



Carbon Neutral Charitable Fund Ltd
(Formerly Carbon Neutral Ltd)
(ABN 99 124 696 966)

**Directors' Report and
Annual Financial Statements
For the Year Ended 30 September 2014**

Issued: 8 May 2015

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GLOSSARY

ACNC	the Australian Charities and Not-for-Profits Commission
ASIC	the Australian Securities and Investments Commission
ATO	the Australian Taxation Office
CFI	Carbon Farming Initiative
the "Company"	Carbon Neutral Charitable Fund Ltd
CNC Fund	Carbon Neutral Charitable Fund Ltd
CNPL	Carbon Neutral Pty Ltd
DPAW	WA Department of Parks and Wildlife
DGR	Deductible Gift Recipient
GST	Goods and Services Tax
MOTT	Men of the Trees
REO	Register of Environmental Organisations
VCU	Voluntary Carbon Units
VER	Verified Emissions Reductions

DIRECTORS' REPORT

Your directors present this report on the company, Carbon Neutral Charitable Fund Ltd (CNC Fund) (formerly Carbon Neutral Ltd), for the year ending 30 September 2014.

Review of Operations

This is Carbon Neutral Charitable Fund Limited's (formerly Carbon Neutral Limited) seventh Annual Report. The Directors are pleased to be able to report on sound progress against our mission: to assist the broader community adopt a more sustainable approach to a healthy environment and minimise greenhouse gas emissions.

We have made strong progress toward achieving cost-efficiencies in both management, administration and revegetation projects through the re-structure. Our planting projects have shifted from high cost, small, fragmented sites to larger-scale projects that deliver measurable outcomes in creating habitat for the flora, insects, birds and other animals.

i) Re-structure:

The company re-structure, with sale of the business name to Carbon Neutral Pty Ltd in August 2013, has resulted in a significant reduction in administration and overhead costs for Carbon Neutral Charitable Fund (CNC Fund). The cost reduction has been achieved through shared office space and reduced management expense.

As a result, we are pleased to report that seventy-three cents in every dollar spent in 2013-14 was on revegetation related activities.

CNC Fund and Carbon Neutral Pty Ltd (CNPL) have independent boards.

ii) Revegetation Activities

A major benefit of the re-structure is the positive collaborative arrangement with CNPL's shareholder, Auscarbon Pty Ltd. Auscarbon has successfully established over 18 million trees across nearly 10,000 hectares of marginal and degraded farmland in the Mid West, as part of its biodiverse reforestation carbon sink program.

Contract plantings with Auscarbon has given CNC Fund guaranteed results, at relatively low cost, through economies of scale, and a focus on a planting corridor that links with remnant bush and nature reserves. The *Yarra Yarra Biodiversity Corridor* is in a region where over 90 per cent of land has been cleared for farming, but where much of it is now marginal and degraded. We have contracted to plant 736 hectares in the *Yarra Yarra Biodiversity Corridor* in 2015.

With support from the Australian Government's Biodiversity Fund, and our planting partners and landowners (Auscarbon), we're going beyond carbon capture and also measuring the impact on flora and fauna in restoring woodland habitat on sites in the *Yarra Yarra Biodiversity Corridor*. The biodiversity base-line survey commenced in the spring of 2014. Coordinated by Insight Ecology, Stage 2 will be undertaken in the autumn of 2015, with the assistance of Jenny Borger Botanical Consultant and Spineless Wonders.

Our Urban Reforestation planting programs are also important. We planted 8 hectares for restoration of Carnaby's Black Cockatoo habitat in partnership with Kaarakin Black Cockatoo Conservation Centre and DPaW. A similar area will be planted in 2015.

We are planning a collaboration with Men of the Trees' in their '100,000 Tree Challenge' in 2015.

iii) Education

Environmental education is an important part of what we do. We will be launching a new website in early 2015 which will provide us with the capability to up-date information in-house and overtime, incorporate more interactive elements.

We want to facilitate better gathering and dissemination of science-based communication and knowledge within the community on environmental topics such as practical measures people can take to improve energy efficiency, reduce carbon emissions, improve water use efficiency, reduce waste and protect and restore biodiversity.

Operating Results

The total comprehensive income of the Company for the year amounted to \$174,927 (2013: Loss \$460,390).

