



Form 388

Corporations Act 2001
294, 294B, 295, 298-301, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08, 2M.3.01, 2M.3.03

Copy of financial statements and reports

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Company/scheme details

Company/scheme name

NIPPON PAPER RESOURCES AUSTRALIA PTY LTD

ACN/ARSN/PIN/ABN

070 211 004

Lodgement details

An image of this form will be available as part of the public register.

Who should ASIC contact if there is a query about this form?

ASIC registered agent number (if applicable)

Firm/organisation

NIPPON PAPER RESOURCES AUSTRALIA PTY LTD

Contact name/position description

MASAYUKI AKIYAMA (DIRECTOR)

Telephone number (during business hours)

(03) 9252 2700

Email address (optional)

Postal address

LEVEL 5, 131 QUEEN STREET

Suburb/City

MELBOURNE

State/Territory

VIC

Postcode

3000

RECEIVED
13 APR 2012
M.S.C.

1 Reason for lodgement of statement and reports

Tick appropriate box.

See Guide for definition of Tier 2 public company limited by guarantee

See Guide for definition of large proprietary company

See Guide for definition of small proprietary company

- A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
- A Tier 2 public company limited by guarantee (L)
- A registered scheme (B)
- Amendment of financial statements or directors' report (company) (C)
- Amendment of financial statements or directors' report (registered scheme) (D)
- A large proprietary company that is not a disclosing entity (H)
- A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I)
- A small proprietary company, or a small company limited by guarantee that is requested by ASIC to prepare and lodge statements and reports (J)
- A prescribed interest undertaking that is a disclosing entity (K)

Dates on which financial year begins and ends

Financial year begins

01 / 01 / 11
[D] [D] [M] [M] [Y] [Y]

to

Financial year ends

31 / 12 / 11
[D] [D] [M] [M] [Y] [Y]

2 Details of large proprietary company

See Guide for definition of large and small proprietary companies.

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

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

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

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

D How many members does the large proprietary company have?

3 Auditor's or reviewer's report

Tick one box and complete relevant section(s)

Were the financial statements audited or reviewed?

Audited - complete B only

Reviewed - complete A and B

No

If no, is there a class or other order exemption current for audit/review relief?

Yes

No

A. Reviewed

Is the reviewer a registered company auditor, or member of The Institute of Chartered Accountants in Australia, CPA Australia Limited, or National Institute of Accountants and holds a practising certificate issued by one of those bodies?

Yes

No

B. Audited or Reviewed

Is the opinion/conclusion in the report:

Modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

Yes

No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

Yes

No

4 Details of current auditor or auditors

Notes:

- Registered schemes must advise ASIC of the appointment of an auditor on a Form 5137 *Appointment of scheme auditor* within 14 days of the appointment of the auditor.
- A public company limited by guarantee may, in some circumstances, have their accounts reviewed. These companies are still required to have an auditor and these details must be provided.

Auditor registration number (for individual auditor or authorised audit company)

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City

State/Territory

Postcode

Country (if not Australia)

Date of appointment

[D D] [M M] [Y Y]

A company may have two appointed auditors, provided that both auditors were appointed on the same date. Otherwise, an appointed auditor must resign, be removed or otherwise ceased before a subsequent appointment may be made.

Auditor registration number (for individual auditor or authorised audit company)

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City

State/Territory

Postcode

Country (if not Australia)

5 Statements and reports to be attached to this form

Financial statements for the year (as required by s295(2) and accounting standards)

- Statement of comprehensive income, may also include a separate income statement for the year
- Statement of financial position as at the end of the year
- Statement of cash flows for the year
- Statement of changes in equity.

OR

If required by accounting standards — the consolidated statements of comprehensive income/income statement, financial position, cash flows and changes in equity.

Notes to financial statements (see s295(3))

- Disclosures required by the regulations
- Notes required by the accounting standards
- Any other information necessary to give a true and fair view (see s297).

The signed directors' declaration about the statements and notes (see s295(4)).

The signed directors' report for the year, including the copy of the auditor's or reviewer's independence declaration (see s298 to s300A).

