Environmental Carbon Offset Limited

ACN 077 014 594

Annual Report

30 June 2016

Contents

Corporate Directory

Directors
Sydney Chesson (Chairman)
Thomas Henn (Director)
Simon Chesson (Director)

Company Secretary
Simon Chesson

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412 – 414 Newcastle Street
West Perth WA 6005

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Leederville WA 6903

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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
3 Alvan Street
Mount Lawley WA 6050

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Director's Report

Your directors submit the financial report of the company for the financial year ended 30 June 2016.

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
Thomas F. Henn
Simon JS Chesson

Since the financial period ended 30 June 2016, 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 25 years experience in real estate and over 35 years experience in business and commercial activities.

As a Fellow of the Australian Institute of Company Directors, Mr Chesson has considerable experience as a Director of listed and unlisted public companies, unlisted property trusts, 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 Practicing Accountant, a qualified Certified Financial Planner, and a fellow of the Financial Services Institute of Australasia.

Mr Simon Chesson has over 15 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
GAICD, FTIA, TEP, MTax, LLB (UWA), LLB (Munich)
Director

Before emigrating from Germany to Australia in the mid 90s, Mr Henn practiced as a lawyer in Munich. After finishing a law degree in Australia, Mr Henn has worked for a Big 4 Accounting Firm and various law firms in Perth in tax and commercial law. He works as a tax / commercial lawyer for a Perth Law Firm. He was Managing Director of one of the first listed Australian Law Firms.

Mr Henn has a Master of Taxation from the University of Western Australia and a Bachelor of Laws Degree. He is a Graduate Member of the Australian Institute of Company Directors and a Fellow of the Taxation Institute of Australia. He has lectured for years in taxation at various Universities in Western Australia.

Mr Thomas Henn 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.

Directors' Meetings
During the year, the following meetings were held:

Director	No. of Meetings Eligible to Attend	No. of Meetings Attended
Sydney Chesson	1	1
Thomas Henn	1	1
Simon Chesson	1	1

A directors meeting was held on 25 November 2015.

Directors and Senior Executives Remuneration
Disclosure relating to Directors and Executive Officers' remuneration has been included in Note 17 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

Director	Direct Holding	Indirect Holding	Total
S. Chesson	NIL	55,094	55,094
T. Henn	NIL	544	544
Simon Chesson	NIL	55,453	55,543
TOTAL	**NIL**	**111,091**	**111,091**

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 2016.

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

Simon Chesson
Director
Perth, this 30th day of September 2016

ARMADA
AUDITING

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strength in numbers

LEAD AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of Australian Real Estate Investment Limited as the Responsible Entity for the Environmental Carbon Offset Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Armada Auditing

G.V Wovodich

Registered Company Auditor

Dated this ………………… day of …………………….. 2016 at Perth Western Australia

Statement of Comprehensive Income

For the year ended 30 June 2016

		Consolidated Group		The Company	
	Notes	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $
Revenue from Ordinary Activities					
Revenue Income	2 (a)	17,091	14,309	-	711
Administration Expenses	2 (b)	(239,126)	(447,843)	(15,261)	(236,268)
Borrowing and Interest Expenses	2 (c)	(27,375)	(63,044)	(149)	(189)
Profit/(Loss) from Ordinary Activities before Income Tax		**(249,410)**	**(496,579)**	**(15,410)**	**(235,746)**
Other Comprehensive Income					
Items that will not be reclassified to profit or loss:					
Net Loss on Revaluation of Biological Assets		-	-	-	-
Decrease Value on Finished Goods		-	-	-	-
Items that may be reclassified subsequently to profit or loss		-	-	-	-
Total Other Comprehensive Income of the Year		**-**	**-**	**-**	**-**
Income Tax (Expense) / Benefit	3	59,814	120,436	4,623	70,724
Net Profit / Loss for the Year		(189,597)	(376,143)	(10,787)	(165,022)
Net Profit / (Loss)					
Attributable to Members		(189,597)	(376,143)	(10,787)	(165,022)
Earnings Per Share					
From continuing and discontinued operations:					
Basic earnings per share (cents)		(0.03)	(0.07)	(0.00)	(0.03)
Diluted earnings per share (cents)		-	-	-	-
From continuing operations:					
Basic earnings per share (cents)		-	-	-	-
Diluted earnings per share (cents)		-	-	-	-

