



ECOFUND QUEENSLAND PTY LTD

2012 ANNUAL REPORT



For the year ended 30 June 2012

ABN 92 142 542 774



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TABLE OF CONTENTS

CHIEF EXECUTIVE'S STATEMENT	2
ABOUT ECOFUND	4
Case Study: Carbon price preparations for major coal seam gas client	5
Case Study: Virgin Australia carbon offsetting program	6
Case Study: Environmental offsets for major resource client	7
Case Study: Carbon forestry feasibility studies for major resource and gas companies	8
Financial Performance	10
Environment and Social Sustainability	11
ABOUT BALANCE THE EARTH TRUST	12
DIRECTORS' REPORT	13
AUDITOR'S INDEPENDENCE DECLARATION	17
FINANCIAL REPORT	18
CORPORATE GOVERNANCE STATEMENT	44

CHIEF EXECUTIVE'S STATEMENT



Highlights

In 2011/12 Ecofund achieved all of its key financial targets and delivered a pre-tax profit improvement of over \$1million for the year.

We consolidated the structural improvements implemented soon after my commencement as Chief Executive Officer in August 2010, and grew revenue and gross profit while containing overheads and maintaining a strong governance and risk management focus.

In the lead up to the introduction of the carbon price in July 2012, and with the effects of the change of government in Queensland in March 2012, each of our main markets experienced significant regulatory uncertainty through the 2011/12 year.

Ecofund has become adept at evolving to help our growing list of major clients navigate the complexities of state and federal environmental legislation and the developing carbon forestry and risk management markets.

Some of our successes include:

- Profitable and cash flow positive for the 20 month period from the completion of the restructure (1 November 2010) until the end of the 2011/12 financial year.



- Blue chip client base including Santos, Peabody Energy, Waratah Coal, Origin, Australia Pacific LNG, Wesfarmers Curragh, Vale, CS Energy and Virgin Australia.
- 102,163 hectares secured and protected to date as national parks and environmental offsets for our clients – predominantly in the Surat and Bowen Basins for large multinational organisations in the mining and oil and gas industries.
- One of the largest providers of carbon offsets in the Australian market for our large private sector and government clients.
- Reviewed over 100,000 hectares for potential Carbon Farming Initiative projects, more than double the area of all carbon forests currently planted Australia wide.
- Best practice corporate governance – Ecofund's Corporate Governance Statement is reproduced on page 44 of this Annual Report.
- Corporate trustee for the philanthropic environmental trust, the Balance the Earth Trust since 10 May 2011.
- Ongoing compliance with our Australian Financial Services Licence (AFSL).

ABOUT ECOFUND

The drivers for Ecofund are to:

- build significant value in Ecofund (through environmental services) to assist our shareholder's fiscal position
- assist Queensland's significant resource projects achieve and adhere to their environmental approvals (state and federal) in the Bowen, Surat and Galilee Basins
- assist local governments and industry to manage their carbon price and volume risks
- develop Carbon Farming Initiative projects for Queensland land owners
- administer offset funds towards conservation projects in Queensland through the Balance the Earth Trust.

Ecofund's Australian Financial Services Licence (AFSL No. 388086) was issued on 3 March 2011, which positions Ecofund well to trade in carbon units (classified as financial products under the Clean Energy Future Policy). In the short term, holding an AFSL has enabled Ecofund to expand its carbon and renewable energy trading business to include forward transactions.

Core Business				
Ecofund's core business is delivered through four business units, and management of Balance the Earth Trust as shown in the table:				
1. Carbon Farming Initiative	2. Land Based Offsets	3. Carbon and Renewable Energy Transactions	4. Carbon and Renewable Energy Advisory	Balance the Earth Trustee
Carbon Farming Projects <ul style="list-style-type: none"> • Project management and implementation • Project developer • Assessment of landholdings to identify CFI opportunities on sites • Cost/benefit analysis of CFI projects on own land or third party land • Landholder agreements 	Environmental Offsets <ul style="list-style-type: none"> • Identification and securing • Offsets mapping • Offset management plans • Offset implementation Habitat Creation <ul style="list-style-type: none"> • Site identification and assessments • Advice and implementation on regulatory requirement for habitat creation 	<ul style="list-style-type: none"> • Buying and selling carbon offsets – domestic and international • Buying and selling Renewable Energy Certificates (REC) with/without GreenPower® accreditation • Small scale renewable energy certificate (STC) creation • Carbon trading and risk management strategy development and implementation 	<ul style="list-style-type: none"> • National Greenhouse and Energy Reporting Scheme (NGERS) preparation and verification • Emission Intensive Trade Exposed (EITE) and Partial Exception Certificate (PEC) audits • Carbon management plans • Carbon supply chain analysis • Energy efficiency analysis 	Objects <ul style="list-style-type: none"> • Protect and enhance the natural environment within Queensland Donations <ul style="list-style-type: none"> • Environmental offsets policies • Corporate donations

Clients

Our clients include:

Oil & Gas: Arrow Energy • Australia Pacific LNG • Santos

Mining: Adani • Caledon Resources • Hancock Coal • Macarthur Coal • Peabody Energy • Waratah Coal • Wesfarmers Curragh • Vale

Energy: AGL • CS Energy • Energex • Ergon Energy • ERM Power • Powerlink Queensland

Councils & Essential Services: Brisbane City Council • Gold Coast City Council • Linkwater • Scenic Rim Regional Council • SEQ Water • SunWater • Unitywater

Corporate: Billabong • Bank of Queensland • Brisbane Airport Corporation • Commonwealth Bank • Lion Nathan • Suncorp • Surat Basin Rail • The University of Queensland • Transcity • Virgin Australia

Case Studies

The following case studies illustrate the practical impacts of some of the projects recently undertaken by Ecofund.

Carbon price preparations for major coal seam gas client

Ecofund was selected via a competitive tender process by one of Australia's leading coal seam gas companies to provide project management services for the client's carbon price preparations.

The initial project spanned a number of areas including prioritising carbon related activities based on legal requirements, commercial impacts and brand reputation; providing key technical and commercial input into carbon related projects; and providing support to senior management regarding the progress of the project, milestones achieved and work to be completed.