Principal Activities

CNC Fund principal activities are:

- i) Management of revegetation projects as a viable abatement option to achieve co-benefits of carbon sequestration, biodiversity conservation and natural resource management
- ii) Production and sale of biodiverse reforestation offset products
- iii) Education - Raising community awareness and providing web-based resources to enable businesses and households to reduce energy consumption and offset emissions

Significant changes in the state of affairs

No other significant changes occurred during the year.

After Balance Date Events

The Company has won a tender to supply carbon emission offsets services for RAC members on an opt-in basis. The program is expected to be launched in mid 2015 with substantial integrated marketing and communications support through a variety of marketing channels by the RAC.

No other matter has arisen since the end of the year that will or may significantly affect:

- i) the company's operations in future financial years or
- ii) the results of those operations in future financial years, or the company's state of affairs in future financial years

Environmental Performance

CNC Fund seeks to minimise its environmental impact. We measure, reduce and offset our office and travel emissions, and minimise our paper usage. We actively participate in the Travel Smart CitySwitch programs.

Distributions to members during the year

No dividends or distributions were recommended, declared or paid to members during the year. The company is a non-profit company and its Constitution does not allow payments including dividends, bonuses or distributions of profit, directly or indirectly, to members, officers, servants, agents or employees other than as reasonable remuneration for services actually rendered.

Directors

The names of each person who has been a director during the year to the date of this report are:

Name	Date Appointed	Date Resigned
Ian Rawlings (Chairman)	Apr 08	
Chris Ferreira	Apr 08	
Brian Wickins	Apr 08	
Jeff Bremer	May 11	
Rhonda Hardy	Oct 11	
Richard West	Aug 13	

Directors have been in office since the beginning of the financial year unless otherwise stated.

Meetings of Directors

During the financial year, five meetings of directors were held. Attendances by each director during the year were as follows:

	Board Meetings		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Ian Rawlings (Chairman)	5	4		
Chris Ferreira	5	2		
Brian Wickins	5	4		
Jeff Bremer	5	3	1	1
Rhonda Hardy	5	3	1	1
Ric West	5	4	1	1

Information on Directors

Ian Rawlings (Chairman)

Chairman since July 2011. Ian has been a Men of the Trees (MOTT) member for 10 years and was on the MOTT board for 7 years. He came into MOTT via City Farm where he and his wife Linda worked on the Save City Farm campaign team, which secured for MOTT a 40 year peppercorn lease over that prime East Perth property. He has a lifelong passion for things environmental and especially sustainable building. In his day job Ian is the CEO for Central Desert Native Title Services Ltd which is a group of people committed to seeing the Aboriginal people of central WA gaining (western) property rights over their ancestral country.

Chris Ferriera

Chris has been a past Vice President and Board member of Men of the Trees and is a founding member of the Revegetation Team Management Committee. Chris has a degree in forestry with specialist training in landcare planning and design. Since 1999 he has run his own Landcare and Sustainability business, Landcare Solutions, which has designed and delivered WA's largest community environmental education program including the highly successful Heavenly Hectares, Property Planning and Great Gardens program. Chris specialises in environmental journalism, education and advocacy in sustainability.

Brian Wickins

Born in rural England, Brian had a strong bond with the countryside from an early age. Following a 10 year career in rubber and plastics engineering, design and manufacture, Brian emigrated to Australia in 1983. His interest in technology led him into publishing. In 1992 he formed Resolutions, with his partner Adriana, to provide specialist publishing and communication services to the Australian resource sectors. Their company has been CNC Fund since 2007. In 2005 they purchased 110 acres in Donnybrook to breed goats and sheep. Joining the boards of CNC Fund and MOTT in 2007, he brings commercial, management and communication skills to the organisations.

Jeff Bremer (BEng (Hons) PhD, FIEAust)

Jeff is a Principal Engineer with SKM and a practice leader in Slurry Transport, and Piping and Pumping systems, with special expertise in strategic analysis of GHG emissions and energy policy. He has also lead remote area energy studies for locations in the Indian Ocean. Jeff is a Fellow of the Institute of Engineers Australia, and is a member of the Mechanical and Education subcommittees of Engineers Australia (WA). He also is on the Industry Advisory Board for the University of Western Australia.

Rhonda Hardy (BBus)

Chief Executive Officer for the Shire of Kalamunda and former Director of Regional Services for the Eastern Metropolitan Council, Rhonda has a solid background in strategy and management for government departments. Rhonda has worked across a broad spectrum of successful environmental development projects and initiatives, including Perth Solar City project, the Cities for Climate Protection Program, the international ICLEI Local Action for Biodiversity Project, renewable energy procurement, water conservation plans and Travelsmart green travel plans.

