carbonconscious

ABN 59 629 272 037

ANNUAL REPORT
1 JANUARY TO 30 SEPTEMBER 2019

Carbon Conscious Investments Limited and Controlled Entities
Financial Report for the period from 1 January to 30 September 2019

Australian Carbon Industry Code of Conduct
FOUNDATION SIGNATORY

CONTENTS

CORPORATE INFORMATION

CARBON CONSCIOUS INVESTMENTS LIMITED
ABN 59 629 272 037

DIRECTORS
Andrew McBain (Non-Executive Chair)
Anthony Fitzgerald (Executive Director & Company Secretary)
Natasha Ayers (Non-Executive Director)
Raphael Wood (Non-Executive Director)

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Telephone: (08) 9204 8400

SHARE REGISTRY
Automic Registry Services
Level 2, 267 St Georges Terrace
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SOLICITORS
HWL Ebsworth
Level 20, 240 St Georges Terrace
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BANKERS
BankWest
300 Murray Street
Perth WA 6000

AUDITORS
Elderton Audit Pty Ltd
Level 2, 267 St Georges Terrace
Perth WA 6000

REVIEW OF OPERATIONS

Dear Fellow Shareholders

The Carbon Conscious Investments Limited (CCIL) group's purpose is to provide reliable service to customers and steady commercial returns to shareholders while managing land and other assets to deliver positive biodiversity and natural capital outcomes that contribute to resilient regional communities.

The Company's business is based on 18,000 hectares of agroforestry projects established to store carbon and generate Australian Carbon Credit Units (ACCUs) and Voluntary Carbon Offsets (VCOs) for customers, and the Company is a leader in the carbon sequestration industry.

From May 2008 until 31 December 2018 the group's business and assets were owned by Alterra Limited and on 31 December 2018 the CCIL group was demerged from Alterra by in-specie distribution of capital to Alterra shareholders. The demerger was overwhelmingly supported by shareholders with each shareholder retaining their Alterra shares and being issued 1 CCIL share for each Alterra share, with Alterra retaining 15% of the issued capital.

Therefore, the period 1 January 2019 to 30 September 2019 marks the end of the first financial year of the CCIL group, and highlights for the period included:

- A smooth transition of management and maintaining excellent ongoing relationships with customers, regulators, and other stakeholders.
- Strengthening the CCIL Board with the appointment of a second independent non-executive director (Mr Raphael Wood).
- Strong operations management reflected by an independent audit report of Carbon Conscious Carbon Capture Project 1 finding management to be 100% compliant with the Carbon Farming Initiative Act.
- Disciplined management of costs that resulted in a distribution of $521,000 of cash to shareholders in May and early repayment of $200,000 of the Alterra working capital loan.

Highlights for the calendar year 2019 included:

- The completion of Offset Reports and Australian Carbon Credit Unit claims for Carbon Conscious Carbon Capture Projects 1 and 2.
- Management of ERF Contracts for clients and a sale of surplus ACCUs on the Company's account.
- Long term customer Resimac reaching the milestone of 30,000 trees planted and managed on their behalf.
- The distribution of a further $521,000 of cash to shareholders in December and a further $200,000 early repayment of the Alterra working capital loan.

To 2020 and beyond the Board is focused on:

- The ongoing governance of key service providers, contracts, and Carbon Farming Projects.
- Retaining the Policy of paying a minimum of 90% of Net After Tax Profit to shareholders.
- Due diligence on opportunities to leverage the Company's intellectual property and brand.
- Securing a mechanism to provide liquidity events to shareholders.
- Investigating acquisition-merger and other opportunities that could result in value creation for shareholders.

On 10 January 2020 Non-Executive Chair Andrew McBain informed the Board that he would be retiring from the Board effective from the close of the Company AGM scheduled for 26 February 2020 and he will be focussing on his role as an Executive Director at Alterra.

On behalf of the Board I would like to wish Andrew well and thank him for his support. I also want to acknowledge his leadership of the successful restructure of the carbon business within Alterra, turning around of a loss-making enterprise with a significant debt and a potentially terminal short-term cash flow outlook into a group with a robust balance sheet and culminated in the de-merger.

Having led the company as Non-Executive Chairman for its first 12 months Andrew leaves the CCIL Group in a strong financial position with a disciplined management team with diverse competencies.