Ecofund's relationship with this client continues to grow, as we provide ongoing support to assist with managing all aspects of its carbon related activities.

Project Overview

Location:	Across Queensland
Project Type:	Project management services for preparing for the carbon price



Virgin Australia carbon offsetting program

Ecofund has continued its association with Virgin Australia this year by providing accredited carbon offsets for its 'Fly Carbon Neutral' program, which allows guests to offset emissions related to flights.

As one of Australia's leading providers of carbon offsets (supplying clients with more than 1,000,000 units since August 2010), Ecofund leverages its skills, experience and relationships with over 80 counterparties to manage carbon risks at lower cost for its clients. Ecofund's established governance and risk management structure, along with its Australian Financial Services Licence, provides peace of mind for its clients.

Virgin Australia is committed to its program and continues to support it by purchasing high quality carbon offsets that have been certified under the Australian Government's National Carbon Offset Standard. Accredited carbon offset projects that were supported through Virgin Australia's 'Fly Carbon Neutral' program include:

- Wastewater treatment and biogas utilisation in a starch plant in Thailand
- Efficient cookstoves project in Cambodia

Both of these projects go beyond offsetting requirements by contributing to sustainable development and providing excellent additional community benefits.

Project Overview

Location:	Northeast Thailand
Project Type:	International carbon offsets

Environmental Values and Benefits

- Reduced risk of groundwater contamination by reducing the chemical oxygen demand of wastewater before release
- Recycling of treated water for use in the plant, and potential for sludge by-product to be used as fertiliser for agriculture
- Involvement and technical training of local employees, enhancing labour skills in the region
- Technology transfer and expert collaboration, promoting long-term sustainable partnerships



Environmental offsets for major resource client

Several 'State Significant' resource projects are being developed near Gladstone in central Queensland.

To meet conditional approvals from the Queensland and Australian Governments to progress these projects, a range of environmental offset properties is required. The foundation property is located wholly within the Great Barrier Reef World Heritage area, north of the city of Gladstone in central Queensland. This property was identified as a priority offset option by the Queensland Government through the Protected Areas for the Future program and also fulfils Australian Government requirements regarding locating offsets within the World Heritage area.

The proponents have pursued the property as a key offset option and propose to deliver the Offset Proposal to acquit environmental offset requirements.

Our Environmental Offsets team provided specialist advice and analysis to assist delivery of the Offset Proposal. Once finalised, the Offset Proposal will deliver more than 23,000 hectares of offsets in perpetuity through a combination of removal of threatening processes, enabling protection mechanisms and the ongoing management of the area for conservation purposes.

Project Overview

Location: Great Barrier Reef World Heritage area, north-east of Gladstone, Queensland

Project Type: Environmental offset for projects of State Significance

Environmental Values and Benefits

- Natural connectivity in landscape
- Protection of endangered and 'of concern' regional ecosystems, and declared wetlands
- Habitat for threatened fauna species
- Significant marine, fish and migratory shorebird habitat areas

The property will provide an important link between threatened vegetation communities and marine plains which provide crucial habitat for critically endangered species like the yellow chat.

Carbon forestry feasibility studies for major resource and gas companies

Ecofund assessed more than 100,000 hectares of landholdings in the Bowen and Surat Basins for several major resource and gas industry clients, and determined that over 19,000 hectares of the assessed area is suitable to support a range of cost effective Carbon Farming Initiative projects, underpinned by existing and emerging methodologies.

The feasibility analysis undertaken by Ecofund mapped out the highest value and best use for each site, and determined the probable rates of carbon sequestration (tCO₂-e) achievable for each property. The analysis included detailed site inspections, assessment of existing mature local native species, and planting trials.

Ecofund recommended a number of distinct large scale compartments within which environmental plantings could be established.

Several proposed projects have been designed to deliver a biodiverse forest in perpetuity while achieving a range of complementary social and community outcomes.

This case study highlights that an effective carbon forestry offset project can be delivered to offset emission liabilities at a price equivalent significantly below the likely future market price of carbon units.



Existing irrigated plantation



Proposed carbon forestry project

Project Overview

Location:	Bowen and Surat Basins, Queensland
Project	Carbon Farming Initiative – environmental plantings
Type:	(Brigalow ecosystem)

Environmental Values and Benefits

- CO₂-e sequestration/offset of emission liabilities
- Establishment of biodiverse forest in perpetuity
- Environmental rehabilitation (soil stabilisation, reduction in erosion, salinity, improved water quality, management of pests, expansion of habitat and Isaac River bank protection)
- Complementary to existing land uses and supportive of business as usual model
- Expansion of habitat for native fauna
- Establishment of biodiverse forest in perpetuity (connectivity benefits to identified environmental offsets and existing vegetation landscape features)
- Implementation of corporate/social charters (Indigenous education to employment program)
- Development of pilot plantings which can be readily leveraged to large scale projects



Ecofund team on site

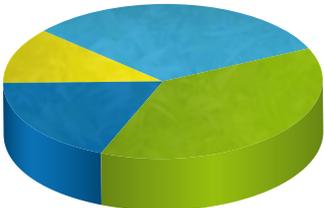


The Isaac River showing significant erosion along the riverbank – one of the features set to benefit from the establishment of carbon forest

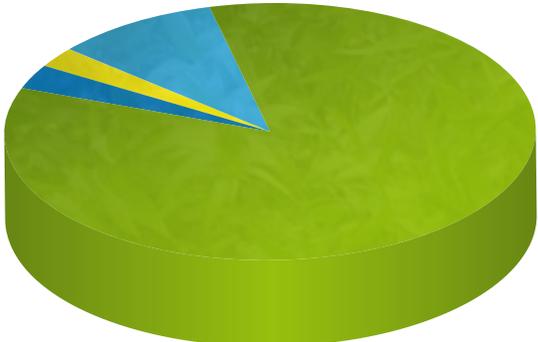
Financial Performance

Ecofund's revenue growth is outlined below:

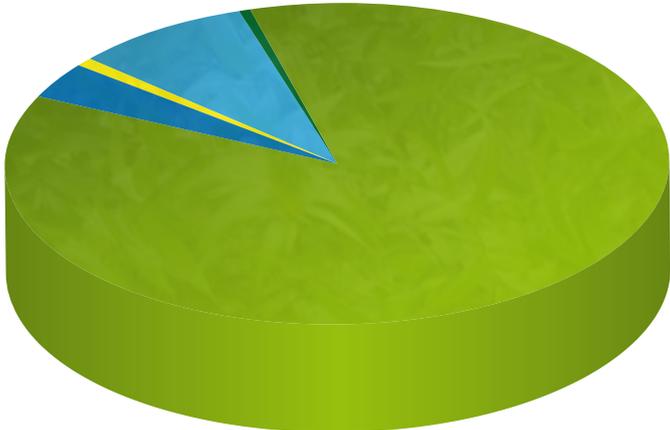
2009/10 Actual Revenue \$1.89m



2010/11 Actual Revenue \$13.24m



2011/12 Actual Revenue \$17.29m



- Land Based Offsets
- Carbon Farming Initiative
- Carbon and Renewable Energy Transactions
- Carbon and Renewable Energy Advisory
- Other

Environment and Social Sustainability

Ecofund's efforts towards practising the environmental responsibility that it preaches are documented in our Environmental and Social Sustainability Charter, and championed internally by the Sustainability 'Green Team'. We have implemented our own methodology of *Thinking* about the sources of our emissions, *Changing* to more sustainable behaviours and *Balancing* our unavoidable residual emissions.



Ecofund staff volunteer with community catchment group for World Environment Day



Ecofund has developed an environmental and social sustainability framework to cover our operations in Australia, in accordance with ISO14001:2006 (Section 4.2) and with the view of implementing a sustainability management system (EMS). The purpose of this system is to measure, manage and improve our environmental performance over time (including our carbon footprint) so we can operate more sustainably.

We are committed to continually improving our environmental performance. **In 2010/11, Ecofund reduced its carbon emissions by 50% per employee from 2009/10.** We are in the process of measuring our footprint for 2011/12 as part of our continuous improvement efforts.

ABOUT BALANCE THE EARTH TRUST

Ecofund was appointed as corporate trustee for philanthropic environmental trust, the Balance the Earth Trust, on 10 May 2011.

The objects of the Balance the Earth Trust are:

- the protection and enhancement of the natural environment within Queensland; and
- the dissemination of information, provision of education, or the carrying on of research about the natural environment within Queensland.

The Balance the Earth Trust is an existing, well developed mechanism into which significant resources have been invested to achieve the highest levels of financial, governance and environmental outcomes.

The existing Queensland Biodiversity Offsets Policy includes provision for offset payments to be made to the Balance the Earth Trust in certain circumstances. The offset payment value is determined using a calculator provided by the Department of Environment and Heritage Protection. The Balance the Earth Trust uses any such payments it receives, along with corporate and other donations, to protect and enhance the natural environment in Queensland in accordance with the objects of its deed.

As trustee of the Balance the Earth Trust, Ecofund has applied its substantial corporate governance framework to trust management including:

- its strong commercial Board, Audit & Risk and People & Remuneration Committees, each acting within their operational Charters
- appointment of an experienced management team and appropriate segregation of duties among staff
- appointment of an experienced and qualified Company Secretary
- implementation of an extensive policy framework as required, including a comprehensive delegations schedule
- execution of annual Statements of Corporate Intent
- recruitment and retention of experienced and qualified staff
- engagement of expert advisors as required in relation to environmental and trust management matters.

DIRECTORS' REPORT



The Directors submit the following report for the year ended 30 June 2012 made in accordance with a resolution of the Board of Directors.

Directors

The names of the Directors and Committee Members of Ecofund Queensland Pty Ltd

('Ecofund' or the 'Company') in office during or since the end of the financial year were as follows:

Director	Date Appointed	Date ceased (if applicable)	Board Membership	People and Remuneration	Audit and Risk
Susan Rix	12 March 2010		Non-Executive, Independent, Chair	Member	Member
Michael Klug	12 March 2010		Non-Executive, Independent	Chair	
Euan Morton	12 March 2010		Non-Executive, Independent		Chair
Peter Cosier	12 March 2010	20 Sept 2011	Non-Executive, Independent		Member to 20 Sept 2011
Fiona Waterhouse	12 March 2010		Non-Executive, Independent	Member	Member from 25 Oct 2011

Ecofund Board Member Profiles

Susan Rix – Chair

Susan Rix is a Chartered Accountant with more than 25 years' experience and is a partner of BDO. She is Director and Treasurer of the Cerebral Palsy League of Queensland and is also a Director of QUT Enterprise Holdings Pty Ltd. She has previously served as a Director of the Queensland Rural Adjustment Authority, Port of Brisbane Corporation and Queensland Rail.

Michael Klug

Michael Klug recently completed his third term as Partner in Charge of the Brisbane office of Clayton Utz. His primary area of expertise is in the field of Alternative Dispute Resolution (ADR) in which he is considered one of Australia's pioneering lawyers. He is one of the original founders of LEADR (Lawyers Engaged in Alternative Dispute Resolution) and was also an original Director of the Australasian Disputes Centre, serving on numerous ADR committees nationwide. Michael has held a range of public and corporate positions throughout his career, ranging from being a part-time law reform commissioner appointed by the Attorney-General, through to being a member of the QUT Council.

Euan Morton

Euan Morton is Principal of Synergies Economic Consulting where he consults on economic issues including environmental economics and sustainability. He advises on carbon management including market design and assisting entities prepare for the carbon price. Euan's board memberships reflect his environmental, social and academic interests. Apart from Ecofund Queensland, Euan is a Director of AEIOU (a charity dedicated to delivering early intervention therapy for autistic children), the Economics and Law Research Unit at the University of Queensland and Partners for Livable Communities Australia. His expertise in infrastructure sector regulation was recognised when he was appointed by the Ministerial Council on Energy to an Expert Panel

to review regulatory arrangements associated with the ongoing reforms to energy markets. He is an Independent Expert under the National Electricity Rules and a member of the Competition and Consumer Committee of the Law Council of Australia.