Richard West (BA, MAcc, MSc (Mineral Economics), JP, FCPA, FIPA, GIA (Cert))

Ric West is the Chief Financial Officer with Central Desert Native Title Services Ltd. An accountant with extensive experience with Not-For-Profit organisations, Ric has previously served as a Director of the Company. Ric is one of the Trustees of the Company's Gift Fund.

Company Secretary

Mr. Richard West held the position of company secretary throughout the year and to the date of this report.

Indemnifying Officers or Auditor

No indemnities have been given during or since the end of the financial year, for any person who is or has been an officer or auditor of the company. The company holds an Association liability insurance policy with QBE Insurance (Australia) Limited which includes Director's and Officer's as well as Professional Indemnity insurance.

Proceedings on Behalf of the Company

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

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

Auditor's Independence Declaration

The company's auditor is BDO Audit (WA) Pty Ltd.

Signed in accordance with a resolution of the board of directors.



Ian Rawlings – Chairman
Perth, Western Australia

Dated: 8 May 2015



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DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF CARBON NEUTRAL CHARITABLE FUND LTD (FORMERLY CARBON NEUTRAL LIMITED)

As lead auditor of Carbon Neutral Charitable Fund Ltd (Formerly Carbon Neutral Limited) for the year ended 30 September 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'C Burton'. The signature is written in a cursive style with a long horizontal stroke extending from the end of the name.

Chris Burton

Director

BDO Audit (WA) Pty Ltd

11 May 2015

DIRECTORS' DECLARATION

For The Year Ended 30 September 2014

The Directors of Carbon Neutral Charitable Fund Ltd declare that in the Director's opinion:

- 1) The financial statements, comprising the statement of profit and loss and other comprehensive income, statements of financial position, statement of cash flows, statement of changes in equity, and the accompanying notes, are in accordance with the Australian Charities and Not-for-profits Commission Act 2012 and:
 - a) comply with Australian Accounting Standards and the *Corporations Regulations 2001*; and Australian Charities and Not-for-profits Commission regulation 2013 (ACNC Regulation 2013); and
 - b) give a true and fair view of the entity's financial position as at 30 September 2014 and of the performance for the year ended on that date.
- 2) There are reasonable grounds to believe that the entity will be able to pay all of its debts, as and when they become due and payable.

Signed in accordance with subsection 60.15(2) of the ACNC Regulation 2013 on behalf of the directors by:



Ian Rawlings – Chairman
Perth, Western Australia
Dated: 8 May 2015

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the members of Carbon Neutral Charitable Fund Ltd (formerly Carbon Neutral Ltd)

Report on the Financial Report

We have audited the accompanying financial report, being a general purpose financial report of Carbon Neutral Charitable Fund Ltd, which comprises the balance sheet as at 30 September 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Australian Charities and Not-for-profits Commission Act 2012* 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



Basis for Qualified Opinion

The Company's landowner liabilities are carried at \$157,459 for the landowners' incentive and prepaid Landowner incentives assets are carried at \$118,770 on the balance sheet as at 30 September 2014. A landowner incentives expenses have been recorded in the Profit and Loss statement for an amount of \$54,150 for the year ended 30 September 2014. We were unable to obtain sufficient appropriate audit evidence about the completeness and existence of these balances as at 30 September 2014 due to the complexity of each arrangement, the historical information available and the uncertainty around future assessments. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph above:

- (1) the financial report of Carbon Neutral Charitable Fund Ltd (formerly Carbon Neutral Ltd) is in accordance with Division 60 of the *Australian Charities and Not-for-profit Commission Act 2012*, including:
 - a) giving a true and fair view of the Company's financial position as at 30 September 2014 and of its performance for the year ended on that date; and
 - b) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*; and
- (2) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the financial report, which indicates that the Company is reliant on continued donations from organisations and individuals for support. This condition along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business at amounts stated in the balance sheet.

BDO Audit (WA) Pty Ltd

BDO
A handwritten signature in black ink, appearing to read 'C Burton', written over the printed name 'Chris Burton'.