I close by thanking the Group's non-executive Directors for their support and council during the transitional year that was 2019 and look forward to their ongoing diligence in 2020.

ANTHONY IRWIN FITZGERALD
Executive Director

Your directors submit the annual financial report of the Company and the entities it controlled (hereafter referred to as "the Group" or "the CCIL Group") for the period 1 January 2019 to 30 September 2019.

Directors

The names of directors who held office during or since the end of the financial year and until the date of this report are as follows. Directors were in office for this entire period unless stated below.

ANDREW MCBAIN	(Non-Executive Chair)
ANTHONY FITZGERALD	(Executive Director & Company Secretary)
NATASHA AYERS	(Non-Executive Director)
RAPHAEL WOOD	(Non-executive Director) appointed 4 April 2019

Information on Directors

ANDREW MCBAIN

Mr McBain is passionate about opportunities in Australian agribusiness and his corporate career, which extends over 15 years, includes raising over $200 million for various agricultural and mineral related projects. Previously, Mr McBain was a founding director of ASX listed mineral exploration companies Scimitar Resources Ltd and Rumble Resources Ltd (including Managing Director) as well as founder and Managing Director of AACL, a grain production, finance and marketing business that was sold to a major international grain trading company. With a reputation for innovation and developing talented people, Mr McBain has experience in start-ups, ASX listings, capital raisings, investor relations and corporate compliance. His experience is complemented by competencies including business management, strategic thinking and business development.

Mr McBain is a member of the AICD and he is an Executive Director of Alterra Limited.

ANTHONY FITZGERALD

Mr Fitzgerald has over 35 years' experience in the operational and financial management of agribusinesses that includes joint ventures, large scale animal production, land conservation projects, farmer networks and grain marketing pools. From 2013 to 2018 Mr Fitzgerald lead the Alterra teams that managed compliance with the *Carbon Farming Initiative Act* to generate Australian Carbon Credit Units driving a commercial focus into managing the 30 properties (21 million trees on 18,000 Hectares), and developed the science and intellectual property that supported the carbon business.

On the demerger of the Carbon Business Mr Fitzgerald became Executive Director of CCIL and at Alterra maintains executive management responsibilities and is Company Secretary. He holds a Bachelor of Agribusiness (1st Hons), an AFMA Post-Grad Diploma in Financial Services, and is a member graduate of the AICD.

NATASHA AYERS

Dr Ayers has a background in agriculture and has a PhD in Plant Biology and a Bachelor of Science in Agriculture, with qualifications in university teaching, research commercialisation and leadership and is a member and graduate of the AICD. She specialises in innovation training and mentoring in regional areas and founded and leads AgriStart Pty Ltd and UniBiz Connect.
During 8 years as a researcher/lecturer at the University of Western Australia, University of Glasgow, University of Southern California and University of Sydney, and has published more than 25 papers and supervised 10 Masters and PhD students. While working in research management, Dr Ayers founded iPREP WA which won the 2017 Australian Council of Graduate Research award for industry engagement and is a unique program that results in researchers from all 5 WA universities undertaking projects in industry.

RAPHAEL WOOD

Mr Wood's professional career began as an exploration geologist in locations that included the jungles of New Caledonia. After a decade as a stockbroker and investment advisor followed by, 5 years advising the Federal Government on establishing and operating environmental markets within the Clean Energy Regulator's Office, and then 2.5 years as the Head of Environmental Markets with Australia's largest carbon project developer GreenCollar. In June 2018 Mr Wood founded, and is the Managing Director of, Market Advisory Group which already enjoys a reputation for being one of Australia's preeminent independent carbon market advisory service providers.
Holding a Bachelor Science (Geology) and FINSIA Post-Grad Diploma of Financial Services and having had roles spanning all aspects of environmental markets Mr Wood brings a broad knowledge and unique perspective to all issues including opportunities and risks in carbon and environmental markets.

Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

Interests in the Shares and Options of the Company

The following relevant interests in shares / options of the Company or a related body corporate were held by the directors at 30 September 2019.