Peter Cosier

Peter Cosier is the Director and a Founding Member of the Wentworth Group of Concerned Scientists, convened in 2002 to pursue reform in the management of Australia's land and water resources; and a Board member of the Tasmanian Land Conservancy, which purchases, covenants and manages private land of high conservation significance. Peter is an environmental policy specialist with a background in science, specialising in natural resource management, and urban and regional planning. Peter was Deputy Director General in the NSW Department of Infrastructure, Planning and Natural Resources, and Policy Advisor to the former Australian Environment Minister, Senator Robert Hill.

Fiona Waterhouse

Fiona Waterhouse is one of the principals of niche cleantech advisory and venture capital firm Sustainable Venture Partners. She is currently CEO and Executive Director of bioenergy project developer, Utilitas Pty Ltd and she is a member of the Commonwealth Government's Clean Technology Innovation Committee. In 2007 she worked with the Financial and Energy Exchange to establish its environmental arm, Envex, and to establish the SIM VSE, the world's first cleantech themed, innovation focused equity market board. In a voluntary capacity Fiona is a member of the Noosa and District Landcare Group Inc. Fiona has a Bachelor of Manufacturing Management and Diplomas in Environmental Studies and Business. She is an Industry Fellow at the Australian Centre for Sustainable Business and Development (USQ) and a Graduate of the Australian Institute of Company Directors.

Directors' and Committee Meetings

The number of Directors' and Committee meetings and the number attended by each of the Directors during the financial year were as follows:

Director	Board of Directors' Meetings		People and Remuneration Committee Meetings		Audit and Risk Committee Meetings	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Susan Rix	9	9	5	5	4	4
Michael Klug	9	7	5	4	–	–
Euan Morton	9	9	–	–	4	4
Peter Cosier	2	2	–	–	1	1
Fiona Waterhouse	9	9	5	5	3	3

Principal Activities

Ecofund is a proprietary company owned by the State of Queensland.

Ecofund is an environmental and carbon service and trading company, assisting businesses and government navigate through the complexities of the carbon, energy and environmental offset markets.

Ecofund provides a diverse range of specialised products and services to simplify and assist in preparing for a carbon price and managing environmental impacts. Ecofund offers professional services such as:

- Carbon Farming: including project management and implementation and carbon forestry advice
- Land Based Offsets: including offset management plans and implementation
- Carbon and Renewable Energy Transactions: including carbon management strategy development and implementation and buying and selling carbon offsets (domestic and international)
- Carbon and Renewable Energy Advisory: including National Greenhouse and Energy Reporting Scheme (NGERS) preparation and supply chain analysis.

Dividends

The Company did not declare nor pay any dividends during the year.

Review and Results of Operations

The net profit (after Income Tax expense) of the Company for the financial year was \$68,743 (2011: loss of \$645,389).

Events Subsequent to Balance Date

There have been no matters that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Company during the year.

Likely Future Developments and Expected Results

Likely future developments and expected results have not been included in this Financial Report, as their publication is considered to be a commercial risk to the Company.

Directors' Remuneration

Directors' remuneration is determined in accordance with the Company's Constitution and the shareholder's approval.

Details of the nature and amount of each element of the emolument of each Director of the Company for the year were as follows:

Year ended 30 June 2012			
	Base Salary	Super	Total
	\$	\$	\$
Susan Rix	24,000	–	24,000
Michael Klug	16,514	1,486	18,000
Euan Morton	18,000	–	18,000
Peter Cosier	4,128	372	4,500
Fiona Waterhouse	18,000	–	18,000

Indemnification of Officers and Auditors

On 22 May 2012, the Company agreed to indemnify its Directors and officers, in respect of certain liabilities incurred by them while acting as a Director or officer of the Company and while acting as a Director or officer of any subsidiaries. The Company also agreed to use its reasonable endeavours to arrange insurance for the Directors and officers against certain risks they are exposed to as a Director or officer of the Company and the subsidiaries. The Company and the Directors and officers have agreed to regulate in certain respects the right of access the Directors and officers have to Company records.

The Company has not, during the financial year, in respect of any other person who is, or has been, an officer or auditor of the Company or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

The auditor of Ecofund for the year ended 30 June 2012 was the Queensland Audit Office.

Insurance Premiums

During the financial year, the Company has paid premiums in respect of a contract insuring the following Directors of Ecofund:

Susan Rix
Michael Klug
Euan Morton
Peter Cosier (until 20 September 2011)
Fiona Waterhouse

The insurance contract, to the extent permitted by law, covers any losses which the Directors become legally obligated to pay on account of any claim made against them, individually or otherwise, for any error, misstatement, misleading statement, act, omission, neglect, or breach of duty committed, attempted, allegedly committed or attempted.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

Rounding of Amounts

The Company is a kind referred to in ASIC Class Order 98/100 dated 10 July 1998, and in accordance with that Class Order, amounts in the financial report have been rounded to the nearest thousand dollars, unless stated to be otherwise.

Signed in accordance with a resolution of the Board of Directors.

Susan Rix
CHAIR

Brisbane
Dated: 31 July 2012

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Ecofund Queensland Pty Ltd

This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.

Independence Declaration

As lead auditor for the audit of Ecofund Queensland Pty Ltd for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been –

- a) no contraventions of the auditor 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.