Signed auditor's report or, where applicable, reviewer's report (see s301, s307 to s308).

Concise report (if any) (see s319).

Signature

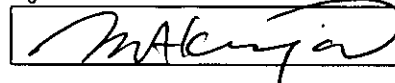
See Guide for details of signatory.

I certify that the attached documents marked () are a true copy of the original reports required to be lodged under s319 of the *Corporations Act 2001*.

Name

MASAYUKI AKIYAMA

Signature



Capacity

- Director
 Company secretary

Date signed

1 2, 0 4, 1 2
[D] [D] [M] [M] [Y] [Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

For more information

Web www.asic.gov.au
Need help? www.asic.gov.au/question
Telephone 1300 300 630

Or lodge the form electronically by:

- visiting the ASIC website www.asic.gov.au
- using Standard Business Reporting enabled software. See www.sbr.gov.au for more details.

COPY

NIPPON PAPER RESOURCES AUSTRALIA PTY LTD
ACN 070 211 004

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 31 December 2011.

Directors

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

Masayuki Akiyama
Haruo Fujisawa
Nobuya Asahina

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activity

The principal activity of the company during the financial year consisted of participation in Afforestation Joint Ventures.

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

Operating Results

The profit of the company for the financial year after providing for income tax amounted to \$352,766 (2010: \$3,398,621).

Review of Operations

A review of the operations of the company during the financial year and the results of those operations found that during the year, the company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements. Included in the current year's performance was a decrement in market value of biological asset amounting to \$2,583,154. This was attributable to the reduction in the woodchip FOB price by \$15/BDT given the sluggish economic condition and weaker forecast for paper demand in Japan.

Significant Changes in State of Affairs

No significant changes in the state of affairs of the company occurred during the financial year.

Events After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely Developments

The company expects to maintain the present status and level of operations and hence there are no likely developments in the company's operations.

Environmental Issues

The company engages in a number of forestry activities in Victoria and Western Australia and is committed to managing their forest resource in a sustainable manner. In so doing it is required to comply with all relevant legislation, codes of practice and other non-legislative requirements detailed under AS4708 Australian Forestry Certification Scheme – Sustainable Forest Management.

Based on its performance reports, no non conformances were identified in relation to its operating activities during the financial year under review.

Dividends Paid or Recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Share Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

DIRECTORS' REPORT (Continued)

Indemnification of Officer or Auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

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 3 of the Financial Report.

Signed in accordance with a resolution of the Company of Directors: .



M. Aklyama

Dated this 12th day of APRIL, 2012

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Partnership**
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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF NIPPON PAPER RESOURCES AUSTRALIA PTY LTD**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2011 there have been:

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


**BENTLEYS MELBOURNE PARTNERSHIP
CHARTERED ACCOUNTANTS**


**MARTIN FENSOME
PARTNER**

Dated in Melbourne on this 12 day of April 2012.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	2011 \$	2010 \$
Continuing operations			
Sale revenue	2	17,601,447	18,877,671
Cost of sales	3	<u>(15,237,952)</u>	<u>(16,520,799)</u>
Gross profit		2,363,495	2,356,872
Other revenue	2	2,995,724	4,814,164
Decrement in market value of biological assets	3	(2,583,154)	-
Finance costs	3	(2,833)	(177,801)
Project establishment and maintenance costs		(129,770)	(144,344)
Employee benefits expense		(1,109,066)	(860,147)
Depreciation expense	3	(30,431)	(41,531)
Travel and related expenses		(94,748)	(213,169)
Administration expenses		(190,288)	(195,919)
Professional fees		(137,791)	(119,534)
Other expenses		<u>(476,197)</u>	<u>(323,159)</u>
Profit before income tax	3	604,941	5,095,432
Income tax expense	4	<u>(252,175)</u>	<u>(1,696,811)</u>
Profit for the year		<u>352,766</u>	<u>3,398,621</u>
Total comprehensive income for the year		<u>352,766</u>	<u>3,398,621</u>
Profit attributable to:			
Owners of the company		<u>352,766</u>	<u>3,398,621</u>
Profit for the year		<u>352,766</u>	<u>3,398,621</u>
Total comprehensive income attributable to:			
Owners of the company		<u>352,766</u>	<u>3,398,621</u>
Total comprehensive income for the year		<u>352,766</u>	<u>3,398,621</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