Chris Burton
Director

Perth, 11 May 2015

BALANCE SHEET

As At 30 September 2014

	Note	30-Sept-14 \$	30-Sept-13 \$
Current Assets			
Cash and cash equivalents	6	268,740	310,415
Trade and other receivables	8	173,792	146,058
Inventory	9	-	3,017
Other current assets	10	5,430	2,185
Land held for sale	11	130,000	275,000
Total Current Assets		577,962	736,675
Non-Current Assets			
Property, plant and equipment	12	232,750	11,196
Total Non-Current Assets		232,750	11,196
Total Assets		810,712	747,871
Current Liabilities			
Trade and other payables	13	20,247	163,793
Provisions and accruals	14	169,459	137,999
Total Current Liabilities		189,706	301,792
Total Liabilities		189,706	301,792
Net Assets		621,006	446,079
Equity			
Member's funds - Reserves		-	962,580
Retained earnings(losses)		621,006	(516,501)
Total Equity		621,006	446,079

The accompanying notes form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 30 September 2014

	Note	30-Sept-14 \$	30-Sept-13 \$
Revenue from continuing operations	4	507,121	1,078,361
Other income	4	270,087	4,832
		777,208	1,083,193
Less:			
Planting costs	5	(372,693)	(243,625)
Non Tree COS (VERs, VCU, Consulting, Auscarbon)		(27,082)	(314,260)
Rent, rates and services		(2,689)	(53,354)
Office expenses		(9,337)	(33,299)
Operating expenses		(13,825)	(47,675)
Employment expenses		(88,314)	(480,941)
Professional services		(76,091)	(37,659)
Depreciation		(12,250)	(2,770)
Loss on sale of land		-	(95,000)
Impairment losses in value of land held for sale		-	(235,000)
		(602,281)	(1,543,583)
Net Surplus/(Loss) before income tax		174,927	(460,390)
Income tax expense		-	-
Net Surplus/(Loss) after income tax		174,927	(460,390)
Other comprehensive income		-	-
Total comprehensive income (loss)		174,927	(460,390)

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For The Year Ended 30 September 2014

	Retained Earnings	General Reserves	Total
Balance at 30 September 2012	(56,112)	962,580	906,468
Loss for the year	(460,390)	-	(390,651)
Other Comprehensive Income	-	-	-
Movement in Reserves	-	-	-
Total Comprehensive Income for the year	(460,390)	-	(460,390)
Balance at 30 September 2013	(516,501)	962,580	446,079
Surplus for the year	174,927	-	174,927
Other Comprehensive Income	-	-	-
Movement in Reserves	962,580	(962,580)	-
Total Comprehensive Income for the year	1,137,507	-	174,927
Balance at 30 September 2014	621,006	-	621,006

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

For The Year Ended 30 September 2014

	Note	30-Sept-14 \$	30-Sept-13 \$
Cash flows from operating activities			
Receipts from clients and donors		319,911	1,264,400
Interest received		4,461	4,832
Payments to employees and suppliers		<u>(542,947)</u>	<u>(1,257,802)</u>
Net cash inflow/(outflow) from operating activities	7	<u>(218,947)</u>	11,430
Cash flows from investing activities			
Sale of land	11	177,273	160,000
Payments for property, plant and equipment		-	(2,105)
Sale of property, plant and equipment		-	-
Net cash inflow/(outflow) from investing activities		<u>177,273</u>	<u>157,895</u>
Cash flows from financing activities			
Proceeds from financing activities		-	-
Cash outflows for financing activities		-	-
Net cash inflow from investing activities		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash		<u>(41,675)</u>	<u>169,325</u>
Cash at the beginning of the financial year	6	310,415	141,090
Cash at the end of the financial year	6	<u>268,740</u>	<u>310,415</u>
Net increase/(decrease) in cash		<u>(41,675)</u>	<u>169,325</u>

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 September 2014

1. THE REPORTING ENTITY

Carbon Neutral Charitable Fund Ltd is a public company limited by guarantee. It was incorporated under the *Corporations Act 2001* on 30 March 2007 and is domiciled in Australia. The company changed its name from Carbon Neutral Ltd on 8 August 2013.

The financial statements cover the company as an individual entity.

The Registered and Business address of the Company is:
Unit 9, 7 Hector St West, Osborne Park, WA 6017

2. BASIS OF PREPARATION OF THE FINANCIAL REPORT

Date of Issue

These financial statements were authorised for issue by the Directors on 8 May 2015. The directors have the authority to amend the financial statements after that date.

