Annual Report
30 June 2020

ENVIRONMENTAL CARBON OFFSET LIMITED

ACN 077 014 594

Contents

Corporate Directory

Directors
Simon Chesson (Director)
Jeanette Chesson (Director)
Daniel Chesson (Director)

Company Secretary
Simon Chesson

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AustAsia House
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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 & Assurance 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 2020.

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:

Simon JS Chesson
Jeanette M Chesson

Daniel Chesson

Since the financial period ended 30 June 2020, there have been no significant after balance date events.

Directors Information

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 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.

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

Daniel Chesson
Director
Appointed on 23 December 2019

Dan has over 16 years' experience in investment banking, capital markets and development activities. He has been involved in more than $5 billion of transactions across a range of industries including energy, resources, renewable energy, property, agriculture and general industrials. In 2013, he co-founded Re.Group and sits on the Board of the Global Renewables Group and the RDT Group.

Dan's focus is on the commercial aspects of the Group and its projects, including funding, legal and corporate affairs.

He holds a BSc (Psych), a certificate in Executive Leadership (Cornell), an MBA and a Doctor of Business Administration. In both 2012 and 2013, Dan was ranked one of the top 10 investment bankers by the East Coles Survey (Australian based).

Director’s Report

Directors’ Meetings

During the year, the following meetings were held:

	No. of meetings eligible to attend	No. of meetings attended
Simon Chesson	1	1
Jeanette Chesson	1	1
Daniel Cheeson	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
Daniel 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 2020.

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

Simon Chesson

Director

Perth, 25 September 2020

ARMADA
AUDITING

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strength in numbers

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 2020 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.

Armada Audit & Assurance

ARMADA AUDIT & ASSURANCE PTY LTD

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JOEY FU

Dated this 30 September 2020 at Perth, Western Australia

FINANCIAL STATEMENT AND NOTES TO THE FINANCIAL STATEMENTS

Statement of Comprehensive Income

for the year ended 30 June 2020

	Notes	Consolidated Group 30 June 2020 $	Consolidated Group 30 June 2019 $
Revenue from Ordinary Activities			
Revenue Income	2(a)	110,113	8,023
Administration Expenses	2(b)	(224,779)	(494,993)
Borrowing and Interest Expenses	2(c)	(12,777)	(25,823)
Profit/(Loss) from Ordinary Activities before Income Tax		**(127,443)**	**(512,793)**
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		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Total Other Comprehensive Income of the Year		**-**	**(2,430,925)**
Income Tax (Expense) / Benefit	3	**63,447**	**91,266**
Net Profit / Loss for the Year		**(63,997)**	**(2,852,452)**
Net Profit / (Loss)			
Attributable to Members		(63,997)	(2,852,452)
Earnings Per Share			
From continuing and discontinued operations:			
Basic earnings per share (cents)		(0.01)	(0.51)
Diluted earnings per share (cents)		-	-
From continuing operations:			
Basic earnings per share (cents)		-	-
Diluted earnings per share (cents)		-	-
Earnings per shares		**(0.01)**	**(0.51)**

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

Statement of Financial Position

as at 30 June 2020

	Notes	Consolidated Group 30 June 2020 $	Consolidated Group 30 June 2019 $
Current Assets			
Cash and cash equivalents	4	40,485	6,136
Trade and other receivables	5	295,428	227,672
Other financial assets	7	103	103
Total Current Assets		**336,016**	**233,911**
Non Current Assets			
Property, plant & equipment	9	2,994,850	3,000,000
Deferred tax assets	12	180,326	116,879
Total Non Current Assets		**3,175,176**	**3,116,879**
Total Assets		**3,511,192**	**3,350,789**
Current Liabilities			
Trade and other payables	13	2,453,682	2,470,268
Interest bearing liabilities	15	1,618,987	1,679,977
Income tax	16	52,224	53,080
Total Current Liabilities		**4,124,893**	**4,203,325**
Total Liabilities		**4,124,893**	**4,203,325**
Net Assets		**(613,701)**	**(852,536)**
Equity			
Contributed equity	17	5,647,603	5,647,603
Retained Earnings	18	(6,366,905)	(6,605,740)
Asset Revaluation Reserve	19	105,601	105,601
Total Equity		**(613,701)**	**(852,536)**

