

Annual Report
30 June 2019

 ENVIRONMENTAL
CARBON OFFSET

ENVIRONMENT CARBON

OFFSET LIMITED

ACN 077 014 594

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Corporate Directory

Directors

Sydney Chesson (Chairman)

Simon Chesson (Director)

Jeanette Chesson (Director)

Company Secretary

Simon Chesson

Registered Office

AustAsia House

412 Newcastle Street

West Perth WA 6005

PO Box 332

Leederville WA 6903

Telephone: 08 9227 6300

Facsimile: 08 9227 6400

Web: www.kiripark.com.au

Members of the Consolidated Group

Environmental Carbon Offset Limited

ACN 077 014 594

Environmental Forest Farms Management Pty Ltd

ACN 087 201 670

EFF Timber Pty Ltd

ACN 082 882 960

Powton Land Holdings Pty Ltd

ACN 087 201 652

Forestry Finance Pty Ltd

ACN 108 513 239

Auditors

Armada Audit Services Pty Ltd

18 Sangiorgio Court

Osborne Park WA 6017

Director's Report

Your directors submit the financial report of the company for the financial year ended 30 June 2019.

Principal Business Activities

During the financial year ended, the ECO Group's primary activity was care and maintenance of the Kiri Park property.

Directors

The names of the directors who held office during or since the end of the period are:

Sydney J. Chesson

Simon JS Chesson

Jeanette M Chesson

Thomas Henn (deceased May 2019)

Since the financial period ended 30 June 2019, there have been no significant after balance date events.

Directors Information

Sydney Chesson

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

Chairman

Mr Chesson has been awarded a Master of Business Administration degree from the University of Notre Dame Australia, where he was admitted to the Vice Chancellor's list for academic excellence. He is a licensed real estate agent and business broker, and a licensed finance broker. He has extensive experience in importing and exporting, production and manufacturing. He has over 35 years experience in real estate and over 40 years experience in business and commercial activities.

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

Mr Chesson is the Chairman of Environmental Carbon Offset Ltd, Environmental Forest Farms Management Pty Ltd, EFF Timber Pty Ltd and Powton Land Holdings Pty Ltd.

Simon Chesson

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

Director

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

Mr Simon Chesson has over 20 years experience in business, accounting, and the property industry. He has extensive experience as a Director and company secretary of numerous public and private companies.

Mr Simon Chesson is also a Director of Environmental Carbon Offset Ltd, Environmental Forest Farms Management Pty Ltd, EFF Timber Pty Ltd and Powton Land Holdings Pty Ltd.

Thomas Henn

Deceased on 27th May 2019.

Jeanette Chesson

Director

Mrs Chesson has over 30 years experience in the property and financial services industries. She is a Director of several private companies and has extensive experience in property syndication and the administration of property trusts.

Director's Report

Directors' Meetings

During the year, the following meetings were held:

	No. of meetings eligible to attend	No. of meetings attended
Sydney Chesson	2	2
Simon Chesson	2	2
Jeanette Chesson	1	1
Thomas Henn	1	1

Directors and Senior Executives Remuneration

Disclosure relating to Directors and Executive Officers' remuneration has been included in Note 20 of the Financial Report.

Indemnification and Insurance of Officers and Auditors

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

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

Directors' Interests

The Directors' of the Company hold the following interest in fully paid ordinary shares and partly paid ordinary shares in the Company as at the date of this Report:

Fully Paid Ordinary Shares

	Direct Holding	Indirect Holding	Total
Sydney Chesson	Nil	55,094	55,094
Simon Chesson	Nil	55,453	55,543
Jeanette Chesson	Nil	1,080	1,080
Total	Nil	111,627	111,627

Directors' interests in contracts and related party transactions are detailed in note 20 of the Financial Report.

Options

No options to acquire shares in the Company have been granted during this financial year and there were no options outstanding at the end of the financial year.

Employees

There were no employees of the Company during the year or at year end.

Rounding of Amounts

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

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 8 for the end of financial period 30 June 2019.

This report is signed in accordance with a resolution of the Board of Directors.



Simon Chesson

Director

Perth, 2 October 2019

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001**

TO THE DIRECTORS OF ENVIRONMENTAL CARBON OFFSET LIMITED

I declare that, to the best of my knowledge and belief, during year ended 30 June 2019 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.