	Notes	2011 \$	2010 \$
CURRENT ASSETS			
Cash and cash equivalents	5	4,198,740	1,423,926
Trade and other receivables	6	3,381,143	4,400,192
Inventories	7	2,243,132	1,576,955
Other current assets	8	131,242	242,154
TOTAL CURRENT ASSETS		<u>9,954,257</u>	<u>7,643,227</u>
NON-CURRENT ASSETS			
Property, plant and equipment	9	21,408,670	21,438,877
Deferred tax assets		17,062	16,232
Biological assets	10	18,983,617	23,702,550
TOTAL NON-CURRENT ASSETS		<u>40,409,349</u>	<u>45,157,659</u>
TOTAL ASSETS		<u>50,363,606</u>	<u>52,800,886</u>
CURRENT LIABILITIES			
Trade and other payables	11	1,273,843	1,261,794
Current tax liability		672,559	565,246
Short term borrowings	12	-	1,600,000
Short term provisions	13	8,314	-
TOTAL CURRENT LIABILITIES		<u>1,954,716</u>	<u>3,427,040</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		5,926,739	7,244,461
TOTAL NON-CURRENT LIABILITIES		<u>5,926,739</u>	<u>7,244,461</u>
TOTAL LIABILITIES		<u>7,881,455</u>	<u>10,671,501</u>
NET ASSETS		<u>42,482,151</u>	<u>42,129,385</u>
EQUITY			
Issued capital	14	26,500,000	26,500,000
Retained earnings		15,982,151	15,629,385
TOTAL EQUITY		<u>42,482,151</u>	<u>42,129,385</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2011**

	Note	Issued capital \$	Retained earnings \$	Total attributable to equity holders of the company \$
Balance at 1 January 2010		26,500,000	12,230,764	38,730,764
Profit for the year		-	3,398,621	3,398,621
Total comprehensive income for the year		-	3,398,621	3,398,621
Balance at 31 December 2010		26,500,000	15,629,385	42,129,385
Balance at 1 January 2011		26,500,000	15,629,385	42,129,385
Profit for the year		-	352,766	352,766
Total comprehensive income for the year		-	352,766	352,766
Balance at 31 December 2011		26,500,000	15,982,151	42,482,151

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	2011 \$	2010 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		24,368,395	22,842,799
Payments to suppliers and employees		(14,791,831)	(14,938,889)
Interest received		234,523	46,551
Interest paid		(2,833)	(177,801)
Income tax paid		(1,463,414)	-
Net cash provided by operating activities	17	8,344,840	7,772,660
CASH FLOW FROM INVESTING ACTIVITIES			
Loan advanced to related party		(3,000,000)	-
Proceeds from sale of property, plant and equipment		19,516	117
Payments for regenerative assets		(983,104)	(853,332)
Payments for property, plant and equipment		(6,438)	(66,941)
Net cash used in investing activities		(3,970,026)	(920,156)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1,600,000)	(6,400,000)
Net cash used in financing activities		(1,600,000)	(6,400,000)
Net increase in cash and cash equivalents		2,774,814	452,504
Cash and cash equivalents at beginning of financial year		1,423,926	971,422
Cash and cash equivalents at end of financial year	5,17	4,198,740	1,423,926

The accompanying notes form part of these financial statements.

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

The financial statements cover Nippon Paper Resources Pty Ltd as an individual entity. Nippon Paper Resources Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Framework

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, these special purpose financial statements have been prepared to satisfy the directors' reporting requirements under the *Corporations Act 2001*.

Statement of Compliance

The financial statements have been prepared in accordance with the *Corporations Act 2001*, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of *Accounting Standards AASB 101 Presentation of Financial Statements*, *AASB 107 Cash Flow Statements* and *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*.