Statement of Financial Position

As at 30 June 2016

	Note	Consolidated Group		The Company	
		30 June 2016 $	**30 June 2015 $**	**30 June 2016 $**	**30 June 2015 $**
Current Assets					
Cash and cash equivalents	4	8,314	16,144	784	2,017
Trade and other receivables	5	1,207,686	1,270,366	(16,466)	(16,466)
Stock on hand	6	100,000	100,000	-	-
Other financial assets	7	103	103	-	-
Total Current Assets		**1,316,103**	**1,386,612**	**(15,682)**	**(14,450)**
Non-currents Assets					
Trade and other receivables	5	54,523	54,523	-	-
Property, plant and equipment	9	5,583,184	5,632,476	-	629
Biological assets	10	250,000	250,000	-	-
Investments	8	-	-	5,018,697	6,263,116
Intangible assets	11	7,936	7,936	-	-
Deferred tax assets	12	120,244	141,766	160,653	156,030
Intercompany Loans	14	-	-	3,324,651	1,686,305
Total Non-current Assets		**6,015,888**	**6,086,702**	**8,504,001**	**8,106,079**
Total Assets		**7,331,991**	**7,473,314**	**8,488,319**	**8,091,629**
Current Liabilities					
Trade and other payables	13	2,486,148	2,507,761	2,408,651	2,406,781
Interest bearing liabilities	15	1,597,446	1,248,899	756,185	755,185
Unearned Income		-	-	-	-
Income Tax	16	52,848	32,120	52,978	30,071

Total Current Liabilities		**4,136,442**	**3,788,780**	**3,217,814**	**3,192,036**
Non-current Liabilities					
Interest bearing liabilities	15	-	291,922	308,122	(1,479)
Deferred tax liabilities	16	921,014	928,482	-	-
Total Non-current Liabilities		**921,014**	**1,220,404**	**308,122**	**(1,479)**
Total Liabilities		**5,057,456**	**5,009,184**	**3,525,936**	**3,190,557**
Net Assets		**2,274,533**	**2,464,129**	**4,962,384**	**4,901,072**
Equity					
Contributed equity	17	5,647,601	5,647,601	5,647,603	5,647,603
Retained earnings	18	(5,909,594)	(5,719,998)	(685,219)	(746,530)
Asset revaluation reserve	19	2,536,526	2,536,526	-	-
Total Equity		**2,274,533**	**2,464,129**	**4,962,384**	**4,901,072**

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

Statement of Changes in Equity

As at 30 June 2016

	Issued Capital			
	Fully Paid Ordinary $	**Retained Profits $**	**Asset Revaluation $**	**Total $**
Balance at 1 July 2014	5,647,603	(5,343,858)	3,059,186	2,840,269
Profit attributable to members of parent entity	-	(376,143)	-	(376,143)
Balance at 30 June 2015	**5,647,603**	**(5,720,000)**	**2,536,525**	**2,464,128**
Balance at 1 July 2015	**5,647,603**	**(5,720,000)**	**2,536,525**	**2,464,128**
Profit attributable to members of parent entity	-	(189,597)	-	(189,597)
Balance at 30 June 2016	**5,,647,603**	**(5,909,597)**	**2,536,525**	**2,274,533**

The accompanying notes form part of these financial statements.