AAA

ARMADA AUDIT & ASSURANCE PTY LTD

N. Dias

NIGEL DIAS
DIRECTOR

Dated this 2nd October 2019 at Perth, Western Australia

FINANCIAL STATEMENT

AND NOTES TO THE

FINANCIAL STATEMENTS

Statement of Comprehensive Income

for the year ended 30 June 2019

	Notes	Consolidated Group		The Company	
		2019	2018	2019	2018
		\$	\$	\$	\$
Revenue from Ordinary Activities					
Revenue Income	2a	8,023	19,193	8,023	(199,790)
Administration Expenses	2b	(494,993)	(166,592)	(7,553)	(3,652)
Borrowing and Interest Expenses	2c	(25,823)	(25,914)	-	-
Profit/(Loss) from Ordinary Activities before Income Tax		(512,793)	(173,313)	470	(203,442)
Other Comprehensive Income					
Items that will not be reclassified to profit or loss:					
Net Loss on Revaluation		(2,430,925)	-	-	-
Decrease Value on Finished Goods		-	(100,000)	-	-
Items that may be reclassified subsequently to profit or loss		-	-	-	-
Total Other Comprehensive Income of the Year		(2,430,925)	(100,000)	-	-
Income Tax (Expense) / Benefit	3	91,266	87,297	(141)	61,033
Net Profit / Loss for the Year		(2,852,452)	(186,016)	329	(142,409)
Net Profit / (Loss)					
Attributable to Members		(2,852,452)	(186,016)	329	(142,409)
Earnings Per Share					
From continuing and discontinued operations:					
Basic earnings per share (cents)		(0.51)	(0.03)	0.00	(0.03)
Diluted earnings per share (cents)		-	-	-	-
Earnings per shares		(0.51)	(0.03)	0.00	(0.03)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2019

	Notes	Consolidated Group		The Company	
		2019	2018	2019	2018
		\$	\$	\$	\$
Current Assets					
Cash and cash equivalents	4	6,136	3,185	769	2,429
Trade and other receivables	5	227,672	445,426	-	-
Stock on hand	6	-	-	-	-
Other financial assets	7	103	103	-	-
Total Current Assets		233,911	448,714	769	2,429
Non Current Assets					
Trade and other receivables	5	-	-	-	-
Property, plant & equipment	9	3,000,000	5,446,075	-	-
Biological assets	10	-	250,000	-	-
Investments	8	-	-	4,806,581	4,806,581
Intangibles assets	11	-	7,936	-	-
Deferred tax assets	12	116,878	25,614	206,407	206,548
Inter-company loans	14	-	-	3,329,151	3,327,051
Total Non Current Assets		3,116,878	5,729,625	8,342,139	8,340,180
Total Assets		3,350,789	6,178,339	8,342,908	8,342,609
Current Liabilities					
Trade and other payables	13	2,470,268	2,470,268	2,406,451	2,406,451
Interest bearing liabilities	15	1,679,977	1,654,648	758,185	758,185
Unearned income		-	-	-	-
Income tax	16	53,080	53,506	52,948	52,978
Total Current Liabilities		4,203,325	4,178,422	3,217,584	3,217,614
Non Current Liabilities					
Interest bearing liabilities	15	-	-	308,122	308,122
Total Non Current Liabilities		-	-	308,122	308,122
Total Liabilities		4,203,325	4,178,422	3,525,706	3,525,736
Net Assets		(852,536)	1,999,917	4,817,202	4,816,873

Statement of Financial Position

As at 30 June 2019

Equity					
Contributed equity	17	5,647,603	5,647,603	5,647,603	5,647,603
Retained Earnings	18	(6,605,740)	(6,184,212)	(830,401)	(830,730)
Asset Revaluation Reserve	19	105,601	2,536,526	-	-
Total Equity		(852,536)	1,999,917	4,817,202	4,816,873

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

Statement of Changes in Equity

for the year ended 30 June 2019

	Fully Paid Ordinary	Issued Capital		Total
	\$	Retained Profits	Asset Revaluation	\$
	\$	\$	\$	\$
Balance as at 1 July 2017	5,647,603	(5,998,196)	2,536,526	2,185,933
Profit attributable to members of parent entity	-	(186,016)	-	(186,016)
Balance as at 30 June 2018	5,647,603	(6,184,212)	2,536,526	1,999,917
Balance as at 1 July 2018	5,647,603	(6,184,212)	2,536,526	1,999,917
Revaluation of Property	-	-	(2,430,925)	(2,430,925)
Profit attributable to members of parent entity	-	(421,528)	-	(421,528)
Balance as at 30 June 2019	5,647,603	(6,605,740)	105,601	(852,536)

The accompanying notes form part of these financial statements.