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 2020

	Issued Capital			
	Fully Paid Ordinary	Retained Profits	Asset Revaluation	Total
	$	$	$	$
Balance as at 1 July 2018	5,647,603	(6,184,212)	2,536,526	1,999,917
Profit attributable to members of parent entity	-	(421,528)	(2,430,925)	(2,852,453)
Balance as at 30 June 2019	**5,647,603**	**(6,605,740)**	**105,601**	**(852,536)**
Balance as at 1 July 2019	5,647,603	(6,605,740)	105,601	(852,536)
Profit attributable to members of parent entity		(63,997)	-	(63,997)
Adjustment to retained earnings	-	302,833	-	302,833
Balance as at 30 June 2020	**5,647,603**	**(6,366,905)**	**105,601**	**(613,701)**

The accompanying notes form part of these financial statements.

Statement of Cashflow

for the year ended 30 June 2020

	Notes	Consolidated Group 30 June 2020 $	Consolidated Group 30 June 2019 $
Cash Flows from Operating Activities			
Cash receipts from customers		85,160	25,765
Cash payments to suppliers and employees		(24,041)	(22,813)
Net taxes (paid) / received		-	-
Interest received		28,088	-
Interest and costs of finance paid		-	-
Net Cash Provided by / (used in) Operating Activites	21	**89,206**	**2,952**
Cash Flows from Investing Activities			
Payment for property plant and equipment		-	-
Net Cash Provided by / (used in) Investing Activites		**-**	**-**
Cash Flows from Financing Activities			
Growers Loan Repayment		-	-
Proceeds from borrowings		-	-
Proceeds from issue of shares		-	-
Repayment of inter company loans		(42,709)	-
Proceeds from repayment of interest bearing liabilities		(12,147)	-
Net cash Provided by / (used in) Financing Activities		**(54,855)**	**-**
Net Increase / (Decrease) in Cash Held		34,349	2,952
Cash and cash equivalents at the beginning of financial year		6,136	3,185
Cash and Cash Equivalents at the End of Financial Year		**40,485**	**6,136**

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 2020

1. Basis of preparation

These general purpose financial statements for financial period ended 30 June 2020 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 a reported working capital deficit of $3,788,877 at 30 June 2020. 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 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.

Notes to the Financial Statement

for the year ended 30 June 2020

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.

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 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.

Notes to the Financial Statement

for the year ended 30 June 2020

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 Application of AASB 16 Leases

AASB 16 replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases. AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. Consequently, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability and classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows.

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for June 2019 has not been restated. The new accounting policies that have been applied from 1 July 2019 are disclosed below.

The Company has applied the modified retrospective approach as follows:

- Measurement of Lease Liability
- The Company recognized and measured the lease liability at the date of initial application being 1 July 2019 for leases previously classified as an operating lease applying AASB 117. The Company measured that lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.
- Applying a single discount rate at the date to a portfolio of leases with similar characteristics.
- Measurement of Right of Use Asset – The Company measured the Right of Use Asset (ROU) at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted using the lessee's incremental borrowing rate at the date of initial application being 1 July 2019;
- Lease Term - The Company, under the modified retrospective method, used hindsight, such as in determining the lease term and if the contract contains options to extend or terminate the lease.

Notes to the Financial Statement

for the year ended 30 June 2020

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 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

Notes to the Financial Statement

for the year ended 30 June 2020

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.

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

Notes to the Financial Statement

for the year ended 30 June 2020

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.

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 2020

	Consolidated Group	
	2020	2019
	$	$
2a Revenue and Other Income		
Profit / (loss) on sale of assets	16,865	-
Interest income	28,088	-
Other income	63,800	-
Rent income	1,360	8,023
Total revenue and other income	**110,113**	**8,023**
2b Administration Expenses		
Administration and corporate expenses	(9,166)	10,180
Bad debts and doubtful debts	(199,352)	200,000
Property expenses	(6,603)	10,743
Depreciation expenses	(5,150)	15,150
Other expenses	(4,508)	258,920
Total administration expenses	**(224,779)**	**494,993**
2c Finance Costs		
Interest expenses	12,777	25,823
Total finance cost	**12,777**	**25,823**

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:

	2020	2019
Prima facie income tax payable on operating profit/(loss) at 30%	(63,447)	(91,266)
Timing differences not recognised	-	-
Current year losses not booked	-	-
Income tax expense/(benefit) attributable to operating profit	**(63,447)**	**(91,266)**

