of Ordinary shares participate in dividends and at the 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.

(b) Reserves

General Reserve	<u>16,200,000</u>	<u>16,200,000</u>
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The general reserve records funds set aside for future expansion of the Company.

NOTE 23 CASH FLOW INFORMATION

(a) Reconciliation of Cash

Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

Bank Balances	1,125,491	68,350
Cash on Deposit	21,200,000	22,200,000
Note 8	<u>22,325,491</u>	<u>22,268,350</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	\$	\$
NOTE 23 CASH FLOW INFORMATION (Cont'd)		
(b) Reconciliation of Cash Flow from Operations with Operating Profit from Ordinary Activities after Income Tax		
(i) Operating Profit from Ordinary Activities after Income Tax	(126,430)	4,331,756
Non-cash flows in operating profit		
- Plantations Logged	270,080	997,518
- Depreciation and Amortisation	2,352,154	2,405,837
- (Profits)/Losses on sale of property, plant and equipment	(34,201)	22,935
(Profits)/Loss on timber valuations	637,482	(2,479,376)
Changes in assets and liabilities		
- (Increase)/decrease in receivables	370,355	(6,244,203)
- (Increase)/decrease in pension plan asset	0	484,000
- (Increase)/decrease in retained earnings (defined benefit plan)	(719,600)	(184,800)
- (Increase)/decrease in inventories	729,861	3,078,971
- Increase/(decrease) in accounts payable	1,090,003	(1,387,490)
- Increase/(decrease) in provisions	14,814	31,146
- Increase/(decrease) in pension plan liability	1,238,000	89,000
- Increase/(decrease) in tax payable	(899,456)	753,451
- (Increase)/decrease in deferred tax asset	(316,348)	(205,762)
- Increase/(decrease) in deferred tax liability	(30,323)	405,654
Total Cash Flows from Operating Activities	<u>4,576,391</u>	<u>2,098,637</u>

(c) Credit Stand-by Arrangement and Loan Facilities

The Company has a Bank Overdraft facility (secured by registered mortgages over freehold land and by a registered equitable mortgage over the other assets of the Company) amounting to \$2,000,000 (2010 - \$2,000,000) and a lease finance facility of \$7,000,000 (2010 - \$7,000,000). These may be terminated at any time at the option of the Bank. During the financial year 2011, no amount of the Overdraft facility had been drawn upon (2010- \$0) and no amount of the lease facility was drawn upon (2010 - \$0). Bank Overdraft rates are variable whilst lease rates are fixed, per drawdown.

NOTE 24 ECONOMIC DEPENDENCE

The Company is significantly dependent on Nippon Paper Industries Co. Ltd. for the sale of woodchips, which represented 52.9% of the total sales dollars of woodchips during the financial year ended 31 December, 2011. (2010 – 63.3%)

SOUTH EAST FIBRE EXPORTS PTY LTD
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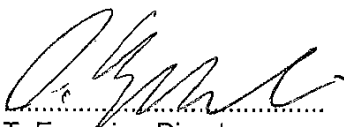
FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011


DIRECTORS' DECLARATION

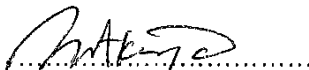
The Directors of the Company declare that:

- (1) The Financial Statements and Notes, as set out on pages 7 to 25 are in accordance with the Corporations Act 2001, and they:
 - (a) comply with Accounting Standards and the Corporations Act 2001; and
 - (b) give a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the year ended on that date;
- (2) The Company is not a reporting entity as defined in the Australian Accounting Standards.
- (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.

This declaration is made on the 19th April 2012, in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:


.....
T. Eguchi - Director


.....
S. Yabe - Director


.....
M. Akiyama - Director


.....
M. Obuchi - Director

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the financial report.

Opinion

In our opinion the financial report of South East Fibre Exports Pty Ltd is in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards to the extent described in Note 2, and the Corporations Regulations 2001.

Basis of accounting

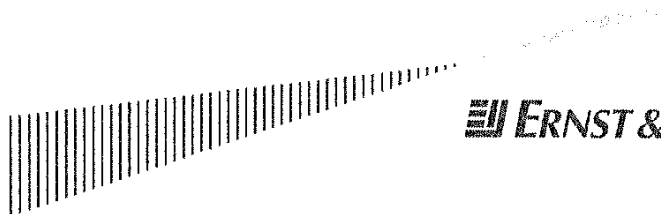
Without modifying our opinion, we draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.

A stylized, handwritten signature of the Ernst & Young firm.

Ernst & Young

A handwritten signature of Gregory J Logue.

Gregory J Logue
Partner
Sydney
19 April 2012



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Independent auditor's report to the members of South East Fibre Exports Pty Ltd

We have audited the accompanying financial report, being a special purpose financial report of South East Fibre Exports Pty Ltd, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal controls as the directors determine are necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those 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 controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 controls. 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.

SOUTH EAST FIBRE EXPORTS PTY LTD
ABN 85 000 604 795

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COMPANY DETAILS

**OFFICE
ESTABLISHMENT:** Registered Office, principal place of business &
Share Register

Edrom Road
PO Box 189
Eden, NSW 2551
Australia

Telephone: (02) 6496 0222

Facsimile: (02) 6496 1204

E-Mail: sefe@sefe.com.au

BANKERS: Commonwealth Bank of Australia
Bank of Western Australia Ltd

AUDITOR: Ernst & Young
Sydney, Australia

SOLICITOR: DibbsBarker - Sydney, Australia
Eden Legal & Conveyancing - Eden Australia