Statement of Cashflow

For the year ended 30 June 2016

		Consolidated Group		The Company	
	Note	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $
Cash flows from operating activities					
Cash receipts from customers		135,278	54,180	-	711
Cash payments to suppliers and employees		(37,266)	(61,991)	(11,612)	48,276
Net taxes (paid) / received		(20,484)	(17,386)	22,907	4,499
Interest received		18,460	11,589	-	-
Interest and costs of finance paid		(25,627)	(41,123)	(149)	(189)
Net cash provided by / (used in) operating activites	**22**	**70,361**	**(54,732)**	**11,145**	**53,297**
Cash flows from investing activities					
Payment for property plant and equipment		12,622	(299)	-	-
Net cash provided by / (used in) investing activities		**12,622**	**(299)**	**-**	**-**
Cash flows from financing activities					
Proceeds from borrowings		(89,267)	(10,749)	-	3,908
Repayment of intercompany loans		(1,545)	47,935	(12,378)	(56,340)
Net cash provided by / (used in) financing activities		(90,813)	37,187	(12,378)	(52,432)
Net increase/(decrease) in cash held		(7,830)	(17,846)	(1,232)	865
Cash and cash equivalents at the beginning of financial year		16,142	33,985	2,017	1,151
Cash and cash equivalents at the end of financial year	**4**	8,314	16,142	784	2,017

Notes to the Financial Statement

For the period 1 July 2015 to 30 June 2016

1. Basis of preparation

These general purpose financial statements for financial period ended 30 June 2016 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 Level 1 AustAsia House, 412-414 Newcastle Street, West Perth WA 6005.

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

(b) Income Tax
The income tax expense (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 as 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.

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 exit 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.

(c) 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.

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

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

Property
Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm’s length transaction), based on a periodic, but at lease 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 of the estimated useful lives of the improvements.

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.

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

Finance leases are 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 changed as expenses in the periods in which they are incurred.

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

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

(h) Financial Instruments
Financial instruments are measured initially at cost on trade date, which includes transaction cost, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the short term, or if so designated by management and within the requirement of AASB 1 39: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealized gains and losses arising from changes in fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Leans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Held to maturity investment

These investment are non-derivative financial assets that are either no suitable to be classified into other categories of financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designed as such by management. They comprise investment in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial Liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost

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

At each reporting date, the group reviews the carrying 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.

(j) 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

(k) Research and development
Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies 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.

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

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant 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).

(m) 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

(n) 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.

(o) Comparative Figures
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year

(p) 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.

(q) 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.

(r) 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 period 1 July 2015 to 30 June 2016

	Consolidated Group		The Company	
	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $
2 (a) Revenue and Other Income				
Plantation Management Fee	1,511	-	-	-
Marketing Costs Charged to EFFM	-	-	-	711
Profit on Sale of Assets	(5,662)	678	-	-
Interest Income	6,127	11,589	-	-
Other Income	15,116	711	-	-
Diesel Fuel Rebate	-	1,331	-	-
Total revenue and other income	17,091	14,309	-	711
(b) Administration Expenses				
Administration and Corporate Expenses	41,722	147,562	12,640	121,679
Bad Debts and Doubtful Debts	98,999	43,181	-	-
Debenture Fees	7,423	7,328	-	-
Property Expenses	12,023	21,840	382	2,864
Depreciation Expenses	40,924	50,006	629	416
Employment Expenses	18,509	45,497	1,184	-
Other Expenses	19,526	132,430	426	111,309
Total administration expenses	**239,126**	**447,843**	**15,261**	**236,268**
(b) Finance Costs				
Interest Expenses	27,375	63,044	149	189
Total finance cost	**27,375**	**63,044**	**149**	**189**

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%	(59,814)	(120,436)	(4,623)	(70,724)
Timing differences not recognised	-	-	-	-
Current year losses not booked	-	-	-	-
Income tax expense/(benefit) attributable to operating profit	(59,814)	(120,436)	(4,623)	(70,724)
Balance of franking account	1,018,521	1,018,521	35,996	35,996

	Consolidated Group		The Company	
	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $
Converted to current method	436,509	436,509	15,427	15,427
Tax losses not recognised as a future income tax benefit	**(601,000)**	**(601,000)**	**86,789**	**86,789**

Notes to the Financial Statement

For the period 1 July 2015 to 30 June 2016

Controlled Equity

Name of Company	Principal Activities		Interest of Economic Entity		Bookvalue of Parent Entity Investment	
			2016	2015	2016	2015
Environmental Forest Farms Management Pty Ltd	Plantation Manager	Plantation manager	100%	100%	1,000,000	1,000,000
Powton Land Holdings Pty Ltd	Leasing Land Financing	Ordinary Shares	100%	100%	3,000,000	3,000,000
Forestry Finance Pty Ltd	Finance	Ordinary Shares and Redeemable ordinary shares	100%	100%	805,581	2,050,000
EFF Timber Pty Ltd		Ordinary Shares	100%	100%	2	2
					4,805,583	6,050,002