N GEORGE CPA
as Delegate of the Auditor-General of Queensland
Brisbane



Queensland Audit Office

FINANCIAL REPORT

Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	2012 \$000	2011 \$000
Revenue from continuing operations			
Rendering of services	3	17,143	13,150
Fair value gains on financial assets at fair value through profit or loss	4	81	–
Other revenue	5	66	92
Total Revenue from continuing operations		17,290	13,242
Expenses from continuing operations			
Cost of goods sold		13,400	9,905
Employee costs		2,752	3,031
Administration expense	6	919	1,126
Depreciation expense	12	111	85
Doubtful debts		6	17
Total Expenses from continuing operations		17,188	14,164
Profit/(loss) from continuing operations before income tax		102	(922)
Income tax benefit/(expense)	7	(33)	276
Profit/(loss) from continuing operations after income tax		69	(646)
Other comprehensive income		–	–
Total comprehensive income		69	(646)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2012

	Notes	2012	2011
		\$000	\$000
Current Assets			
Cash and cash equivalents	8	1,801	1,815
Receivables	9	667	859
Financial assets at fair value through profit or loss	10	136	–
Prepayments	11	165	152
Total Current Assets		2,769	2,826
Non Current Assets			
Leasehold improvements	12	18	129
Deferred tax asset	13	448	476
Total Non Current Assets		466	605
TOTAL ASSETS		3,235	3,431
Current Liabilities			
Trade and other creditors	14	489	753
Accruals	14	315	292
Unearned revenue	15	3	27
Total Current Liabilities		807	1,072
Non Current Liabilities			
Unearned revenue	15	37	42
Deferred tax liability	16	50	45
Total Non Current Liabilities		87	87
TOTAL LIABILITIES		894	1,159
NET ASSETS		2,341	2,272
Equity			
Contributed equity	17	3,281	3,281
Retained earnings		(940)	(1,009)
TOTAL SHAREHOLDER'S EQUITY		2,341	2,272

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2012

Statement of Changes in Equity

For the year ended 30 June 2012

	Contributed Equity	Retained Earnings	Total Equity
	\$000	\$000	\$000
Balance at 1 July 2010	1,581	(363)	1,218
Total comprehensive income for the period	–	(646)	(646)
Transactions with the owners as owners			
– net assets received	1,700	–	1,700
Balance at 30 June 2011	<u>3,281</u>	<u>(1,009)</u>	<u>2,272</u>
Total comprehensive income for the financial year	–	69	69
Transactions with the owners as owners	–	–	–
Balance at 30 June 2012	<u>3,281</u>	<u>(940)</u>	<u>2,341</u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2012

	Notes	2012	2011
		\$000	\$000
Cash flows from operating activities			
Receipts from customers		16,946	12,932
Interest received		68	89
GST input tax credits from ATO		6	199
GST collected from customers		1,686	1,296
Payments to suppliers and employees		(16,939)	(15,365)
GST paid to suppliers		(1,372)	(1,148)
GST remitted to ATO		(409)	(110)
Net cash provided by/(used in) operating activities	18(a)	(14)	(2,107)
Cash flows from financing activities			
Proceeds from share issues		–	1,700
Net cash provided by/(used in) by financing activities		–	1,700
Net increase/(decrease) in cash and cash equivalents		(14)	(407)
Cash and cash equivalents at beginning of financial year		1,815	2,222
Cash and cash equivalents at end of financial year	18(b)	1,801	1,815

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2012

1. General information

Ecofund is a company incorporated and domiciled in Brisbane, Australia. The Company provides broking and advisory services to government and private sector clients in regards to carbon and environmental offsets.

The financial report of Ecofund for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 31 July 2012.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied throughout the year, unless otherwise stated.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board. Ecofund Queensland Pty Ltd is a for-profit entity for the purposes of preparing these financial statements.

(b) Historical cost convention

The financial statements have been prepared using the historical cost convention and do not take into account changing money values or current valuations of non current assets unless otherwise indicated.

(c) Comparative information

There were no significant adjustments to comparative information.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Rendering of services revenue is recognised where the contract outcome can be reliably measured and control of the right to be compensated for the services can be reliably measured.
- Interest revenue is recognised on an accruals basis as earned.

(e) Financial assets and liabilities

Financial assets and financial liabilities are recognised on the Statement of Financial Position when Ecofund becomes party to the contractual provisions of the financial instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are classified and measured as follows:

- Cash and cash equivalents – held at fair value through profit or loss
- Receivables – held at amortised cost
- Payables – held at amortised cost
- Carbon and renewable energy certificates – held at fair value through profit or loss.

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Fair Value

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of the reporting period, 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 an impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire 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.

(f) Cash and cash equivalents

For the purpose of the Statement of Financial Position and Statement of Cash Flow, cash includes cash on hand and cash at bank.

(g) Trust bank account

One element of Ecofund's trading activities is to facilitate the purchase of carbon offsets as buyers' agent for its clients. Clients transfer funds for these transactions into Ecofund's brokerage trust bank account before Ecofund transfers the purchase price to the supplier and the agency fees to Ecofund itself. The balance of that account at 30 June 2012 was \$Nil (2011: \$Nil) and was not recorded as an asset in Ecofund's Statement of Financial Position.

(h) Contributed equity

Contributions by owners which are equity in nature are adjusted to Contributed Equity as described under *Interpretation 1038 Contributions by Owners Made to Wholly Owned Public Sector Entities*.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2012

(i) Goods and services tax (GST)

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

- where 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 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 Australian Taxation Office, are classified as operating cash flows.

(j) Impairment

The carrying amounts of Ecofund's receivables and financial assets are reviewed at each balance date to determine whether there is objective evidence of impairment. If any such indication exists, the carrying amount of the receivable or financial asset is written down to the estimated recoverable amount. An assessment of impairment has been made and the Board has determined that no adjustment was required.

(k) Income tax

The Company is exempt from Commonwealth Government income taxation but is subject to the National Tax Equivalents Regime.

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future tax equivalent profits will be available against which the deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse changes will occur in income tax legislation, and its application to the National Tax Equivalents Regime, and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(l) Property, plant and equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Land	\$ 1
Infrastructure	\$10,000
Plant and equipment	\$ 5,000

(m) Depreciation

Property, plant and equipment is depreciated on a straight line basis so as to allocate the net cost of each asset, less any residual value, over its estimated useful life.

The estimated useful lives applied for the current and comparative periods are as follows:

Asset Class	Useful Life
Leasehold improvements	2.33 years

(n) Receivables

Trade and other receivables are stated at their cost less any impairment losses if applicable.

Work in progress is stated at the aggregate of costs incurred to date that are specifically chargeable to the customer under the terms of the contract.