Directors	Number of Fully Paid Ordinary Shares	Number of Options
Andrew McBain	11,978,938	-
Anthony Fitzgerald	6,366,000	-
Natasha Ayers	-	-
Raphael Wood	-	-

Principal Activities

The principal activities of the Group during the year were environmental services being the management of: forests that were established for the purpose of acting as carbon by sequestration of carbon from the atmosphere; and various activities associated with generating carbon credits (ACCUs and VCOs), and monetising the carbon credits generated**.**

Dividends

The directors declared a dividend for the year ended 30 September 2019 of $0.001448 per ordinary share which was paid on 28 May 2019. The dividend was fully franked. A return of capital of $0.001552 per ordinary share was also paid to shareholders on 28 May 2019.

Review of Operations

During the year ending 30 September 2019 the Group was demerged from Alterra and commenced operations as an independent entity on 1 January 2019. Administration, project management, and executive services roles were contracted to Alterra Limited.

The Group commenced paying what have been determined (assuming business as usual) to be biannual dividends in May 2019.

Operating Results for the Year

The profit of the Group for the year ended 30 September 2019 after providing for income tax amounted to $660,815.

Financial Position

The net assets of the Group are $3,958,019.

Significant Changes in the State of Affairs

The carbon farming business and assets of Alterra Ltd were novated into the Group in 2018 and the Group was demerged from Alterra (effective 31 December 2018). Post demerger the business of the Group was managed with a focus on returning surplus cash to shareholders and the first distribution of cash was made to shareholders in May 2019.

Significant Events after Balance Date

The following event occurred after the year ended 30 September 2019:

1. **On 13 November 2019** the Group repaid a further $200,000 of principal on the Alterra Loan bringing outstanding principal to $600,000.
2. **On 12 December 2019** the Group communicated to shareholders that the Board had determined that subject to business as usual a cash distribution of about $521,000 would be made to shareholders in May 2020.
3. **On 13 December 2019** the Group distributed $521,000 of cash to shareholders (a combination of ROC and Franked Dividend) taking the total cash distributed to shareholders in the first calendar year of operations to $1,042,000.
4. **On 6 December 2019** the Clean Energy Regulator responded to the Carbon Farming Project – Offset Reports and ACCU claims provided by the Group by granting the ACCUs claimed for 2019.
    a. Having received ACCUs attributable to clients the Group made appropriate allocations to relevant client contracts.
    b. **On 19 December** the ACCUs attributable to the Group were sold generating revenue of $88,973.
5. **On 10 January 2020** Non-Executive Chair Mr Andrew McBain informed the Board that he would retiring from the Board effective from the close of the Company AGM scheduled for 26 February 2020.

Environmental Legislation

The Group is subject to the Carbon Farming Initiative Act 2011.

Climate Change Risk and Opportunity

Being a Company that has accepted the science of anthropological climate change, and having observed the outcomes of the same within our projects and agriculture more generally for some time, during 2019 the Company began building on its governance of climate change risk by considering metrics that can be used to incorporating strategy and risk management level considerations into its management and reporting systems.

This combination of culture and framework gives effect to a rigorous system of project management and opportunity consideration. Accordingly, the Company is currently developing the metrics against which it intends to commence reporting in calendar year 2020 and the Climate Change Risk Policy that will be included in its Corporate Governance Statement is well advanced and includes the categories summarised below:

Transitioning to a Lower-Carbon Economy	Physical Impacts of Climate Change
• Political • Legal • Technology • Reputational • Market Changes Driven by Adaption / Mitigation	• Resource Efficiency • Energy Resources / Sources • Products and Services • Markets • Resilience

The Company enjoys a reputation as a responsible forward-looking land assets manager and intends to safeguard and leverage that position by strengthening relationships and activities with industry associations and working constructively with environmental and resource regulators to drive efficiencies and resilience from climate change into existing projects and investigate other opportunities.

Legal Litigation

The Group is not subject to any significant legal litigation.

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for directors and other key management personnel of the Group. The term 'executives' is used in this remuneration report to refer to the following key management personnel. The named person held their current position for the period ended 30 September 2019: Anthony Fitzgerald (Executive Director and Company Secretary).

Remuneration Philosophy

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration Committee

Two (2) members of the Board of the Company are delegated by the Board to constitute the Remuneration Committee. The Remuneration Committee makes recommendations to the full Board on appropriate levels of remuneration within the organisation.

Remuneration Structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company. Currently no additional fees are paid for serving on a committee.

The remuneration of non-executive directors for the period ended 30 September 2019 is detailed in Table 1.