Statement of Cashflow

for the year ended 30 June 2019

	Notes	Consolidated Group		The Company	
		2019	2018	2019	2018
		\$	\$	\$	\$
Cash flows from operating activities					
Cash receipts from customers		25,765	19,193	8,011	12,326
Cash payments to suppliers and employees		(22,813)	(18,846)	(7,571)	(3,652)
Net taxes (paid) / received		-	-	-	-
Interest received		-	-	-	-
Interest and costs of finance paid		-	-	-	-
Net cash provided by / (used in) operating activities	22	2,952	347	440	8,674
Cash flows from financing activities					
Growers Loan Repayment		-	-	-	-
Proceeds from borrowings		-	-	-	-
Proceeds from issue of shares		-	-	-	-
Repayment of inter company loans		-	(502)	(2,100)	(8,050)
Proceeds from repayment of interest bearing liabilities		-	-	-	-
Net cash provided by / (used in) financing activities		-	(502)	(2,100)	(8,050)
Net Increase / (Decrease) in Cash Held		2,951	(155)	(1,660)	624
Cash and cash equivalents at the beginning of financial year		3,185	3,340	2,429	1,805
Cash and cash equivalents at the end of financial year	4	6,136	3,185	769	2,429

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statement

for the year ended 30 June 2019

1. Basis of preparation

These general purpose financial statements for financial period ended 30 June 2019 have been prepared in accordance with requirements of the Corporation Act 2001 and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board.

Accounting Standards

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

The financial report covers Environmental Carbon Offset Limited ("ECO") as an economic entity. ECO is an unlisted public company, incorporated and domiciled in Australia. Its registered office is located at AustAsia House, 412 Newcastle Street, West Perth WA 6005.

1a Reporting Basis and Conventions

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

Going Concern

The Company has reported a working capital deficit of \$3,969,414 at 30 June 2019. The financial report has been prepared on the going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The Group's primary source of funding comes from support of the entities related to the Directors. In the event that the funding is not received from the director related entities, and/or the Group is unable to liquidate assets there would be a material uncertainty that may cast significant doubt whether the Group can continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

1b Income Tax

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

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

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

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

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

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

Notes to the Financial Statement

for the year ended 30 June 2019

Deferred tax asset 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 investment 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 legal enforceable right of set-off 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 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.

1c Investment

Investments brought to account are at cost or at valuation. The carrying amount of investments is reviewed annually to ensure it is not in excess of the recoverable amounts of the investments.

1d Interest and Dividends

Interest is brought to account in the profit and loss statement when earned. Dividends are brought to account in the profit and loss statement when received.

1e Property, Plant and Equipment

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

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on a periodic, but at least triennial, valuations by external independent valuations, less subsequent depreciation for buildings.

Any accumulated depreciation at the date the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably during financial period in which they are incurred.

Depreciation

The depreciation amount of all fixed assets including building and capitalized lease assets, but excluding freehold land, is depreciated on a straight line bases over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Notes to the Financial Statement

for the year ended 30 June 2019

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

Class of Fixed Assets	Depreciation Rate
Building	2%
Leasehold Improvements	4-5%
Plant and Equipment	5-33%
Plant and Equipment Leased to External Entities	10-20%
Leased Plant and Equipment	15%

The asset's 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 disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1f Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property of the present value of the minimum lease payment, 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 bases over the shorter of their estimated useful lives or the lease term.

Lease payments for 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.

Lease incentives under operating leases are recognized as a liability and amortised on a straight line basis over the life of the lease term.

1g Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investment 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.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of accounts payable and other payables in the statement of financial position.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

1h Financial Instruments

AASB 9 Financial Instruments came into effect on 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and disclosures in the financial statements but has had no significant impact on the financial statements. Refer below for the new financial instruments accounting policy. The Company has adopted AASB 9 with a date of initial application of 1 July 2018 and has elected not to restate its comparatives. As a result, the Company has changed its accounting policy for financial instruments from 1 July 2018 as detailed below.