Notes to the Financial Statement

For the period 1 July 2015 to 30 June 2016

	Consolidated Group		The Company	
	2016 $	**2015 $**	**2016 $**	**2015 $**
4 Current Assets – Cash and cash equivalent				
Cash and cash equivalents	8,314	16,144	784	2,017
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	7,914	15,744	384	1,617
Cash and cash equivalents	8,314	16,144	784	2,017
Balance	**8,314**	**16,144**	**784**	**2,017**
5 Receivables				
Current				
Trade and Growers Debtors	666,444	847,190	-	-
Less: Provision for Doubtful Debts	(176,466)	(226,327)	-	-
Prepaid Expenses	1,360	7,022	-	-
Provision for Income Tax	716,349	642,481	(16,466)	(16,466)
	1,207,686	**1,270,366**	**(16,466)**	**(16,466)**
Non-current				
Prepayment and Refundable Deposit	54,523	54,523	-	-
	54,523	54,523	-	-
6 Stock				
Stock	100,000	100,000	-	-
7 Other Financial Assets				
Withholding Tax	103	103	-	-
	103	**103**	**-**	**-**

	Consolidated Group		The Company	
	2016 $	2015 $	2016 $	2015 $
8 Investments				
Non-Current				
Shares in controlled entities-At Cost	-	-	5,018,697	6,263,116
Property, Plant & Equipment				
Plant and equipment - at cost	457,273	457,273	79,910	79,910
Less: Accumulated deprecation	(416,849)	(406,743)	(79,910)	(79,910)
	40,424	50,529	-	-
Motor vehicles - at cost	36,841	36,841	10,750	10,750
Less: Accumulated depreciation	(34,868)	(33,881)	(10,750)	(10,750)
	1,973	2,960	-	-
Office Equipment - at cost	70,100	70,100	58,098	58,098
Less: Accumulated depreciation	(68,079)	(67,093)	(58,098)	(57,469)
	2,021	3,007	-	629
Leasehold Improvement - at cost	149,866	149,866	-	-
Less: Accumulated depreciation	(105,798)	(105,112)	-	-
	44,068	44,755	-	-
Land and Building - at cost	7,364,096	7,364,096	-	-
Disposal	(1,732,902)	(1,732,902)	-	-
Less: Accumulated depreciation	(335,680)	(325,655)	-	-
	5,295,514	5,305,539	-	-
Irrigation System - at cost	1,753,419	1,753,419	-	-
Less: Accumulated depreciation	(1,724,443)	(1,712,068)	-	-
	28,976	41,351	-	-
Leased Assets	1,048,642	1,048,642	-	-
Less: Accumulated depreciation	(1,019,321)	(1,010,344)	-	-
	29,322	38,298	-	-
Dam at Cost	205,968	205,968	-	-
Less: Accumulated depreciation	(65,081)	(59,931)	-	-
	140,887	146,037		-
Total Property, Plant & Equipment	**5,583,184**	**5,632,476**	**-**	**629**

	Consolidated Group		The Company	
	2016 $	2015 $	2016 $	2015 $
9 Movement in Property, Plant & Equipment				
Plant and Equipment				
At Cost				
Opening balance	457,273	457,273	79,910	79,910
Additions	-	-	-	-
Disposals	-	-	-	-
Closing Balance	**457,273**	**457,273**	**79,910**	**79,910**
Accumulated Depreciation				
Opening balance	406,746	410,903	79,910	79,910
Depreciation	10,103	(4,158)	-	-
Disposals	-	-	-	-
Closing Balance	**416,849**	**406,746**	**79,910**	**79,910**
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**
Accumulated Depreciation				
Opening balance	33,881	32,401	10,750	10,750
Depreciation	987	1,480	-	-
Adjustment due to Disposal	-	-	-	-
Closing Balance	**34,868**	**33,881**	**10,750**	**10,750**
Office Equipment				
At Cost				
Opening balance	70,100	70,100	58,098	58,098
Additions	-	-	-	-
Closing Balance	**70,100**	**70,100**	**58,098**	**58,098**
Accumulated Depreciation				
Opening balance	67,093	65,763	57,469	57,053
Depreciation	986	1,330	629	416
Closing Balance	**68,079**	**67,093**	**58,098**	**57,469**