Basis of Accounting

The financial statements are a general purpose financial statements that have been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act 2012).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. 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 these financial statements are presented below. They have been consistently applied unless otherwise stated.

The statements are prepared on an accruals basis from the records of the company. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The report is presented in Australian dollars (\$AUD) and are rounded to the nearest dollar.

Going Concern

The accounts have been prepared on a going concern basis. The Company is reliant on continued donations from organisations and individuals for support. There is uncertainty surrounding whether donations received will be able to cover costs incurred.

The ability of the Company to continue as a going concern is dependent upon the Company receiving enough donations to meet the Company's expenditure commitments.

Voluntary offsets are a highly discretionary spend and uncertainties around the carbon price has resulted in a number of other long-standing clients questioning whether they will be 'paying twice' with voluntary offset purchases and expected increased input costs with the 'carbon tax' flow through. However, we continue to attract many new business clients. This is being driven by 'green' supply chain pressures and a desire by organisations to become environmentally responsible.

The important structural change in the market has been the repeal of the Clean Energy Legislation (Carbon Tax Repeal) Act 2014 in July 2014. The wind-up of the compliance market should see some large emitters undertake carbon abatement and offset all or part their emissions on a voluntary basis.

Economic Dependence

The ability of the company to continue as a going concern is dependent upon continued support from donors. At the date of this report the directors have no reason to believe that donors will not continue to fund the operations of the company.

Adoption of new Australian Accounting Standard requirements

Reference	Title	Nature of Change	Application date of standard	Impact on Carbon Neutral's financial statements	Application date for Carbon Neutral
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	<p>Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated.</p> <p>AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.</p>	Periods beginning on or after 1 January 2015	Adoption of AASB 9 is only mandatory for the year ending 30 September 2016. The Company has not yet made an assessment of the impact of these amendments.	1 October 2015
AASB 119 (reissued September 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to be settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for 30 September 2014 year end, annual leave liabilities will be recalculated on 1 October 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 September 2012, and a corresponding increase in retained earnings at that date	1 October 2013
AASB 2013-9 (issued December 2013)	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	<p>Makes three amendments to AASB 9:</p> <ul style="list-style-type: none"> • Adding the new hedge accounting requirements into AASB 9 • Deferring the effective date of AASB 9, and • Making available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option without early applying the other AASB 9 requirements. 	Annual reporting periods beginning on or after 1 January 2015	The application date of AASB 9 has been deferred to 1 January 2017. The entity has not yet made an assessment of the impact of these amendments.	1 October 2015

Carbon Neutral Charitable Fund Ltd
Annual Financial Statements
For the Year Ending 30 September 2014

AASB 2013-9 (issued December 2013) - cont.	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	<p>Under the new hedge accounting requirements:</p> <ul style="list-style-type: none"> • The 80-125% highly effective threshold has been removed • Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable • An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure • When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI 		The entity currently applies hedge accounting. It is expected that the application of the new amendments will not have an impact on the entity's financial statements.	
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Comparatives

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

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the company becomes a party to the contractual provisions of the instruments. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

Classification and Subsequent Measurement

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the company's intention to hold these investments to maturity. Any held-to-maturity investments held by the company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

The company does not deal with or hold derivative instruments.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

Inventories

Inventories stated at the lower of cost and net realisable value. Cost is determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Investments (financial assets)

Available-for-sale financial assets

All investments are classified as available-for-sale financial assets. Available-for-sale financial assets are reflected at fair value unless their fair value cannot be reliably measured. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Recognition

Financial assets are initially measured at cost of trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Property, plant and equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

Trees

Trees held which have been received as part of the transaction are recorded at the fair value of the trees. Subsequent to the initial recognition, the trees are held at the amortised cost and depreciated over a unit of production basis.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a diminishing-value basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are based on the ATO's estimated useful life for the class of assets.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Intangible assets

Software

Software developed specifically for the company is recorded at cost. Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between one and two years. It is assessed annually for impairment. All other software is expensed as it is purchased.

Employee benefits

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

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.

Borrowings

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 in income in the period in which they are incurred.

Revenue

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.

Donation Revenue

Donation revenue is recognised in the Statement of Comprehensive Income when it is received through the gift fund bank account. When there are conditions attached to the donation revenue relating to the use of those donations for specific purposes it is recognised as a liability until such time as those conditions are met or the services provided.

Sale of Services

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is presently recoverable.

Sale of Goods

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

Interest

Interest revenue derives from interest on funds held on deposit and are recognised when they are received. Other interest received 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 services tax (GST).