Financial Instruments Initial Recognition

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire

Notes to the Financial Statement

for the year ended 30 June 2019

or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled

Subsequent Measurement of Financial Assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI

The Group applied the standard effective 1 July 2018 being the date of initial application. The Company financial instruments include Cash at Bank, Trade Debtors, Borrowings and Trade Payables. These financial instruments are measured and reported at amortised cost under AASB 9. There is no change to the classification and measurement of these instruments from the previous AASB 139 Financial Instruments.

Loans and Receivables

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Company's trade and most other receivables fall into this category of financial instruments. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Cash and Cash Equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts

Financial Liabilities including Trade Payables

The Company classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

1i Impairment

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

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

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

Where it is not possible to estimate the recoverable amounts of an individual asset, the group estimate that the recoverable amount of the cash generating unit to which the asset belongs.

Notes to the Financial Statement

for the year ended 30 June 2019

1j Investment in Associates

Investment in associate companies are recognised in the financial statement by applying the equity method of accounting. The equity method of accounting recognised the group's share of post-acquisition reserves of its associates.

1k Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies that the project will deliver future economic benefits and these benefits can be measured reliably.

Development cost have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

1l Revenue Recognition

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

The Company and the consolidated entity does not have revenue from contracts with customers, and as a result, AASB15 has no material impact on the financial report.

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

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

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

1m Borrowing Costs

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

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

1n Goods and Service Tax

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 Tax Office. In these circumstances the GST is recognized as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

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

1o Comparative Figures

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

1p Receivables

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

1q Provisions

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

Notes to the Financial Statement

for the year ended 30 June 2019

1r Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employees benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows bonds with terms to maturity that match the expected timing of cash flows.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

Notes to the Financial Statement

for the year ended 30 June 2019

	Consolidated Group		The Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
2a Revenue and Other Income				
Woodlot project fees	-	-	-	-
Profit / (loss) on sale of assets	-	-	-	(212,116)
Interest income	-	52	-	-
Other income	-	176	-	-
Rent income	8,023	12,325	8,023	12,325
Sheep grazing	-	6,640	-	-
Total revenue and other income	8,023	19,193	8,023	(199,791)
2b Administration Expenses				
Administration and corporate expenses	10,180	8,977	3,031	1,452
Bad debts and doubtful debts	200,000	(3,000)	-	-
Property expenses	10,743	2,818	-	-
Depreciation expenses	15,150	151,723	-	-
Employment expenses	-	-	-	-
Other expenses	258,920	6,074	4,522	2,200
Total administration expenses	494,993	166,592	7,553	3,652
2c Finance Costs				
Interest expenses	25,823	25,914	-	-
Total finance cost	25,823	25,914	-	-

Finance costs have reduced to the reduction in the debenture interest bearing liabilities include the new lenders. The interest will be payable on those facilities at the time of repayment.

3 Income Tax Expense

The prima facie income tax payable on operating profit/(loss) is reconciled to the income tax provided as follows:

Prima facie income tax payable on operating profit/(loss) at 30%	(91,266)	(87,297)	141	(61,033)
Timing differences not recognised	-	-	-	-
Current year losses not booked	-	-	-	-
Income tax expense/(benefit) attributable to operating profit	(91,266)	(87,297)	141	(61,033)

Notes to the Financial Statement

for the year ended 30 June 2019

Names of Company	Principal Activities		Interest of Economic Entity		Bookvalue of Parent Entity Investment	
			2019	2018	2019	2018
Environmental Forest Farms Management Limited	Plantation Manager	Plantation Manager	100%	100%	1,000,000	1,000,000
Powton Land Holdings Limited	Leasing Land Financing	Ordinary Shares	100%	100%	3,000,000	3,000,000
Forestry Finance Limited	Finance	Ordinary Shares and Redeemable ordinary shares	100%	100%	805,581	805,581
EFF Timber Pty Ltd		Ordinary Shares	100%	100%	1,000	1,000
					4,806,581	4,806,581

	Consolidated Group		The Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
4 Current Assets – Cash and cash equivalent				
Cash and cash equivalents	6,136	3,185	769	2,429
The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follow:				
Cash on hand	400	400	400	400
Cash at bank	5,736	2,785	369	2,029
Overdraft	-	-	-	-
Balance	6,136	3,185	769	2,429
5 Receivables				
Current				
Trade and growers debtors	603,900	621,655	-	-
Less: provision for doubtful debts	(377,588)	(177,588)	-	-
Prepaid expenses	1,360	1,360	-	-
	227,672	445,427	-	-
Non Current				
Prepayment and refundable deposit	-	-	-	-
	-	-	-	-
6 Stock				
Stock	-	-	-	-