(o) Payables

Trade creditors are recognised upon receipt of goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on terms between 1–30 days.

(p) Leases

Ecofund leases are considered to be operating leases under which the lessor retains substantially all risks and benefits. Lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the years in which they are incurred.

(q) Rounding

Amounts in the financial statements have been rounded to the nearest thousand dollars unless stated otherwise.

(r) Judgements and assumptions

The Company has made several judgements and assumptions which may cause adjustments to the carrying amounts of assets and liabilities within the next reporting year. These relate to the future utilisation of deferred tax assets and liabilities and the percentage of completion of revenue generating contracts which impact upon the values of revenue, work in progress and unearned revenue.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2012

(s) Standards and interpretations not yet adopted

A number of Australian Accounting Standards and Interpretations are on issue but are not effective for the current year end. These include *AASB9 Financial Instruments* and *AASB13 Fair Value Measurement*. The reported results and position of the Company will not change on adoption of these pronouncements as they do not result in any changes to the Company's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements.

Based on the Company's current operations, it is management's assessment that these pronouncements will not have a significant impact on the Company's operating results. Therefore, the Company does not intend to adopt any of these pronouncements before their effective date.

	2012	2011
	\$000	\$000

Profit before income tax includes the following specific items:

3. Rendering of service

Advisory services

Carbon and renewable energy	768	488
Land based offsets	1,345	1,240
Carbon forestry projects	119	–

Brokerage services 14,842 11,174

Marketing services 24 194

Administrative services 45 54

	17,143	13,150
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	2012	2011
	\$000	\$000

4. Fair value gains on financial assets at fair value through profit or loss

Fair value net gain	81	–
	81	–

Financial assets classified as financial assets at fair value through profit or loss consist of renewable energy and carbon certificates, which have been acquired principally for the purpose of selling or repurchasing in the near term. These financial assets held at the reporting date have been revalued to their fair value as at the reporting date. In the absence of a quoted market price, fair value has been assessed using recent actual traded price for carbon certificates.

5. Other revenue

Interest income	66	92
	66	92

6. Administration expenses

Directors' remuneration and benefits	84	96
Legal and accounting services	147	259
Audit fees	44	55
Insurance	176	121
Marketing	59	160
Office occupancy	210	225
Travel and accommodation	63	85
Other	136	125
	919	1,126

Notes to and forming part of the Financial Statements

For the year ended 30 June 2012

	2012	2011
	\$000	\$000
7. Income tax expenses		
(a) The prima facie tax on profit before income tax is reconciled to the income tax provided in the financial statements as follows:		
Prima facie tax payable on profit/(loss) before income tax at 30%:	30	(276)
Add tax effect of:		
Non-deductible entertainment	1	–
Underprovision for income tax in prior year	2	–
	33	(276)
The components of tax expense comprise:		
Current tax	(17)	(391)
Deferred tax	48	115
Underprovision for income tax in prior year	2	–
	33	(276)
Current tax is made up of:		
Current year's tax payable	(17)	(391)
	(17)	(391)
Deferred tax is made up of:		
Current year's movement in deferred tax asset	43	107
Current year's movement in deferred tax liability	5	8
Underprovision for income tax in prior year	2	–
	50	115
Total income tax expense in income statement		
	33	(276)
Attributable to:		
Continuing operations	33	(276)
	33	(276)

	2012	2011
	\$000	\$000

8. Cash and cash equivalents

Cash at bank	1,801	1,815
	1,801	1,815

9. Receivables

Trade debtors	281	328
Forward transaction receivable	275	–
Sundry debtors	5	7
Work in progress	81	144
GST receivable	25	380
	667	859

10. Current assets – financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are all held for trading and include the following:

Tradable carbon certificates	136	–
	136	–

Changes in fair values of financial assets at fair value through profit or loss are recorded in note 4.

Information about the Company's exposure to price risk and about the methods and assumptions used in determining fair value is provided in note 2(e) and 24.

11. Prepayments

Prepaid insurance	140	135
Prepaid rent	18	17
Prepaid licences and subscriptions	7	–
	165	152

Notes to and forming part of the Financial Statements

For the year ended 30 June 2012

	2012	2011
	\$000	\$000

12. Property, plant and equipment

Leasehold improvements

Value at the beginning of the year	221	221
Acquisitions	–	–
Disposals	–	–
Balance at 30 June	221	221

Accumulated depreciation

Value at the beginning of the year	92	7
Depreciation	111	85
Accumulated depreciation	203	92

Net property, plant and equipment 30 June

18	129
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13. Deferred tax assets

The balance comprises temporary differences attributable to:

Tax losses	406	391
Employee benefits	22	57
Other		
– Accrued audit and general expenses	7	16
– Accrued legal fees	13	12
Net deferred tax assets	448	476

	Tax losses (\$'000)	Employee benefits (\$'000)	Other (\$'000)	Total (\$'000)
As at 1 July 2010				
(Charged)/credited:				
– to profit or loss	391	57	28	476
– to other comprehensive income	–	–	–	–
As at 30 June 2011	391	57	28	476
(Charged)/credited:				
– to profit or loss	15	(35)	(8)	(28)
– to other comprehensive income	–	–	–	–
As at 30 June 2012	406	22	20	448

	2012	2011
	\$000	\$000

14. Creditors

Trade creditors	45	285
Forward transaction payable	415	–
GST payable	29	468
Accruals	242	226
Annual leave entitlements	73	66
	804	1,045

15. Unearned revenue

Current

Unearned revenue	3	27
	3	27

Non Current

Unearned revenue	37	42
	37	42
	40	69

Notes to and forming part of the Financial Statements

For the year ended 30 June 2012

	2012	2011
	\$000	\$000

16. Deferred tax liabilities

The balance comprises temporary differences attributable to:

Accrued income	1	2
Work in progress	25	43
Asset revaluation at fair value	24	–
Net deferred tax liabilities	50	45