Executives and Executive Director Remuneration

The remuneration of the Executive Director is detailed in Table 1

Fixed Remuneration

Once established the fixed remuneration will be reviewed periodically by the Board. The process will consist of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee will have access to external, independent advice where necessary.

Variable Remuneration

The objective of a short-term incentive program will be to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short-term incentives available are set at a level so as to provide sufficient incentive to the senior management to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

There were no short-term incentives during the period ended 30 September 2019.

Employment Contracts

Each Director has a letter of appointment laying out the terms of their engagement.

September 2019 Remuneration of Key Management Personnel

Table 1: Key Management Personnel Remuneration for the Period Ended 30 September 2019

	Primary Benefits	Post-Employment	Total
	Salary & Fees	**Superannuation**	
Directors	**$**	**$**	**$**
Andrew McBain	26,250	2,494	28,744
Anthony Fitzgerald	26,250	2,494	28,744
Natasha Ayers	13,500	1,282	14,782
Raphael Wood	8,850	-	8,850
Total	**74,850**	**6,270**	**81,120**

Options Granted as Part of Remuneration for the period ended September 2019

There was no short-term incentive scheme during the period ended 30 September 2019 and no options were issued to Directors and Executives during the period.

Shares Issued to Executives for the Period Ended 30 September 2019

There was no short-term incentive scheme during the period and no shares were issued to Directors and Executives during the period.

Shareholdings of Key Management Personnel for the Period Ended 30 September 2019

9 Months Ended 30 September 2019	Balance at Beginning of Reporting Period	Granted as Remuneration	On exercise of Options	Net Change Other (i)	Balance at End of Reporting Period
Directors					
Andrew McBain	-	-	-	11,978,938	11,978,938
Anthony Fitzgerald	-	-	-	6,366,000	6,366,000
Natasha Ayers	-	-	-	-	-
Raphael Wood	-	-	-	-	-
Total	**-**	**-**	**-**	**18,344,938**	**18,344,938**

(i) Shares were acquired by Directors / Executives or their related entities as a result of their holding of Alterra Limited shares at the time of the de-merger.

END OF REMUNERATION REPORT

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the period and the number of meetings attended by each director was as follows:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Andrew McBain	4	4
Anthony Fitzgerald	4	4
Natasha Ayers	4	4
Raphael Wood	0	0

Proceedings on Behalf of the Company

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

The Company was not a party to any such proceedings during the period ended 30 September 2019.

Auditor Independence and Non-audit Services

Section 307C of the Corporations Act 2001 requires our auditors, Greenwich Audit, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 9 and forms part of this directors' report for the period ended 30 September 2019.

Non-audit Services

No non-audit services were provided by the external auditors during the period ended 30 September 2019.

Signed in accordance with a resolution of the directors.

ANTHONY FITZGERALD
Executive Director
Carbon Conscious Investments Limited

ELDERTON
AUDIT PTY LTD

AUDITOR'S INDEPENDENCE DECLARATION

To those charged with governance of Carbon Conscious Investments Limited

As auditor for the audit of Carbon Conscious Investments Limited for the period ended 30 September 2019, I declare that, to the best of my knowledge and belief, there have been:

a) No contraventions of the independence requirements of 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.

Elderton Audit Pty Ltd (formerly kown as Greenwich & Co Audit Pty Ltd)

Nicholas Hollens

Nicholas Hollens
Managing Director

Perth
22 January 2020

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FOR THE PERIOD ENDED 30 SEPTEMBER 2019

		CONSOLIDATED
	Note	9 Months Ended 30 September 2019
		$
Revenue from operations	2	1,899,386
Administrative expenses		(76,344)
Business development expenses		(520)
Depreciation and amortisation expense		(424,489)
Employee benefits expense		(81,120)
Financing expenses		(45,358)
Operating expenses		(408,836)
Other expenses		(900)
Profit before income tax expense		**861,819**
Income tax expense	3	(251,385)
Profit after income tax expense for the year		**610,434**
Other comprehensive income for the year		
Fair value gain on investment	8	50,381
Total comprehensive income for the year		**660,815**
Basic earnings per share (cents per share)	4	0.51