Taxation

Charitable Institution

The Company is registered with the Australian Charities and Not-for-Profits Commission (ACNC) as a Charitable Institution and is endorsed by the Australian Taxation Office (ATO) as eligible for the following concessions:

- (i) FBT rebate;
- (ii) GST concession;
- (iii) Income taxation exemption.

The Company is listed on the Department of the Environment's Register of Environmental Organisation (REO) and is therefore endorsed as a Deductible Gift Recipient (DGR). Donations of \$2 or more are tax deductible.

No change in its tax status as a result of activities undertaken during the year is likely.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the cash flow statement on a net basis.

Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

Trade Debtors and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Critical Accounting Estimates and Judgments

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. The Directors consider the following to be critical estimates and judgments in applying the Company's accounting policies.

Under the landowner contracts, the Company may be liable for payment to landowners upon the successful completion of the planting process. It is assumed that in each case the planting obligation will be met and the full amount paid to the respective landowners, however, due to various conditions in the contracts, payments may differ from the amounts recorded in the balance sheet.

The fair value of trees received has been assessed as the arm's length cost of planting trees based on a previous planting cost.

	30-Sept-14 \$	30-Sept-13 \$
4. Revenue		
From operating activities:		
Donations received for trees	190,281	625,516
Donations received for VERs and VCUs	-	154,511
Major business offsets	154,872	124,035
Ecards	-	6,090
Carbon consulting	6,090	56,430
Contract planting	24,043	-
Grant funding	126,730	-
Other income	5,106	111,780
Total revenue	<u>507,121</u>	<u>1,078,361</u>
Other Income		
Employee costs recouped	37,295	-
Gain on sale of business	196,059	-
Reversal of impairment previously recorded	32,272	-
Interest received	4,461	4,832
Total other income	<u>270,087</u>	<u>4,832</u>
4a. Gain on Sale		
As part of a restructure Carbon Neutral Charitable Fund Ltd disposed of part of its operations and the transaction resulted in the following gain on disposal.		
Fair value of consideration received (trees)	248,000	
Less		
Sale of fixed assets	(11,196)	
Payment of liabilities	(37,295)	
Gain on restructure	<u>196,509</u>	
5. Major planting expenses		
Planting establishment	260,908	82,333
Infill Costs	-	-
Monitoring costs	41,271	11,647
Caveats and covenants	10,838	8,125
Landholder expense payments	54,150	97,438
Land-holder costs	5,526	44,082
	<u>372,699</u>	<u>243,625</u>

	30-Sept-14 \$	30-Sept-13
6. Cash and cash Equivalents		
Cash on hand	478	200
Cash at bank - Operating	225,595	262,590
Cash at bank - Term deposit	-	191
Cash at bank - Cash reserve	33,972	38,956
Cash at bank - United Guarantee	8,695	8,312
Cash held with Carbon Trade Exchange	-	166
	268,740	310,415

7. Reconciliation of profit after income tax to net cash inflow from operating activities

Net Surplus/(loss) before income tax	174,927	(460,389)
Non cash flows included in profit:		
Reversal of impairment previously recorded	(32,272)	235,000
Business restructure gain	(196,509)	-
Payment of liabilities on restructure	(37,295)	-
Loss on sale of asset	-	95,000
Depreciation	12,250	2,770
Changes in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(30,979)	46,073
Decrease/(Increase) in inventory	3,017	141,633
Increase in provisions	31,460	(152,317)
(Decrease) in current trade & other payables	143,546	103,660
Prior year adjustments	-	-
Net cash inflow (outflow) from operating activities	(218,947)	11,430

8. Trade and Other Receivables

Current

Trade debtors	-	7,501
Grants and Receivables	50,000	-
GST receivable	5,022	13,297
Prepaid landowner incentives	118,770	125,260
	173,792	146,058

The maximum exposure is 100% of debtors. Due to the short term nature of the receivables their carrying value approximates their fair value.