Notes to the Financial Statement

for the year ended 30 June 2020

Names of Company	Principal Activities		Interest of Economic Entity 2020	Interest of Economic Entity 2019	Bookvalue of Parent Entity Investment 2020	Bookvalue of Parent Entity Investment 2019
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
EFF Timber Pty Ltd		Ordinary Shares	100%	100%	-	1,000
					4,000,000	**4,806,581**

	Consolidated Group 2020 $	Consolidated Group 2019 $
4 Current Assets – Cash and cash equivalent		
Cash and cash equivalents	40,485	6,136
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
Cash at bank	40,085	5,736
Balance	**40,485**	**6,136**
5 Receivables		
Current		
Trade and growers debtors	495,428	603,900
Less: provision for doubtful debts	(200,000)	(377,588)
Prepaid expenses	-	1,360
	295,428	**227,672**
7 Other Financial Assets		
Witholding tax	103	103
	103	**103**
8 Investments		
Non Current		
Shares in controlled entities - At cost	**-**	**-**

Notes to the Financial Statement

for the year ended 30 June 2020

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)	(2,450,925)
Less: Accumulated depreciation	(345,706)	(345,706)
	2,834,563	**2,834,563**
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	(85,681)	(80,531)
	120,287	**125,437**
Total Property, Plant & Equipment	**2,994,850**	**3,000,000**

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 2020. 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
Additions	-	-
Disposals	-	-
Closing Balance	**36,841**	**36,841**
Accumulated Depreciation		
Opening balance	36,841	36,841
Depreciation	-	-
Adjustment due to disposal	-	-
Closing Balance	**36,841**	**36,841**

Notes to the Financial Statement

for the year ended 30 June 2020

Land & Buildings		
At cost		
Opening balance	3,180,269	5,631,194
Disposal	-	-
Revaluation	-	(2,450,925)
Additions	-	-
Closing Balance	**3,180,269**	**3,180,269**
Accumulated Depreciation		
Opening balance	345,706	345,706
Depreciation	-	-
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	1,753,419
Depreciation	-	-
Disposal	-	-
Closing Balance	**1,753,419**	**1,753,419**
Leased Assets		
Opening balance	972,413	972,413
Additions	-	-
Disposals	-	-
Adjustment due to GST	-	-
Closing Balance	**972,413**	**972,413**
Accumulated Depreciation		
Opening balance	972,413	972,413
Depreciation	-	-
Disposal	-	-
Closing Balance	**972,413**	**972,413**
Dam at Cost		

Notes to the Financial Statement

for the year ended 30 June 2020

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

Accumulated Depreciation		
Opening balance	80,531	75,381
Depreciation	5,150	5,150
Closing Balance	**85,681**	**80,531**

Landholder	**Entity**
	Powton Land Holdings Pty Ltd

12 Tax Assets

Deferred Tax Assets	180,326	116,878
	180,326	**116,878**

13 Payables

Trade creditors	2,453,682	2,469,320
Debenture interest payable	-	-
Payroll liabilities	-	948
	2,453,682	**2,470,268**

14 Intercompany Loans

Amount owing to subsidiaries		
Powton Land Holdings Limited	-	-
Environmental Forest Farms Management Limited	-	-
	-	**-**

15 Interest Bearing Liabilities

Current		
Interest Bearing Loans	722,580	776,289
Director Related Party Loan	896,407	903,688
Interest Bearing Loans	-	-
	1,618,987	**1,679,977**

16 Tax Liabilities

Current		
Provision for GST payable	52,224	53,080
	52,224	**53,080**

Notes to the Financial Statement

for the year ended 30 June 2020

17 Contributed Equity		
Paid up capital		
ECO		
403,041 (2019: 403,041) Ordinary shares, fully paid (including Converted Share Capital from Forestry Finance)	5,647,603	5,647,603
Redeemable convertible preference shares		
Nil (2019: Nil) Preference shares	-	-
	5,647,603	**5,647,603**
Movements during the year		
a) ECO		
Ordinary shares		
Balance at the beginning of the year		
403,041 (2019: 403,041) shares		
(including Forestry Finance Converted Shares)	5,647,603	5,647,603
Shares issued		
Nil (2019: Nil)	-	-
Transaction costs arising from issue for cash	-	-
	5,647,603	**5,647,603**

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

Amount payable/(receivable) to PLH, a wholly owned subsidiary

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

3) Associated Company (EFF Timber)