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

		CONSOLIDATED
	Note	30 September 2019
		$
Current Assets		
Cash and cash equivalents	5	1,079,808
Trade and other receivables	6	636,373
Inventories	7	115,327
Investments	8	153,080
Prepayments		20,921
Total Current Assets		2,005,509
Non-Current Assets		
Intangible assets	9	3,948,450
Total Non-Current Assets		3,948,450
Total Assets		**5,953,959**
Current Liabilities		
Trade and other payables	10	170,788
Provision for income tax	3	299,705
Total Current Liabilities		470,493
Non-Current Liabilities		
Interest bearing liabilities	11	800,000
Deferred tax liability	3	725,447
Total Non-Current Liabilities		1,525,447
Total Liabilities		**1,995,940**
Net Assets		**3,958,019**
Equity		
Issued capital		3,547,798
Other comprehensive income		50,381
Retained earnings		359,840
Total Equity		**3,958,019**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

		CONSOLIDATED
		Inflows/(Outflows)
	Note	**9 Months Ended 30 September 2019**
		$
Cash flows from operating activities		
Receipts from customers		1,253,463
Payments to suppliers and employees		(416,903)
Interest received		9,550
Interest paid		(45,358)
Net cash provided by operating activities	16	800,752
Cash flows from financing activities		
Dividends paid to shareholders		(251,444)
Return of capital paid to shareholders		(269,500)
Proceeds on borrowings		1,000,000
Repayment of borrowings		(200,000)
Net cash provided by financing activities		279,056
Net increase in cash and cash equivalents		1,079,808
Cash and cash equivalents at beginning of year		-
Cash and cash equivalents at end of year	5	1,079,808

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	CONSOLIDATED			
	Issued Capital	Other Comprehensive Income	Retained Earnings	Total
	$	$	$	$
Balance at 1 January 2019	-	-	850	850
Profit attributable to members	-	50,381	610,434	660,815
Dividends paid (Note 13)	-	-	(251,444)	(251,444)
Total comprehensive income for the year	-	50,381	358,990	409,371
Shares issued on de-merger	3,817,298	-	-	3,817,298
Return of capital (Note 12)	(269,500)	-	-	(269,500)
Balance at 30 September 2019	**3,547,798**	**50,381**	**359,840**	**3,958,019**

The accompanying notes form part of these financial statements.

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements and notes represent those of Carbon Conscious Investments Limited and its controlled entities (the "Group").

The financial statements were authorised for issue on 22 January 2020 by the directors of the Company.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments
The consolidated entity has adopted AASB 9 from 1 January 2019. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available

AASB 15 Revenue from Contracts with Customers
The consolidated entity has adopted AASB 15 from 1 January 2019. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. There were no leases for the period ended 30 September 2019 and thus no impact during the period.

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report of Carbon Conscious Investments Limited complies with Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety. Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

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

(b) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 18.

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Carbon Conscious Investments Limited as at 30 September 2019 and the results of all controlled entities for the year then ended. A controlled entity is any entity over which Carbon Conscious Investments Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

Where controlled entities have entered (left) the Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased). A list of controlled entities is contained in Note 14 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(d) Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(e) Income Tax

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

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The Company and its wholly-owned Australian entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Carbon Conscious Investments Limited.

(f) Inventories

Inventories consisting of trees and seeds are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated selling expenses.

Cost comprises all production, acquisition and conversion costs. At the end of each period, inventory cost is evaluated based on the recoverable value and current market pricing to determine whether any write down is appropriate. To the extent that any impairment arises, losses are recognised in the period they occur. Additionally, the costs associated with producing inventories are charged to the statement of comprehensive income in the same period as the related revenues are recognised.

(g) 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. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

(i) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised for the major business activities of the Group as follows:

- *Voluntary carbon offset sales* – revenue from the sale of carbon credits is recognised when the Group has transferred to the buyer the significant risks and rewards of the ownership of the carbon credits.

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- *CFI Project Land license / management fees* - Land license and management fees are recognised on a straight-line basis over the term of the contract as this reflects when the benefits are received from the customer.
- *Project revenue* – where the company undertakes the development of carbon sinks for third parties, revenue is recognised in proportion to the percentage completion of the project. Management related income is recognised on an accrual basis in accordance with the substance of the relevant contract.
- *Interest revenue* is recognised as it accrues, taking into account the effective yield on the financial asset.
-

(j) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(k) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(l) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Comparatives

Carbon Conscious Investments Limited demerged from Alterra Limited on 1 January 2019 and commenced trading on this date, therefore no comparatives are presented in the accounts.