Adoption of New and Revised Accounting Standards

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

The adoption of these Standards has impacted the recognition, measurement and disclosure of certain transactions.

Application of these standards has not resulted in a material impact on the preparation and presentation of the financial statements of the Company.

New Accounting Standards for Application in Future Periods

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 financial year ended 31 December 2011. The directors have assessed the impact of these standards and interpretations and have determined that it is unlikely that they will require any changes to the company's accounting policies or have an impact on the company.

Basis of Preparation

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Cost is based on the fair values of the consideration given in exchange for assets.

All amounts are presented in Australian dollars, unless otherwise noted.

Accounting Policies

(a) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer and can be measured reliably. Risks and rewards are considered as having passed to the buyer at the time of delivery of goods to the customer.

Rendering of Services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Interest

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (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 the end of the reporting period. 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 as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

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 the end of the reporting period. 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) 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 statement of financial position.

(d) Trade and other receivables

Trade and other receivables are initially recognised at fair value and are subsequently measured at amortised cost less any provision for impairment of uncollectible amounts. Current trade and term receivables are generally within 30-day terms.

Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. Bad debts are written off when identified.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) 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 weighted average costs.

(f) Property, Plant and Equipment

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

Property

Freehold land is shown at cost.

Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

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 in determining recoverable amounts.

The cost of plant and equipment constructed within the company 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 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 other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all plant and equipment including capitalised lease assets, but excluding freehold land, is depreciated on a diminishing value basis over their useful lives to the company 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 or the estimated useful lives of the improvements.

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

Class of fixed asset	Depreciation rates
Motor Vehicles	22.5%
Furniture, Fixtures and Fittings	7.5%-50%
Leasehold Improvements	12.5%-20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 or losses are included in the statement of comprehensive income.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Biological Assets

Biological assets include the trees and plantations owned by the company. Biological assets are measured on initial recognition and each reporting date at fair value less estimated sale costs by using the net present value method except when the fair value cannot be measured reliably. In this instance the biological asset is measured as its cost less any accumulated depreciation and any accumulated impairment losses until such time as its fair value can be reliably measured.

Agricultural produce is the harvested product of a biological asset and includes logs and is measured at its fair value less sale costs at the point of harvest.

Net gains or losses in fair value less estimated point of sale costs of biological assets are included in the statement of comprehensive income for the period they arise.

(h) Impairment of Assets

At each reporting date, the company 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 statement of comprehensive income.

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.

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

(i) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(j) Loans and Borrowings

Loans and borrowings (excluding financial guarantees) are initially recognised at fair value, being the fair value of the consideration received net of issue costs associated with the borrowing. Loans and borrowings are subsequently measured at amortised cost.

(k) 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 in the statement of comprehensive income in the period in which they are incurred.

(l) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. 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. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Interests In Joint Ventures

The company's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated statements of financial performance and financial position. Details of the company's interests are shown in Note 16.

The company's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent company's interests in joint venture entities are brought to account using the cost method.

(n) Leases

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

(o) 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 statement of financial position are shown inclusive of GST.

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

(p) Comparative Figures

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

(q) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments 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 company.

Key estimates — Impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. No impairment has been recognised in respect of plant and equipment for the year ended 31 December 2011.

Key estimates — Biological Assets

The company at each reporting date uses the net present value method to determine the net market value of the Biological Assets held. The company makes specific assumptions to perform this calculation. These assumptions are described in Note 10(a).