	30-Sept-14 \$	30-Sept-13 \$
9. Inventory		
Stems Auscarbon	-	-
VERs and VCUs	-	3,017
	<u>-</u>	<u>3,017</u>
10. Other Current Assets		
Prepayments	<u>5,430</u>	2,185
	<u>5,430</u>	<u>2,185</u>
11. Land held for sale		
Land at cost	225,000	664,296
Less provision for diminution in value	<u>(95,000)</u>	<u>(389,296)</u>
	<u>130,000</u>	<u>275,000</u>
a. Movements in carrying amounts		
2013		
Balance at 1 Oct	275,000	765,000
Sale of land	(177,272)	(255,000)
Impairment / reversal of impairment	<u>32,272</u>	<u>(235,000)</u>
Carrying amount at 30 September	<u>130,000</u>	<u>275,000</u>
2014		
Sale of land	177,272	160,000
Carrying value of Land as at date of sale	<u>(145,000)</u>	<u>(255,000)</u>
(Loss) / Reversal of impairment	<u>32,272</u>	<u>(95,000)</u>

The property at Katanning is on the property market as a lifestyle block. The property at Boxwood Hill was sold during the Financial Year.

	30-Sept-14 \$	30-Sept-13
12. Property, Plant and Equipment		
Trees		
Trees at cost	245,000	-
Less: accumulated depreciation	(12,250)	-
	<u>232,750</u>	
Furniture & Fixtures:		
Furniture & fittings at cost	-	13,019
Less: accumulated depreciation	-	(5,495)
	<u>-</u>	<u>7,524</u>
Computer Software:		
Computer software at cost	-	42,224
Less: accumulated depreciation	-	(42,224)
	<u>-</u>	<u>-</u>
Office equipment:		
Office equipment at cost	-	26,060
Less: accumulated depreciation	-	(22,388)
	<u>-</u>	<u>3,672</u>
Total Property, Plant and Equipment	<u>232,750</u>	<u>11,196</u>

a Movements in carrying amounts

	Trees	Furn & Fittings	Office Equip	Total
2013				
Balance at 1 Oct 2012	-	9,107	2,754	11,861
Additions	-	-	2,105	2,105
Depreciation	-	(1,583)	(1,187)	(2,770)
Carrying amount at 30 Sep 2013	<u>-</u>	<u>7,524</u>	<u>3,672</u>	<u>11,196</u>
2014				
Balance at 1 Oct 2013		7,524	3,672	11,196
Disposals		(7,524)	(3,672)	(11,196)
Additions	245,000	-	-	-
Depreciation	(12,250)	-	-	-
Carrying amount at 30 Sep 2014	<u>232,750</u>	<u>-</u>	<u>-</u>	<u>232,750</u>

30-Sept-14
\$

30-Sept-13
\$

17. Related party transactions

Men of the Trees	200	221,928
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At 30 September 2014, Chris Ferreira was a director of CNC Fund and also a director of Men of the Trees.

Directors and other related parties did not receive any payments by way of salaries or through contractual arrangements.

18. Commitments

Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements relate to the office in Osborne Park, which CNC Fund moved to in June 2012. Rental lease arrangements include market review clauses. The Current lease expires on 17 June 2015 but is being transferred to Carbon Neutral Pty Ltd.

Planting Commitments

There were no planting commitments outstanding at year end.

Payments due include Rent and Outgoings.

	Expiring	Within 1 Year	1 to 2 years	2 to 5 years
Hector Street Osborne Park	17/06/2015	-	-	-

Capital and operating commitments for the year ending 30 September 2015 that existed as at balance date amounted to \$83,890 with the largest commitment being the agreement between the Company and Insight Marketing and Management for time spent by the CEO of that entity which can be cancelled given one month's written notice.

19. Contingent Liabilities

Service obligation amounts in respect to landowner incentive payments are accrued annually up to payment of those incentives.

There is a contingent liability for un-accrued amounts as set out below.

	2015	2016	2017	2018
Landowner incentive payments	14,528	14,250	11,195	9,195

20. Financial Instruments

Instrument	Floating		Non-Interest bearing		Total		Effective Interest rate	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	%	%
Cash at bank	268,350	310,214	390	200	268,740	310,414	0.015%	-
Trade debtors	-	-	50,000	4,801	50,000	4,801	-	-
Total	268,351	360,214	390	5,001	318,740	315,215		

Instrument	Floating		Non-Interest bearing		Total		Effective Interest rate	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	%	%
Trade & other payables	-	-	19,307	111,961	19,307	111,961	-	-
Total	-	-	19,307	111,961	19,307	111,961		

21. Member Guarantee

The Company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the company is wound up the constitution states that each member is required to contribute a maximum of \$1 each towards to the property of the company for payment of the debts and liabilities of the company.

At 30 September 2014 the number of members was 57.