(o) Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Valuation of land, forestry rights and plantations

The Company reviews the value of land, forestry rights and plantations on an annual basis. A combination of external valuation processes and internal valuation models are used to assess any potential impairment of this value. The impairment testing is carried out using an estimate of future realisable values for ACCU's based on market expectations.

(p) Interest Bearing Loans and Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects where material.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(q) Intangible Assets

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a systematic basis over their estimated useful lives which reflect the pattern in which the intangible asset's future economic benefits are expected to be consumed by the entity. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Forestry and carbon rights are either held together with the freehold title of the land and as such disclosed as land assets under property, plant and equipment or, where the rights are held separately, disclosed as intangible assets. On the disposal of the freehold title, the remaining forestry and carbon rights are valued at the original cost of the freehold less the sales proceeds. The forestry and carbon rights are then amortised over the life of the contracts in place, being 40% in the first year and then 4% per annum over the remaining 15 years. The forestry and carbon rights are also impairment tested on an annual basis.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

The Company currently has no internally-generated intangible assets.

(r) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

(s) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(t) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

(u) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTE 2: REVENUE

	CONSOLIDATED
	9 Months Ended 30 September 2019
	$
(a) Revenue from operations	
VCO sales	14,598
CFI Project - Land licence fees	873,673
CFI Project - Management fees	1,001,565
Interest received	9,550
	1,899,386

The Group derives its revenue from the sale of goods and the provision of services at a point in time and over time in the following major categories. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8, refer note 6.

	9 Months Ended 30 September 2019
	$
At a point in time	
VCO sales	14,598
Over time	
CFI Project - Land licence fees	873,673
CFI Project - Management fees	1,001,565
Interest received	9,550
Total revenue	1,899,386

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTE 3: INCOME TAX

	CONSOLIDATED
	9 Months Ended 30 September 2019
Current tax payable	
Current year	299,705
Total current tax payable	**299,705**
Deferred tax expense	
Origination and reversal of temporary differences	(48,320)
Total deferred tax (expense)	**(48,320)**
Income tax expense recognised in profit or loss	251,385
Total income tax expense recognised in profit or loss	**251,385**
Numerical reconciliation between tax expense and pre-tax net loss	
Profit before tax	912,200
Income tax expense using the domestic tax rate of 27.5%	250,855
Non-deductible expenses	530
Income tax attributable to entity	**251,385**

	CONSOLIDATED				
	Balance 01/01/2019	Previously Unrecognised Deferred Balances	Recognised in Income	Recognised in Equity	Balance 30/09/2019
Movement in deferred tax balances during the year	$	$	$	$	$
Tax losses - Australia	-	-	-	-	-
Other timing differences	(773,767)	-	48,320	-	(725,447)
Net deferred tax (liability)	(773,767)	-	48,320	-	(725,447)

Carbon Conscious Investments Limited and its wholly-owned subsidiaries in Australia are a consolidated tax group as defined under the tax consolidation legislation. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Carbon Conscious Investments Limited.

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTE 4: EARNINGS PER SHARE

	CONSOLIDATED
	9 Months Ended 30 September 2019
	Cents per share
Basic earnings per share	0.51
The earnings and weighted average number of Ordinary Shares used in the calculation of basic earnings per share are as follows:	
	$
Profit for the period	660,815
	No.
Weighted average number of Ordinary Shares outstanding during the period used in calculating basic EPS	129,402,729

NOTE 5: CASH AND CASH EQUIVALENTS

	CONSOLIDATED
	30 September 2019
	$
Cash at bank and on hand	1,079,808

Cash at bank earns interest at floating rates based on daily bank deposit rates.

NOTE 6: TRADE AND OTHER RECEIVABLES

	CONSOLIDATED
	30 September 2019
	$
Current	
Trade receivables (i)	53,417
Accrued income	574,878
GST Receivable	8,078
	636,373

(i) Trade receivables are non-interest bearing and are generally on 14 to 30 day terms. There is no expected credit loss in relation to the trade and other receivables at balance date.