Notes to the Financial Statement

for the year ended 30 June 2019

7 Other Financial Assets

Withholding tax	103	103	-	-
	103	103	-	-

8 Investments

Non Current

Shares in controlled entities - At cost	-	-	4,806,581	4,806,581
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9 Property, Plant and Equipment

Land and building - at cost	7,364,096	7,364,096	-	-
Disposal	(1,732,902)	(1,732,902)	-	-
Revaluation	(2,450,925)	-	-	-
Less: Accumulated depreciation	(345,706)	(355,706)	-	-
	2,834,563	5,275,488	-	-

Leasehold improvement - at cost	138,100	138,100	-	-
Less: Accumulated depreciation	(98,100)	(98,100)	-	-
	40,000	40,000	-	-

Dam at cost	205,968	205,968	-	-
Less: Accumulated depreciation	(80,531)	(75,381)	-	-
	125,437	130,587	-	-

Total Property, Plant & Equipment	3,000,000	5,446,075	-	-
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Property Valuation

Valuations of investment properties – The basis of valuations of investment properties is fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current process in an active market for similar properties in the same location and condition and subject to similar leases. Properties not independently valued during the past 12 months are carried at directors' valuation or cost at 30 June 2019. All other properties are carried at independent valuation plus capital expenditure incurred since the date of valuation.

Movement in Property, Plant and Equipment

Motor Vehicles

At cost				
Opening balance	36,841	36,841	10,750	10,750
Additions	-	-	-	-
Disposals	-	-	-	-
Closing Balance	36,841	36,841	10,750	10,750

Notes to the Financial Statement

for the year ended 30 June 2019

Accumulated Depreciation				
Opening balance	36,841	35,526	10,750	10,750
Depreciation	-	1,315	-	-
Adjustment due to disposal	-	-	-	-
Closing Balance	36,841	36,841	10,750	10,750
Land & Buildings				
At cost				
Opening balance	5,631,194	5,631,194	-	-
Disposal	-	-	-	-
Revaluation	(2,450,925)	-	-	-
Additions	-	-	-	-
Closing Balance	3,180,269	5,631,194	-	-
Accumulated Depreciation				
Opening balance	345,706	345,693	-	-
Depreciation	-	13	-	-
Adjustment Due to Disposal	-	-	-	-
Closing Balance	345,706	345,706	-	-
Movements in Property, Plant & Equipment				
Irrigation System				
At cost				
Opening balance	1,753,419	1,753,419	-	-
Closing Balance	1,753,419	1,753,419	-	-
Accumulated Depreciation				
Opening balance	1,753,419	1,733,138	-	-
Depreciation	-	20,281	-	-
Disposal	-	-	-	-
Closing Balance	1,753,419	1,753,419	-	-
Leased Assets				
Opening balance	972,413	972,413	63,005	63,005
Additions	-	-	-	-
Disposals	-	-	-	-
Adjustment due to GST	-	-	-	-
Closing Balance	972,413	972,413	63,005	63,005

Notes to the Financial Statement

for the year ended 30 June 2019

Accumulated Depreciation

Opening balance	972,413	949,941	63,005	63,005
Depreciation	-	22,472	-	-
Disposal	-	-	-	-
Closing Balance	972,413	972,413	63,005	63,005

Dam at Cost

Opening balance	205,968	205,968	-	-
Additions	-	-	-	-
Closing Balance	205,968	205,968	-	-

Accumulated Depreciation

Opening balance	75,381	75,381	-	-
Depreciation	5,150	-	-	-
Closing Balance	80,531	75,381	-	-

10 Biological Assets

Paulownia Trees	-	-	-	-
Trees	-	250,000	-	-
Propagation Technology	-	-	-	-
	-	250,000	-	-

Landholder

Entity	Number of Trees	Value
Powton Land Holdings Pty Ltd	-	-

11 Intangibles

Trademark	-	7,936	-	-
	-	7,936	-	-

12 Tax Assets

Deferred Tax Assets	116,878	25,614	206,407	206,548
	116,878	25,614	206,407	206,548