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

	Note	2011 \$	2010 \$
NOTE 2: REVENUE AND OTHER INCOME			
Sales Revenue			
- sale of goods		17,601,447	18,877,671
Other revenue			
- agent service fees		1,777,282	3,477,226
- plantation management fees		654,639	415,933
- interest income – other persons		234,523	46,551
- Profit on disposal of non-current assets		13,302	-
- Other revenue		315,978	274,655
- Net increments in the net market value of SGARA's		-	599,799
		<u>2,995,724</u>	<u>4,814,164</u>
 Total revenue and other income		<u>20,597,171</u>	<u>23,691,835</u>
 NOTE 3: PROFIT FOR THE YEAR			
<i>(a) Expenses:</i>			
Cost of sales		15,237,952	16,520,799
Finance costs		2,833	177,801
Net decrements in the net market value of SGARA's		2,583,154	-
Loss on disposal of non-current asset		-	24,396
<i>Depreciation of non-current assets</i>			
- Leasehold improvements		2,791	4,182
- Plant and equipment		27,640	37,349
		<u>30,431</u>	<u>41,531</u>
<i>Remuneration of the auditors for:</i>			
- audit or review services		31,905	29,800
- taxation and other services		42,810	54,430
		<u>74,715</u>	<u>84,230</u>
 NOTE 4: INCOME TAX EXPENSE			
<i>(a) The components of tax expense comprise:</i>			
Current tax			
- Current tax charge		1,502,343	565,246
- Under/(over) provision in respect of prior years		68,383	(11,537)
		<u>1,570,726</u>	<u>553,709</u>
Deferred tax			
- Deferred tax (credit)/charge		(1,318,551)	1,143,102
		<u>252,175</u>	<u>1,696,811</u>

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

	Note	2011 \$	2010 \$
NOTE 4: INCOME TAX EXPENSE (continued)			
<i>(b) The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:</i>			
Prima facie income tax payable on profit before income tax at 30% (2010: 30%)		181,482	1,528,630
Add:			
Tax effect of:			
- other non-allowable items		2,310	1,696
- recognition of timing differences not previously recognised		-	178,022
- under/(over) provision for income tax for prior years		68,383	(11,537)
		252,175	1,696,811
Income tax expense attributable to entity		252,175	1,696,811

The applicable weighted average effective tax rates are as follows:

	41.7%	33.3%
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In accordance with the probability criteria referred to in the income tax accounting policy, both the capitalised expenditure and market value portion of the plantation asset have been taken into account in the deferred tax calculation.

NOTE 5: CASH AND CASH EQUIVALENTS

Cash at bank		4,198,740		1,423,926
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The effective interest rate on deposits at call was 4.54% (2010: 2.33%); these deposits have an average maturity of 30 days.

NOTE 6: TRADE AND OTHER RECEIVABLES

Current

Trade and other receivables		381,143		4,400,192
Unsecured loans to related party	(i)	3,000,000		-
		3,381,143		4,400,192

(i) The loans to Paper Australia Pty Ltd, a fellow subsidiary of Nippon Paper Industries Co., Ltd, comprise of a \$1,000,000 loan at an interest rate of 4.9% per annum receivable on 29 February 2012 and a \$2,000,000 loan at an interest rate of 5.0% per annum receivable on 30 March 2012.

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

	Note	2011 \$	2010 \$
NOTE 7: INVENTORIES			
Current			
Inventory at cost		<u>2,243,132</u>	<u>1,576,955</u>
 NOTE 8: OTHER ASSETS			
Current			
GST receivable		52,854	103,220
Security deposits		18,115	18,509
Prepayments		<u>60,273</u>	<u>120,425</u>
		<u>131,242</u>	<u>242,154</u>
 NOTE 9: PROPERTY, PLANT AND EQUIPMENT			
<i>(a) Land</i>			
At cost		<u>21,245,661</u>	<u>21,245,661</u>
 <i>(b) Leasehold Improvements</i>			
At cost		69,347	69,347
Less accumulated depreciation		<u>(8,147)</u>	<u>(5,356)</u>
		<u>61,200</u>	<u>63,991</u>
 <i>(c) Plant and equipment</i>			
At cost		343,189	379,297
Less accumulated depreciation		<u>(241,380)</u>	<u>(250,072)</u>
		<u>101,809</u>	<u>129,225</u>
 Total property, plant and equipment		 <u>21,408,670</u>	 <u>21,438,877</u>