Leasehold Improvement				
At Cost				
Opening balance	149,867	149,867	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Closing Balance	**149,867**	**149,867**	**-**	**-**
Accumulated Depreciation				
Opening balance	105,111	104,295	-	-
Depreciation	686	816	-	-
Closing Balance	**105,798**	**105,111**	**-**	**-**
Land & Buildings				
At Cost				
Opening balance	5,631,194	5,631,194	-	-
Disposal	-	-	-	-
Revaluation	-	-	-	-
Additions	-	-		
Closing Balance	**5,631,194**	**5,631,194**	**-**	**-**
Accumulated Depreciation				
Opening balance	325,655	315,603	-	-
Depreciation	10,026	10,052	-	-
Adjustment Due to Disposal	-	-	-	-
Closing Balance	**335,680**	**325,655**	**-**	**-**
Irrigation System at Cost				
Opening balance	1,753,419	1,753,419	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Closing Balance	**1,753,419**	**1,753,419**	**-**	**-**
Accumulated Depreciation				
Opening balance	1,712,068	1,694,338	-	-
Depreciation	12,375	17,729	-	-
Disposal	-	-	-	-
Closing Balance	**1,724,443**	**1,712,068**	**-**	**-**
Leased Assets				
Opening balance	1,048,642	1,048,642	63,005	63,005
Additions	-	-	-	-
Disposals	-	-	-	-

Adjustment Due to GST	-	-	-	-
Closing Balance	**1,048,642**	**1,048,642**	**63,005**	**63,005**
Accumulated Depreciation				
Opening balance	1,010,345	998,491	63,005	63,005
Depreciation	8,976	11,854	-	-
Disposal	-	-	-	-
Closing Balance	**1,019,321**	**1,010,345**	**63,005**	**63,005**
Dam at Cost				
Opening balance	205,968	205,968	-	-
Additions	-	-	-	-
Closing Balance	**205,968**	**205,968**	**-**	**-**
Accumulated Depreciation				
Opening balance	59,931	54,781	-	-
Depreciation	5,150	5,150	-	-
Closing Balance	**65,081**	**59,931**	**-**	**-**

	Consolidated Group		The Company	
	2016 $	2015 $	2016 $	2015 $
10 Biological Assets				
Paulownia Trees on leasehold				
Trees	250,000	250,000	-	-
Propagation Technology	-	-	-	-
	250,000	**250,000**	**-**	**-**

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

11 Intangibles				
Trademark	7,936	7,936	-	-
	7,936	**7,936**	**-**	**-**

12 Tax Assets				
Future Income Tax Benefits	120,244	141,766	160,653	141,766

	Consolidated Group		The Company	
	2016 $	2015 $	2016 $	2015 $
13 Payables				
Trade creditors	2,479,700	2,485,015	2,408,651	2,406,781
Accruals	5,500	15,600	-	-
Payroll Liabilities	948	3,238	-	-
Lease Liabilities	-	3,908	-	-
	2,486,148	**2,507,762**	**2,408,651**	**2,406,781**

14 Intercompany Loans				
Amount owing to subsidiaries				
Powton Land Holdings Limited	-	-	(584,206)	(389,665)
Environmental Forest Farms Management Limited	-	-	(348,324)	227,705
Forestry Finance Limited	-	-	(313,259)	293,249
A & N Enterprises (WA) Pty Ltd	-	-	-	72,098
EFF Timber Pty Ltd	-	-	(2,078,863)	(1,889,691)
	-	**-**	**3,324,651**	**1,686,305**

15 Interest Bearing Liabilities				
Current				
Interest Bearing Loans	701,158	476,864	308,122	(5,387)
Director Related Parties Loan	896,288	772,035	756,185	755,185