13 Payables

Trade creditors	2,469,320	2,469,320	2,406,451	2,406,451
Debenture interest payable	-	-	-	-
Payroll liabilities	948	948	-	-
	2,470,268	2,470,268	2,406,451	2,406,451

Notes to the Financial Statement

for the year ended 30 June 2019

14 Intercompany Loans

Amount owing to subsidiaries				
Powton Land Holdings Limited	-	-	593,606	584,056
Environmental Forest Farms Management Limited	-	-	355,124	351,574
Forestry Finance Limited	-	-	301,509	302,759
A & N Enterprises (WA) Pty Ltd	-	-	-	-
EFF Timber Pty Ltd	-	-	2,078,912	2,088,662
	-	-	3,329,151	3,327,051

15 Interest Bearing Liabilities

Current				
Interest Bearing Loans	776,289	750,960	308,122	308,122
Director Related Party Loan	903,688	903,688	758,185	758,185
Interest Bearing Loans	-	-	-	-
	1,679,977	1,654,648	1,066,307	1,066,307

16 Tax Liabilities

Current				
Provision for GST payable	53,080	53,506	52,948	52,978
	53,080	53,506	52,948	52,978

17 Contributed Equity

Paid up capital				
ECO				
403,041 (2018: 403,041) Ordinary shares, fully paid (including Converted Share Capital from Forestry Finance)	5,467,603	5,647,603	5,647,603	5,647,603
Redeemable convertible preference shares				
Nil (2018: Nil) Preference shares	-	-	-	-
	5,647,603	5,647,603	5,647,603	5,647,603

Movements during the year

a) ECO				
Ordinary shares				
Balance at the beginning of the year				
403,041 (2018: 403,041) shares				
(including Forestry Finance Converted Shares)	5,647,603	5,647,603	5,647,603	5,647,603
Shares issued				
Nil (2018: Nil)	-	-	-	-
Transaction costs arising from issue for cash	-	-	-	-
	5,647,603	5,647,603	5,647,603	5,647,603

Notes to the Financial Statement

for the year ended 30 June 2019

18 Retained Profits / (Accumulated Losses)

Retained profit				
At the beginning of the year	(6,184,212)	(5,998,195)	(830,729)	(688,320)
Prior year adjustment to retained earnings	-	-	-	-
Dividend declared	-	-	-	-
AIFRS adjustments	-	-	-	-
Current earning	(421,528)	(186,017)	328	(142,410)
Retained Profit (Accumulated Losses) at End of Financial Year	(6,605,740)	(6,184,212)	(830,401)	(830,730)

19 Asset Revaluation Reserve

Opening	2,536,526	2,536,526	-	-
Asset revaluation	(2,430,925)	-	-	-
Asset revaluation brought to Profit and Loss	-	-	-	-
	105,601	2,536,526	-	-

20 Related Party Transaction

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transaction with related parties

	2019	2018
(i) Director Related Entities		
Accounting services paid to AustAsia Accounting Services Pty Ltd, a firm related to Syd Chesson	-	-
Legal Fees paid to AustAsia Legal Pty Ltd, a firm related to Syd Chesson	-	-
Commissions and referrals paid to AustAsia Financial Planning Pty Ltd, a firm related to Syd Chesson	-	-
Administrative services paid to AustAsia Group Pty Ltd, a firm related to Syd Chesson	-	-
Consulting Fees to be paid to AustAsia Group Pty Ltd, a firm related to Syd Chesson	-	-
Company secretary fees paid to AustAsia Group Pty Ltd, a firm related to Syd Chesson	-	-
Thomas Henn director fees payable	-	-
(ii) Loans from Related Parties		
Related Parties Loan	903,688	903,688
Liabilities included in Trade Creditors	2,287,921	2,287,921
Total	3,191,609	3,191,609

Notes to the Financial Statement

for the year ended 30 June 2019

(iii) Director's Interests

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

(iv) Identification of Related Parties

Ultimate Parent Entity

The Parent entity is ultimately controlled by Environmental Carbon Offset Ltd, (formerly EFF Limited) which, is incorporated in Australia.