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Land \$	Leasehold Improvements \$	Plant & equipment \$	Total \$
Carrying value at 1 January 2011	21,245,661	63,991	129,225	21,438,877
Additions	-	-	6,438	6,438
Disposals	-	-	(6,214)	(6,214)
Depreciation expense	-	(2,791)	(27,640)	(30,431)
Carrying value at 31 December 2011	<u>21,245,661</u>	<u>61,200</u>	<u>101,809</u>	<u>21,408,670</u>

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

	Note	2011 \$	2010 \$
NOTE 10: BIOLOGICAL ASSETS			
Forest holdings consist of the following:			
Direct plantation costs – joint venture costs		10,572,268	11,734,266
Net market value – joint venture		8,401,163	11,947,905
<i>Total forest holdings</i>	10(a)	18,973,431	23,682,171
Livestock		10,186	20,379
		<u>18,983,617</u>	<u>23,702,550</u>

(a) Forest Holdings

	At Cost \$	Market Value \$	Total \$
Balance at 1 January 2010	12,151,012	13,035,003	25,186,015
Additions	853,332	-	853,332
Transfer to cost of sales	(1,270,078)	(1,686,897)	(2,956,975)
Market value increment	-	599,799	599,799
Balance at 31 December 2010	11,734,266	11,947,905	23,682,171
Additions	983,104	-	983,104
Transfer to cost of sales	(2,145,102)	(963,588)	(3,108,690)
Market value decrement	-	(2,583,154)	(2,583,154)
Balance at 31 December 2011	10,572,268	8,401,163	18,973,431

Market value

As at 31 December 2010	11,734,266	11,947,905	23,682,171
As at 31 December 2011	10,572,268	8,401,163	18,973,431

	At Cost Ha	Market Value Ha	Total Ha
Number of Hectares Held			
As at 31 December 2010	3,571	6,506	10,077
As at 31 December 2011	3,881	6,019	9,901

Significant assumptions made in using Net Present Value method to determine the net market value of the trees are:

- (i) Forests are valued based on expected volumes that could be obtained from existing stands, given current management strategies
- (ii) Only trees that are 6 years and older are valued using the net present value methodology
- (iii) The cost of growing the trees is deducted in determining the net cash flows
- (iv) The main cost categories are development, maintenance, lease and overhead costs
- (v) The valuation assumes the continuation of existing practices with regard to silviculture and harvesting
- (vi) The valuation has been prepared in real terms with no adjustment for inflation
- (vii) A pre-tax discount rate of 10% per annum is applied to the estimated cash flows. This discount rate takes into account the risk associated with future cash flows
- (viii) The accumulated cost table shows the net book value for the plantations at cost and the plantations at market value. The plantations at cost balance reflects the capitalised costs since inception for all plantations, regardless of their age, and the plantations at market value reflects only the re-valuation movements for plantations 6 years and older.

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

	Note	2011 \$	2010 \$
NOTE 11: TRADE AND OTHER PAYABLES			
Current			
Trade and accrued expenses		822,280	843,418
Unearned revenue		398,597	365,962
Other payables		25,476	30,115
Annual leave liability		27,490	22,299
		1,273,843	1,261,794

NOTE 12: BORROWINGS

Current

Secured liabilities

Short term borrowings	(i)	-	1,600,000
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(i) The bank loans in the previous financial year were in the nature of cash advances secured by a letter of guarantee from the ultimate parent entity, Nippon Paper Industries Co., Ltd.

NOTE 13: PROVISIONS

Current

Employee benefits		8,314	-
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NOTE 14: ISSUED CAPITAL

26,500,000 (2010: 26,500,000) fully paid ordinary shares		26,500,000	26,500,000
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Fully paid ordinary shares carry one vote per share and carry the right to dividends.