	1,597,446	**1,248,899**	**1,064,307**	**749,798**
Non-current				
6% Debenture stock - Secured	-	-	-	-
Bank Loan – Property	-	-	-	-
Lease Liability	-	-	-	-
Beeck Loan	-	-	-	-
Agricultural Mortgage Loan	-	291,922	-	-
	-	**291,922**	**-**	**-**

	Consolidated Group		The Company	
	2016 $	2015 $	2016 $	2015 $
16 Tax Liabilities				
Current				
GST Payable	52,848	32,120	52,978	30,071
	52,848	**32,120**	**52,978**	**30,071**
Non-current				
Provision for Deferred Income Tax	921,014	928,482	-	-
	921,014	**928,482**	**-**	**-**
17 Contributed Equity				
Paid up capital				
EFF				
315,783 (2015: 315,783) Ordinary Shares, fully paid	4,647,601	4,647,601	4,647,603	4,647,603
Converted Share Capital (Forestry Finance)	1,000,000	1,000,000	1,000,000	1,000,000
	5,647,601	5,647,601	5,647,603	5,647,603
Movements during the year				
(a) EFF				
Ordinary Shares				
Balance at the beginning of the year 314,683 (2015: 315,783) shares	4,647,603	4,647,603	4,647,603	4,647,603
Shares issued				
NIL (2015: NIL)	-	-	-	-
Transaction costs arising from issue for cash	-	-	-	-
	4,647,603	4,647,603	4,647,603	4,647,603
	-	-	-	-
(c) Converted Share Capital (Forestry Finance)				
1,000,000 (2015: 1,000,000)	1,000,000	1,000,000	1,000,000	1,000,000
Balance at the end of the year	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**

18 Retained Profits/(Accumulated Losses)

Retained Profit				
At the beginning of the year	(5,719,998)	(5,343,857)	(746,530)	(581,508)
Prior Year Adjustment to retained earnings	-	-	72,098	-
Dividend declared	-	-	-	-
AIFRS Adjustments	-	-	-	-
Current Earning	(189,597)	(376,143)	(10,787)	(165,022)
Retained Profit (Accumulated Losses) at End of Financial Year	(5,909,594)	(5,719,998)	(685,219)	(746,530)

19 Asset Revaluation Reserve

Opening	2,536,526	2,536,526	-	-
Asset Revaluation	-	-	-	-
Asset Revaluation brought to Profit and Loss Account	-	-	-	-
	2,536,526	**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

	2016 $	2015 $
(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	-	-

	2016 $	2015 $
(ii) Loans from Related Parties		
Related Parties Loan	924,102	772,035

(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.

	The Company	
	2016 **$**	**2015** **$**
(I) Ultimate Parent Entity		
Amount payable/(receivable) to EFFM, a wholly owned subsidiary	348,324	(227,705)
Amount payable/(receivable) to PLH, a wholly owned subsidiary	584,206	389,665
(ii) Associated Company (FFL)		
Amount receivable from FFL	313,259	(293,249)
(iii) Associated Company (A & N Enterprises)		
Amount receivable from A & N Enterprises	-	(72,098)
(iv) Associated Company (EFF Timber)		
Amount receivable from EFF Timber	2,078,863	1,889,691

	Weighed Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate		Non-interesting Bearing		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Financial Assets										
Cash and stock	2.00%	2.00%	8,314	16,144	-	-	-	-	8,314	16,144
Receivable	0.00%	0.00%	-	-	327,330	451,315	318,634	331,196	645,964	782,511
Total Financial Assets			**8,314**	**16,144**	**327,330**	**451,315**	**318,634**	**331,196**	**654,278**	**798,655**
Financial Liabilities										
Account payable	0.00%	0.00%	-	-	1,559,981	1,531,116	1,830,991	1,903,199	3,390,972	3,434,315
Debentures	8.00%	8.00%	-	-	-	-	-	-	-	-
Bank Loans	7.30%	7.30%	-	-	-	-	-	-	-	-
Short Term Borrowings	9.00%	9.00%	-	-	-	-	-	-	-	-
Taxation			-	-	-	-	-	-	-	-
Lease Liabilities	8.50%	8.50%	-	-	-	3,908	-	-	-	3,908
Total Financial Liabilities			**-**	**-**	**1,559,981**	**1,535,024**	**1,830,199**	**1,903,199**	**3,390,972**	**3,438,222**
Net Financial Assets			**8,314**	**16,144**	**(1,232,651)**	**(1,083,708)**	**(1,083,708)**	**(1,572,003)**	**(2,736,694)**	**(2,639,567)**