At the 30 September, the ageing analysis of trade receivables is as follows:

0 – 30 days	53,417
Total	53,417

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTE 7: INVENTORIES

	CONSOLIDATED
	30 September 2019
	$
Current	
Inventory - CFI Projects	41,497
Inventory - Seed	17,630
Inventory - Voluntary Carbon Offsets	56,200
	115,327

NOTE 8: INVESTMENTS

	CONSOLIDATED
	30 September 2019
	$
Investment in Rumble Resources Limited	153,080
	153,080

As part of the demerger, the Group received shares in Rumble Resources Limited valued at $102,699. At 30 September 2019 these were valued at $153,080 resulting in a fair value gain of $50,381. Under the terms of AASB 9 Financial Instruments the investment has been classified as fair value through other comprehensive income.

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTE 9: INTANGIBLE ASSETS

	CONSOLIDATED
	Forestry Rights
	$
Cost	
Balance at 1 January 2019	-
Demerger of subsidiary	14,177,854
Balance at 30 September 2019	**14,177,854**
Accumulated amortisation	
Balance at 1 January 2019	-
Demerger of subsidiary	9,804,915
Amortisation for the period	424,489
Balance at 30 September 2019	**10,229,404**
Carrying amounts	
At 30 September 2019	**3,948,450**

NOTE 10: TRADE AND OTHER PAYABLES

	CONSOLIDATED
	30 September 2019
Current	**$**
Trade payables	18,031
Employee benefits accrual	2,090
GST Payable	50,667
Sundry payables and accrued expenses	100,000
	170,788

Trade payables are non-interest bearing and are normally settled on 30-day terms.
Information regarding the effective interest rate and credit risk of current payables is set out in Note 15.

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTE 11: INTEREST BEARING LIABILITIES

	CONSOLIDATED
	30 September 2019
	$
Non-Current	
Unsecured	
Loan from Alterra	800,000
	800,000

The Group parent company (Carbon Conscious Investments Limited) has an unsecured loan provided by Alterra Limited. The principal was originally $1,000,000 and interest of 6.5% is compounded daily. The loan is repayable by 31 December 2020.

NOTE 12: ISSUED CAPITAL AND RESERVES

	CONSOLIDATED	
		30 September 2019
		$
Issued Capital		
173,647,045 fully paid Ordinary Shares		3,547,798
	9 Months Ended 30 September 2019	**9 Months Ended 30 September 2019**
Movement in Ordinary Shares on issue	**No.**	**$**
At beginning of the financial reporting period	-	-
Demerger	173,647,045	3,817,298
Return of capital	-	(269,500)
At 30 September 2019	173,647,045	3,547,798

NOTE 13: DIVIDENDS

Dividends paid during the year were as follows:

	CONSOLIDATED
	30 September 2019
	$
Dividend for the year ended 30 September 2019 of $0.001448 per ordinary share	251,444
	251,444

The directors declared a dividend for the year ended 30 September 2019 of $0.001448 per ordinary share to be paid on 28 May 2019. The dividend was fully franked. A return of capital of $0.001552 per ordinary share was also paid to shareholders on 28 May 2019.

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTE 14: CONTROLLED ENTITIES

Subsidiaries of Carbon Conscious Investments Limited		
Name	**Country of Incorporation**	**Ownership Interest**
		9 Months Ended 30 September 2019
ACCU Asset Management Pty Ltd	Australia	100%
Carbon Management WA Pty Ltd	Australia	100%
Carbon Conscious Pty Ltd	Australia	100%

NOTE 15: FINANCIAL INSTRUMENTS

(i) Capital Risk Management

The Group's activities may expose it to a variety of risks: market risk (including, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(ii) Categories of Financial Instruments

	CONSOLIDATED
	30 September 2019
	$
Financial assets	
Trade and other receivables	636,373
Cash and cash equivalents	1,079,808
Total financial assets	1,716,181
Financial liabilities	
Trade and other payables	170,788
Other financial liabilities	800,000
Total financial liabilities	970,788
Net financial assets	745,393

During the financial year no loans or receivables were revalued through profit or loss.

(iii) Market Risk

With more than 95% of Group revenue contracted until the end of 2027 the Group has marginal exposure to market risk.
The market for carbon offsets in Australia is still exposed to some sovereign uncertainty but has existed for over a decade and there are well established legal frameworks and business protocols for the carbon offsets the Group produces.