NOTE 15: CAPITAL AND LEASING COMMITMENTS

(a) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable

- not later than one year		485,711	512,698
- later than one year and not later than five years		1,433,383	1,439,660
- later than five years		3,495,017	3,674,672
		5,414,111	5,627,030

The above commitments include lease expenditure commitments relating to the following joint ventures:

- Bunbury Treefarm Project Joint Venture		4,660,009	4,851,941
- Victoria Treefarm Project Joint Venture		702,901	681,728
		5,362,910	5,533,669

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

	Note	2011 \$	2010 \$
NOTE 16: JOINT VENTURE INTERESTS			
The company has entered into four joint venture arrangements to develop afforestation operations- the Bunbury Treefarm Project Joint Venture, the Portland Treefarm Project, the Victoria Treefarm Project Joint Venture and the Green Triangle Treefarm Project Joint Venture.			
<i>(a) Bunbury Treefarm Project Joint Venture</i>			
The company has a 70% participating interest in the Bunbury Treefarm Project Joint Venture. The company's share of the net assets of the joint venture is included in the statement of financial position under the following classifications.			
Current Assets			
Cash and cash equivalents		465,317	790,940
Prepayments		35,494	32,911
Inventories		2,243,132	1,576,954
Receivables		35,266	96,555
Total Current Assets		2,779,209	2,497,360
Non-Current Assets			
Regenerative assets - forest holdings		14,999,949	19,410,354
Property, plant and equipment		19,698,913	19,729,840
Total Non-Current Assets		34,698,862	39,140,194
Total Assets		37,478,071	41,637,554
Current Liabilities			
Unearned revenue		328,431	252,444
Payables		460,987	514,263
Total Current Liabilities		789,418	766,707
Share of net assets employed in joint venture		36,688,653	40,870,847

The company's share of the expenditure commitments relating to the joint venture is disclosed in Note 15(a).

The joint venture is not a separate legal entity. A contractual arrangement exists between the participants for the sharing of costs and outputs.

(b) Victorian Treefarm Project Joint Venture

The company has a 33.33% participating interest in the Victoria Treefarm Project Joint Venture. The company's share of the net assets of the joint venture is included in the statement of financial position under the following classifications.

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

	Note	2011 \$	2010 \$
NOTE 16: JOINT VENTURE INTERESTS (continued)			
<i>(b) Victorian Treefarm Project Joint Venture (continued)</i>			
Current Assets			
Cash and cash equivalents		229,308	258,477
Receivables		18,580	17,145
Other current assets		35,143	55,952
Total Current Assets		283,031	331,574
Non-Current Assets			
Regenerative assets - forest holdings		1,159,530	1,423,781
Total Non-Current Assets		1,159,530	1,423,781
Total Assets		1,442,561	1,755,355
Current Liabilities			
Unearned revenue		70,166	48,048
Other		95,955	63,393
Total Current Liabilities		166,121	111,441
Share of net assets employed in joint venture		1,276,440	1,643,914

The company's share of the expenditure commitments relating to the joint venture is disclosed in Note 15(a).

The joint venture is not a separate legal entity. A contractual arrangement exists between the participants for the sharing of costs and output.

(c) Green Triangle Treefarm Project Joint Venture

The company has a 50% participating interest in the Green Triangle Treefarm Project Joint Venture. The company's share of the net assets of the joint venture is included in the statement of financial position under the following classifications:

Non-Current Assets			
Regenerative assets - forest holdings		-	-
Total Non-Current Assets		-	-
Total Assets		-	-
Current Liabilities			
Accounts payable		-	-
Total Current Liabilities		-	-
Share of net assets employed in joint venture		-	-

The joint venture is not a separate legal entity. A contractual arrangement exists between the participants for the sharing of costs and output.

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

	Note	2011 \$	2010 \$
NOTE 16: JOINT VENTURE INTERESTS (continued)			
<i>(d) Portland Treefarm Project Joint Venture</i>			
The company has a 33.33% participating interest in the Portland Treefarm Project Joint Venture. The company's share of the assets of the joint venture is included in the statement of financial position under the following classifications.			
Current Assets			
Cash and cash equivalents		42,003	33,222
Prepayments		5,211	16,335
Receivables		770	2,227
Total Current Assets		47,984	51,784
Non-Current Assets			
Regenerative assets - forest holdings		2,824,137	2,848,036
Property, plant and equipment		1,585,205	1,585,214
Total Non-Current Assets		4,409,342	4,433,250
Total Assets		4,457,326	4,485,034
Current Liabilities			
Payables		7,936	19,803
Total Current Liabilities		7,936	19,803
Share of net assets employed in joint venture		4,449,390	4,465,231

The joint venture is not a separate legal entity. A contractual arrangement exists between the participants for the sharing of costs and output.