	Accrued income (\$'000)	Work in progress (\$'000)	Asset revaluation (\$'000)	Total (\$'000)
As at 1 July 2010				
Charged/(credited):				
– to profit or loss	2	43	–	45
– to other comprehensive income	–	–	–	–
As at 30 June 2011	2	43	–	45
Charged/(credited):				
– to profit or loss	(1)	(18)	24	5
– to other comprehensive income				
As at 30 June 2012	1	25	24	50

	2012	2011
	\$000	\$000

17. Contributed equity

(a) Equity contribution

Beginning of the financial year	3,281	1,581
1,700,000 ordinary shares fully paid at \$1.00	–	1,700
	3,281	3,281

(b) Movements in shares on issue

	Number of shares	Number of shares
Beginning of the financial year	3,280,700	1,580,700
Issued during the year	–	1,700,000
End of the financial year	3,280,700	3,280,700

Notes to and forming part of the Financial Statements

For the year ended 30 June 2012

	2012	2011
	\$000	\$000
18. Notes to the Statement of Cash Flows		
(a) Reconciliation of net profit/(loss) after income tax to net cash provided by operating activities		
Net profit/(loss) after income tax for the year	69	(646)
Non cash items		
Depreciation	111	85
Doubtful debts	6	17
Revaluation of fair value assets	(81)	–
Changes in Assets and Liabilities		
(Increase)/decrease in receivables	(188)	(72)
(Increase)/decrease in inventories	(56)	–
(Increase)/decrease in prepayments	(12)	(57)
(Increase)/decrease in net GST receivable	(84)	238
Increase/(decrease) in payables	251	(1,522)
Increase/(decrease) in provisions	(30)	(150)
Net cash provided by/(used in) operating activities	(14)	(2,107)
(b) Reconciliation of cash and cash equivalents		
Cash and cash equivalents comprises:		
Cash at bank	1,801	1,815
Closing balance	1,801	1,815

	2012	2011
	\$	\$

19. Related party transactions

(a) Ultimate controlling entity

Shares in Ecofund were transferred on 21 February 2012 from Mr John Bradley, then Director General of the Queensland Department of Premier and Cabinet on behalf of the State of Queensland to be held by Mr Jim Reeves, then Director General of the Queensland Department of Environment and Resource Management (DERM), on behalf of the State of Queensland.

On 16 July 2012, all shares in Ecofund were transferred from Mr Reeves to Mr Andrew Chesterman Director General of the Queensland Department of Environment and Heritage Protection (DEHP), on behalf of the State of Queensland.

The ordinary shareholder has the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle the holder to one vote, either in person, or by proxy, at a meeting of the Company.

(b) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Ecofund, being members of the Board of Directors.

i. Compensation

Compensation includes income paid or payable, or otherwise made available, in respect of the financial year, to all Directors of the Company, directly or indirectly, from the entity or any related party:

Directors' remuneration

Short term employee benefits ⁽¹⁾	80,642	93,028
Post-employment benefits ⁽²⁾	1,858	2,972
Total	82,500	96,000

(1) Short-term employment benefits include fees paid to Directors

(2) Post-employment benefits include superannuation payments

ii. Other officers

The Company commenced employing other officers during the 2010/11 year. Staff were seconded to Ecofund from DEHP, a related party, from 12 March 2010 until 17 January 2011. DEHP charged a fee for these services during the 2010/11 year of \$773,519.41 including GST.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2012

(c) Other related party transactions

During the year the following transactions were undertaken between the Company and related parties. All transactions were at normal commercial terms and conditions unless otherwise stated.

Department of Environment and Heritage Protection (DEHP)

- DEHP provided payroll services to Ecofund until 31 October 2010. No fees were charged for these services during the year (2011: \$Nil).
- Ecofund provided the following services to DEHP during the year.
 - Marketing campaign management services for fees of \$26,290.00 (2011: \$11,550.00) including GST
 - Advisory services for fees of \$142,827.10 (2011: \$16,676.00) including GST
- Ecofund issued Nil shares (2011: 1,700,000) to DEHP during the year in relation to \$Nil in cash (2011: \$1,700,000.00).

Balance the Earth Trust (BTE Trust)

- Ecofund was appointed as the trustee of the BTE Trust on 10 May 2011. Ecofund provided administrative, fundraising and advisory services to the BTE Trust throughout the year, both before and after becoming the Trustee. During the year, the BTE Trust paid \$86,737.09 (2011: \$203,825.20) including GST to Ecofund in relation to these services.

Queensland Treasury Corporation (QTC)

- QTC provided premises and IT support to Ecofund, and legal, accounting and administrative support during the prior year only. Fees of \$275,365.88 (2011: \$322,057.40) including GST were charged for these services during the year.
- QTC also provided a standby working capital facility to Ecofund throughout the year, as described in note 24(b) below. The facility was not drawn upon during the year, and no fees were charged for these services during the year.
- Ecofund provided the following services to QTC during the year:
 - Advisory services for fees of \$16,500.00 (2011: \$Nil) including GST.

Crown Law Office of Queensland

- Crown Law provided legal services to Ecofund. Fees of \$1,163.80 (2011: \$Nil) including GST were charged for these services during the year.

	2012	2011
	\$	\$

Other

- Ms Susan Rix, the Chair of Ecofund, is a partner of BDO Chartered Accountants, Brisbane – during the year, Ecofund paid \$10,433.50 (2011: \$15,592.50) including GST to BDO for accounting and tax services and advice.

During the year BDO paid \$13,310.00 including GST to Ecofund for consultancy services (2011: \$Nil).

- Mr Michael Klug, a director of Ecofund, is a partner of Clayton Utz Lawyers, Brisbane – during the year, Ecofund paid \$40,128.75 (2011: \$229,580.20) including GST to Clayton Utz for legal services and advice.
- Ms Fiona Waterhouse, a director of Ecofund, is a member of Noosa and District Landcare Group Inc – during the year, Ecofund paid \$47,973.46 (2011: \$12,416.00) including GST to Noosa and District Landcare Group Inc for planting and vegetation management services.

20. Remuneration of auditor

Amount received, or due and receivable, by the Queensland Audit Office for:

Audit of accounts	36,000	34,479
Audit of Australian Financial Services Licence	8,200	7,900
	44,200	42,379

There were no other services provided by the Queensland Audit Office to Ecofund.