(iv) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTE 15: FINANCIAL INSTRUMENTS (continued)

counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparty is a bank with a high credit rating assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(v) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(vi) Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted Average Effective Interest Rate %	Less than 1 Month	1 – 3 Months	3 months – 1 Year	1 – 5 Years	5+ Years
9 Months Ended 30 September 2019						
Non-interest bearing		170,788				
Other financial liabilities	6.5%	3,999	210,964	613,429		
		174,787	**210,964**	**613,429**		

(vii) Fair Value of Financial Instruments

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

(viii) Interest Rate Sensitivity Analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the change in interest rates.

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTE 16: CASH FLOW INFORMATION

Reconciliation of profit / (loss) for the year to net cash flows from operating activities

	CONSOLIDATED
	9 Months Ended 30 September 2019
	$
Profit for the reporting period	660,815
Depreciation and amortisation expense	424,489
Fair value gain on investment	(50,381)
Taxation expense	251,385
(Increase) in prepayments	(20,921)
(Increase) in receivables	(636,373)
Increase in trade and other payables	170,788
Decrease in other assets	950
Net cash provided by operating activities	800,752

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTE 17: KEY MANAGEMENT PERSONNEL (KMP) REMUNERATION

Refer to the Remuneration Report contained within the Directors' Report for details of remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 September 2019.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	CONSOLIDATED
	9 Months Ended 30 September 2019
	$
Short-term employment benefits	74,850
Post-employment benefits	6,270
	81,120

NOTE 18: PARENT ENTITY DISCLOSURES

	CONSOLIDATED
	30 September 2019
Financial position	**$**
Assets	
Current assets	1,341,982
Non-current assets	3,679,231
Total assets	5,021,213
Liabilities	
Current liabilities	311,013
Non-current liabilities	811,607
Total liabilities	1,122,620
Equity	
Issued capital	3,547,798
Retained earnings	350,795
Total equity	3,898,593
Financial performance	
Profit for the year	602,240
Total comprehensive income	**602,240**

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

NOTE 19: CONTINGENT LIABILITIES

The Company has no contingent liabilities as at 30 September 2019.

NOTE 20: EVENTS AFTER BALANCE DATE

The following event occurred after the year ended 30 September 2019:

- **On 13 November 2019** the Group repaid a further $200,000 of principal on the Alterra Loan bringing outstanding principal to $600,000.
- **On 12 December 2019** the Group communicated to shareholders that the Board had determined that subject to business as usual a cash distribution of about $521,000 would be made to shareholders in May 2020.
- **On 13 December 2019** the Group distributed $521,000 of cash to shareholders (a combination of ROC and Franked Dividend) taking the total cash distributed to shareholders in the first calendar year of operations to $1,042,000.
- **On 6 December 2019** the Clean Energy Regulator responded to the Carbon Farming Project – Offset Reports and ACCU claims provided by the Group by granting the ACCUs claimed for 2019.
  - Having received ACCUs attributable to clients the Group made appropriate allocations to relevant client contracts.
  - **On 19 December** the ACCUs attributable to the Group were sold generating revenue of $88,973.
- **On 10 January 2020** Non-Executive Chair Mr Andrew McBain informed the Board that he would retiring from the Board effective from the close of the Company AGM scheduled for 26 February 2020.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Carbon Conscious Investments Limited (the 'Company'):

   (a) the accompanying financial statements, notes and additional disclosures are in accordance with the Corporations Act 2001 including:

      i. giving a true and fair view of the Group's financial position as at 30 September 2019 and of its performance for the year then ended; and

      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the year ended 30 September 2019.

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

ANTHONY FITZGERALD
Executive Director
Carbon Conscious Investments Limited

Dated this 22nd day of January 2020

ELDERTON

AUDIT PTY LTD

Independent Audit Report to the members of Carbon Conscious Investments Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Carbon Conscious Investments Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 September 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period 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:

(i) giving a true and fair view of the Group's financial position as at 30 September 2019 and of its financial performance for the period then ended; and

(ii) 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 as in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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*, which has been 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.

Other Information

The directors are responsible for the other information. The other information comprises the Review of Operations and Directors Report and other information included in the Group's annual report for the period ended 30 September 2019 but does not include the financial report and our auditor's report thereon.

The other information obtained at the date of this auditor's report is included in the annual report, (but does not include the financial report and our auditor's report thereon).

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability 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 Group 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 the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used in the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, used on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Elderton Audit Pty Ltd (formerly known as Greenwich & Co Audit Pty Ltd)

Nicholas Hollens

Nicholas Hollens
Managing Director
Perth

22 January 2020