Amount receivable from EFF Timber

Notes to the Financial Statement

for the year ended 30 June 2020

18 Retained Profits / (Accumulated Losses)

Retained profit				
At the beginning of the year			(6,605,740)	(6,184,212)
Prior year adjustment to retained earnings	-	-	302,832	
Dividend declared	-	-	-	
AIFRS adjustments	-	-	-	
Current earning			(63,997)	(421,528)
Retained Profit (Accumulated Losses) at End of Financial Year			**(6,366,905)**	**(6,605,740)**

19 Asset Revaluation Reserve

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

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

	2020	2019
(i) Director Related Entities		
Accounting services paid to AustAsia Accounting Services Pty Ltd, a firm related to Simon Chesson	-	-
Legal Fees paid to AustAsia Legal Pty Ltd, a firm related to Simon Chesson	-	-
Commissions and referrals paid to AustAsia Financial Planning Pty Ltd, a firm related to Simon Chesson	-	-
Administrative services paid to AustAsia Group Pty Ltd, a firm related to Simon Chesson	-	-
Consulting Fees to be paid to AustAsia Group Pty Ltd, a firm related to Simon Chesson	-	-
Company secretary fees paid to AustAsia Group Pty Ltd, a firm related to Simon Chesson	-	-
(ii) Loans from Related Parties		
Related Parties Loan	896,407	903,688
Liabilities included in Trade Creditors	2,287,921	2,287,921
Total	**3,184,328**	**3,191,609**

Notes to the Financial Statement

for the year ended 30 June 2020

(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	386,545	355,124
Amount payable/(receivable) to PLH, a wholly owned subsidiary	588,856	593,606
2) Associated Company (FFL)	-	--
Amount receivable from FFL	-	301,509
3) Associated Company (EFF Timber)		
Amount receivable from EFF Timber	-	2,078,913
	975,402	**3,329,152**

	Consolidated Group	
	2020	**2019**
	$	**$**

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	40,485	6,136
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	(127,443)	(421,527)
Non Cash Flows in Operating Profit/(Loss)	373,586	137,171
Depreciation	-	-
(Increase) / Decrease in the value of Paulowia Trees	-	250,000
Income Tax Credit	-	(91,266)
Management fee accurals		-
Provision for doubtful debts		-

Changes in Assets and Liabilities

Notes to the Financial Statement

for the year ended 30 June 2020

(Increase)/decrease in receivables	(67,756)	217,754
Increase/(decrease) in accounts payable		-
Increase/(decrease) in other liabilities		-
Increase (decrease) in tax liabilities	(89,181)	(89,181)
Movement in intercompany balance		-
Net Cash provided by operating activities	**89,206**	**2,951**

Notes to the Financial Statement

for the year ended 30 June 2020

	Weighed Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate		Non-interesting Bearing		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Financial Assets										
Cash and stock	2.00%	2.00%	40,485	6,136	-	-	-	-	40,485	6,136
Receivable	0.00%	0.00%	-	-	295,428	79,313	103	148,461	295,531	227,774
Total Financial Assets			**40.485**	**6,136**	**295,428**	**79,313**	**103**	**148,461**	**336,016**	**233,910**
Financial Liabilities										
Account payable	0.00%	0.00%	-	-	1,204,528	1,212,757	2,515,198	1,777,597	3,719,726	2,990,355
Debentures	8.00%	8.00%	-	-	-	-	-	-	-	-
Bank Loans	7.30%	7.30%	-	-	-	-	-	-	-	-
Short Term Borrowings	9.00%	9.00%	-	-	405,167	458,875	-	-	405,167	458,876
Taxation	-	-	-	-	-	-	-	-	-	-
Lease Liabilities	8.50%	8.50%	-	-	-	-	-	-	-	-
Total Financial Liabilities				**-**	**1,609,695**	**1,671,632**	**2,515,198**	**1,777,597**	**4,124,894**	**3,449,231**
Net Financial Assets			**40,485**	**6,136**	**(1,314,267)**	**(1,592,319)**	**(2,515,095)**	**(1,629,136)**	**(3,788,878)**	**(3,215,321)**

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ARMADA AUDITING

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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 2020, 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 2020 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.

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Armada Audit
& Assurance

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Perth, 30 September 2020

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 28:
   a. comply with Accounting Standard AASB 134: Interim Financial Reporting, and the Corporations Act 2001; and
   b. give a true and fair view of the company's financial position as at 30 June 2020, and of its performance for the half-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

Perth, 25 September 2020

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