1) Ultimate Parent Entity

Amount payable/(receivable) to EFFM, a wholly owned subsidiary	355,124	358,324
Amount payable/(receivable) to PLH, a wholly owned subsidiary	593,606	587,106
EFF charges EFFM management fees	-	-
EFF charges PLH management fees	-	-
PLH charged EFF lease fees under a lease agreement entered into on 23 June 2000	-	-
EFF charged EFFM tree seedlings management	-	-
EFF charged FFL administration fees	-	-

2) Associated Company (FFL)

Amount receivable from FFL	301,509	303,009
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3) Associated Company (EFF Timber)

Amount receivable from EFF Timber	2,078,913	2,078,613
	3,329,152	3,327,052

	Consolidated Group		The Company	
	2019	2018	2019	2018
	\$	\$	\$	\$

21 Reconciliation of Cash

Cash at the end of financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Opening Cash at bank	6,136	3,185	769	2,429
Reconciliation of Net Cash provided by Operating Activities to Profit/(Loss) from Ordinary Activities after Income Tax	-	-	-	-
Operating profit/(loss) from ordinary activities after income tax	(421,527)	(186,016)	329	(142,409)
Non Cash Flows in Operating Profit/(Loss)	137,171	268,088	-	212,116
Depreciation	-	-	-	-
(Increase) / Decrease in the value of Paulowia Trees	250,000	-	-	-
Income Tax Credit	(91,266)			

Notes to the Financial Statement

for the year ended 30 June 2019

Management fee accruals	-	-	-	-
R & D tax concession	-	-	-	-
Project structuring costs	-	-	-	-
Provision for doubtful debts	-	-	-	-
Changes in Assets and Liabilities				
(Increase)/decrease in receivables	217,754	-	-	-
Increase/(decrease) in accounts payable	-	-	-	-
Increase/(decrease) in other liabilities	-	-	-	-
Increase (decrease) in employee entitlements	-	-	-	-
Planation fees received in advance	-	-	-	-
Increase (decrease) in tax liabilities	(89,181)	(81,725)	111	(61,033)
Movement in intercompany balance	-	-	-	-
Net Cash provided by operating activities	2,951	347	440	8,674

Notes to the Financial Statement

for the year ended 30 June 2019

	Weighed Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate		Non-interesting Bearing		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Financial Assets										
Cash and stock	2.00%	2.00%	6,136	3,185	-	-	-	-	6,136	3,185
Receivable	0.00%	0.00%	-	-	79,313	297,068	148,461	148,461	227,774	445,529
Total Financial Assets			6,136	3,185	79,313	297,068	148,461	148,461	233,910	448,714
Financial Liabilities										
Account payable	0.00%	0.00%	-	-	1,212,757	1,212,757	1,777,597	1,794,489	2,990,355	3,007,247
Debentures	8.00%	8.00%	-	-	-	-	-	-	-	-
Bank Loans	7.30%	7.30%	-	-	-	-	-	-	-	-
Short Term Borrowings	9.00%	9.00%	-	-	458,875	433,547	-	-	458,876	433,547
Taxation	-	-	-	-	-	-	-	-	-	-
Lease Liabilities	8.50%	8.50%	-	-	-	-	-	-	-	-
Total Financial Liabilities			-	-	1,671,632	1,646,304	1,777,597	1,794,489	3,449,231	3,440,794
Net Financial Assets			6,136	3,185	(1,592,319)	(1,349,236)	(1,629,136)	(1,646,028)	(3,215,321)	(2,992,080)

Independent Auditor's Report to The Directors of Environmental Carbon Offset Limited

Opinion

We have audited the financial report of Environmental Carbon Offset Limited ("the Group") which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Regarding Going Concern

Without modifying our opinion, we refer to Note 1 of the financial report which discloses the going concern basis of preparation. As disclosed in Note 1, the Group's primary source of funding comes from support of the entities related to the Directors. In the event that the funding is not received from the director related entities, and/or the Group is unable to liquidate assets there would be a material uncertainty that may cast significant doubt whether the Group can continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

Responsibilities of the Directors 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 and have determined that the basis of preparation described in Note 1 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 director's responsibility also includes 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.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of auditor's report.

AAA

ARMADA AUDIT & ASSURANCE PTY LTD

N. Dias

NIGEL DIAS
DIRECTOR

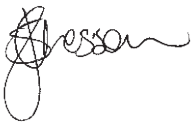
Perth, 2 October 2019

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 29:
 - a. comply with Australian Accounting Standards and the Corporations Regulations; and
 - b. give a true and fair view of the company's financial position as at 30 June 2019, and of its performance for the year ended on that date.
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 as disclosed in Note 1 of the Financial Statement.

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



Simon Chesson
Director

Perth, 2 October 2019

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