Reconciliation of Net Financial Assets to Net Assets

	2016 $	2015 $
Net financial Assets as above	(2,736,694)	(2,639,567)
Plus Non Financial Assets		
Fixed Assets	5,591,121	5,640,413
Paulownia Trees	250,000	250,000
Investment	-	-
Intangibles	-	-
Tax Assets	120,244	141,766
Tax Liabilities	(921,014)	(928,482)
Net Assets Per Balance Sheet	**2,303,654**	**2,464,128**

21 Segment Reporting

	Financing & Investment		Tree Planation		Unallocated		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenue								
External Revenue	6,127	11,589	1,511	-	9,453	2,720	17,091	14,309
Total Sales Revenue	6,127	11,589	1,511	-	9,453	2,720	17,091	14,309
Total Segment Revenue	6,127	11,589	1,511	-	9,453	2,720	17,091	14,309
Total revenue from ordinary activities	6,127	11,589	1,511	-	9,453	2,720	17,091	14,309
Result								
Segment Result	(26,685)	(56,302)	(14,757)	(144,141)	(207,967)	(296,134)	(249,411)	(496,580)
Income tax (expense) / benefit	-	-	-	-	-	-	59,814	120,436
Post - Tax Profit	(26,685)	(56,302)	(14,757)	(144,141)	(207,967)	(296,134)	(189,597)	(376,143)
Assets								
Segment Assets	235,502	235,502	5,932,949	6,055,405	1,163,540	1,131,131	7,331,991	7,422,038
Liabilities								
Segment Liabilities	1,280,033	1,476,707	-	3,908	3,777,423	3,477,294	5,057,456	4,957,909
Net Segment Assets	**(1,044,531)**	**(1,241,205)**	**5,932,949**	**6,051,497**	**(2,613,883)**	**(2,346,163)**	**2,274,533**	**2,464,128**

Notes to the Statement of Cashflow

For the year ended 30 June 2016

	Consolidated Group		The Company	
	2016 $	**2015 $**	**2016 $**	**2015 $**
22 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: -				
Cash at bank	8,314	16,144	784	2,017
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	(189,597)	(376,143)	(10,787)	(165,022)
Non Cash Flows in Operating Profit/(Loss)				
Depreciation	36,670	44,552	629	416
Changes in Assets and Liabilities				
(Increase)/decrease in receivables	136,647	51,460	-	-
Increase/(decrease) in accounts payable	125,532	322,222	1870	283,940
Increase/(decrease) in other liabilities	-	21,315	-	-
Increase (decrease) in tax liabilities	(39,893)	(118,140)	18,433	(66,037)
Net Cash Provided by Operating Activities	**69,361**	**(54,732)**	**10,145**	**53,297**

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 33:

    a. comply with Accounting Standard AASB 134: Interim Financial Reporting, and the Corporations Regulations; and

    b. give a true and fair view of the company's financial position as at 30 June 2016, 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.

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

Simon Chesson
Director
Dated this 30th day of September 2016

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENVIRONMENTAL CARBON OFFSET LIMITED

Report on the financial report

We have audited the accompanying financial report of Environmental Carbon Offset Limited its and Controlled Entities, which comprises the balance sheet as at 30 June 2016, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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.

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ARMADA AUDITING

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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, provided to the directors of Environmental Carbon Offset Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

a) The financial report of Environmental Carbon Offset Limited and its Controlled Entities is in accordance with the Corporations Act 2001, including:

   i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and

   ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

b) The financial report also complies with International Financial Standards as disclosed in Note 1.

Armada Auditing

G.V Wovodich

Registered Company Auditor

Dated this day of 2016 at Perth Western Australia