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

	Note	2011 \$	2010 \$
NOTE 17: NOTES TO THE STATEMENT OF CASH FLOWS			
<i>(a) Reconciliation of cash</i>			
For the purpose of the statement of cash flows, cash includes cash on hand and at bank net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows and reconciled to the related items in the statement of financial position is as follows:			
Cash and deposits		<u>4,198,740</u>	<u>1,423,926</u>
<i>(b) Reconciliation of cash flow from operations with profit after tax</i>			
Profit after income tax		352,766	3,398,621
Decrement in merchandise stock		3,118,883	2,956,975
(Profit)/loss on disposal of non current assets		(13,302)	24,396
Depreciation		30,431	41,531
Biological asset net market value decrements/(increments)		2,583,154	(599,524)
Changes in assets and liabilities:			
Decrease/(Increase) in trade and other receivables		4,019,049	(802,485)
Decrease in other current assets		110,912	200,133
(Increase)/Decrease in inventories		(666,177)	405,807
(Decrease)/Increase in net deferred tax liability		(1,318,552)	1,131,565
Increase in trade and other payables		12,049	450,395
Increase in provisions		8,314	-
Increase in current tax liability		107,313	565,246
Net cash from operating activities		<u>8,344,840</u>	<u>7,772,660</u>
<i>(c) Financing Arrangements</i>			
<i>Total facilities:</i>			
- Bank loan facilities		25,000,000	25,000,000
<i>Used at reporting date:</i>			
- Bank loan facilities		-	1,600,000
<i>Unused at reporting date</i>			
- Bank loan facilities		<u>25,000,000</u>	<u>23,400,000</u>

The company has an indemnity guarantee from ANZ Bank. The amount of the facility is \$14,960, of which the unused portion of the facility is \$14,960.

The unused bank loan facilities are guaranteed by Nippon Paper Industries Co., Ltd.

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

NOTE 18: EVENTS AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

NOTE 19: CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2011 (2010: \$Nil).

NOTE 20: COMPANY DETAILS

The registered office and principal place of business of the company is:


Nippon Paper Resources Australia Pty Ltd
Level 5, 131 Queen Street
Melbourne VIC 3000

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 22 are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 31 December 2011 and of the performance for the financial year ended on that date of the company.
2. 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 in accordance with a resolution of the directors.



M. Akiyama

Dated this 12th day of APRIL, 2012.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NIPPON PAPER RESOURCES AUSTRALIA PTY LTD**

We have audited the accompanying financial report of Nippon Paper Resources Australia Pty Ltd, being a special purpose financial report, which comprises the statement of financial position as at 31 December 2011, and 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 that gives a true and fair view in accordance with Australian Accounting Standards and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial report are appropriate to meet the financial reporting requirements of the *Corporations Act 2001* and are appropriate to meet the needs of the members. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and 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 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 about 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NIPPON PAPER RESOURCES AUSTRALIA PTY LTD (Continued)**

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Nippon Paper Resources Australia Pty Ltd on 12 April 2012, would be in the same terms if given to the directors as at the time of this auditor's report.

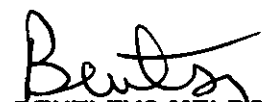
Opinion

In our opinion the financial report of Nippon Paper Resources Australia Pty Ltd is in accordance with the *Corporations Act 2001*, including:

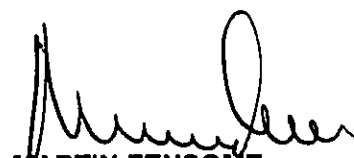
- (i) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the *Corporations Regulations 2001*.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 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.



**BENTLEYS MELBOURNE PARTNERSHIP
CHARTERED ACCOUNTANTS**



**MARTIN FENSOME
PARTNER**

Dated in Melbourne on this 12 day of April 2012.