21. Contingent assets/liabilities

As at 30 June 2012, the Company had no contingent assets or liabilities (2011: \$Nil).

22. Commitments

As at 30 June 2012, the Company had no material capital or other expenditure commitments except as listed below (exclusive of GST):

Lease expenditure commitments

Operating leases:

Minimum lease payments		
– Not later than one year	210,574	223,116
– Later than one year and not later than five years	–	92,965
– Later than five years	–	–

Aggregate lease expenditure contracted for at balance date	210,574	316,081
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These commitments represent payments due for leases on office accommodation. The payments have not been discounted and exclude any escalation for CPI increases which are provided for under the terms of the lease.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2012

23. Events subsequent to balance date

There are no matters or circumstances which have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the future.

24. Financial risk management

The Company's activities expose it to a variety of financial risks; market risk (including interest rate risk), liquidity and credit risk. The Company manages its exposure to these financial risks through a set of policies and procedures approved by the Board.

(a) Interest rate risk

The Company has limited exposure to interest rate risk. Movement in interest rates is not expected to have a significant financial effect on the Company.

(b) Liquidity risk

The Company is exposed to liquidity risk in the normal course of business.

The following table analyses the financial liabilities held by Ecofund into relevant maturity periods based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows, except for payables which are shown at their carrying value.

As at 30 June 2012

Contractual Maturity Period at 30 June 2012					
	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	\$000	\$000	\$000	\$000	\$000
Financial Liabilities					
Payables	804	–	–	–	804
Interest-bearing liabilities	–	–	–	–	–
	804	–	–	–	804

As at 30 June 2011

Contractual Maturity Period at 30 June 2011					
	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	\$000	\$000	\$000	\$000	\$000
Financial Liabilities					
Payables	1,045	–	–	–	1,045
Interest-bearing liabilities	–	–	–	–	–
	1,045	–	–	–	1,045

	2012	2011
	\$000	\$000

The Company had access to the following undrawn standby working capital facility at the end of the reporting period:

– Expiring beyond one year	1,000	–
	–	1,000
– Expiring within one year	1,000	1,000

The undrawn facility may be drawn at any time, for use by the Company only in its carbon and renewable energy trading activities in restricted circumstances.

(c) Credit risk exposure

The Company had no significant concentrations of credit risk with any single counterparty or group of counterparties not otherwise identified in the financial statements. The maximum credit risk exposure of Ecofund is represented by the carrying amounts of assets recognised in the Statement of Financial Position.

Ecofund maintains a Credit Risk Management Policy, approved by its Board and applied to all counterparties to whom credit is extended. The policy includes credit assessments of all counterparties, maintenance of credit insurance, requirements for appropriate internal approvals to trade with each counterparty, and restrictions on the scale and terms of trading with counterparties depending on their credit rating and trading history.

(d) Price risk exposure

Ecofund maintains a Market Risk Management Policy, approved by its Board and applied to all trading transactions. The policy includes limits and controls on the management of the price and other risk exposures to enable the business objectives to be met within a level of risk exposure acceptable to the Board.

(e) Fair values of assets and liabilities

The carrying amounts are a reasonable approximation of the fair value of financial assets and liabilities of the Company at balance date. These consist of deposits with the Commonwealth Bank of Australia at prevailing market rates and short term payables and receivables.

(f) Fair value measurement hierarchy

All financial instruments measured at fair value have been classified in accordance with the hierarchy described in *IFRS 7: Financial Instruments: Disclosures*. The fair value hierarchy reflects the significance of the inputs used to determine the valuation of these instruments.

Level 1 fair value measurements are those derived directly from quoted market prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 fair value measurements are those including inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Notes to and forming part of the Financial Statements

For the year ended 30 June 2012

(f) Fair value measurement hierarchy (continued)

Level 3 fair value measurements are those derived from the valuation techniques that include significant inputs for the asset or liability that are not based on observable market data.

The Company currently holds cash at bank and other short loans. These instruments are recorded at the recoverable value based on the transaction price. Due to their short term nature no further adjustments are applied.

The Company currently holds renewable energy and carbon certificates, which have been acquired principally for the purpose of selling or repurchasing in the near term. These financial assets held at the reporting date have been revalued to their fair value as at the reporting date. Fair value has been assessed using quoted market prices for renewable energy certificates (Level 1), and in the absence of a quoted market price, recent actual traded price for carbon certificates (Level 2).

	Quoted market prices	Valuation techniques – observable market inputs	Valuation techniques – un-observable market input	Total
	(Level 1)	(Level 2)	(Level 3)	
	\$000	\$000	\$000	\$000
As at 30 June 2012				
Financial Assets				
– Bank deposits	1,801	–	–	1,801
– Renewable energy certificates	275	–	–	275
– Carbon certificates	–	136	–	136
Total assets at fair value	2,076	136	–	2,212
Financial liabilities				
	–	–	–	–
Total liabilities at fair value	–	–	–	–
As at 30 June 2011				
Financial Assets				
Bank deposits	1,815	–	–	1,815
Total assets at fair value	1,815	–	–	1,815
Financial liabilities				
	–	–	–	–
Total liabilities at fair value	–	–	–	–

There have been no transfers between Level 1 and Level 2 in the year. No financial instruments have been designated as Level 3 and therefore no reconciliation of these balances is required.

Directors' Declaration

The Directors of Ecofund Queensland Pty Ltd declare that:

The financial statements and accompanying notes as set out on pages 18 to 40 are in accordance with the *Corporations Act 2001*, including:

- (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (b) giving a true and fair view of the financial position of the Company as at 30 June 2012 and of its performance, as represented by the results of its operations, changes in equity and its cash flows for the year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors and is signed for and on behalf of the Directors by:



Susan Rix
CHAIR

Dated: 31 July 2012

Independent Auditor's Report

To the Members of Ecofund Queensland Pty Ltd

Report on the Financial Report

I have audited the accompanying financial report of Ecofund Queensland Pty Ltd, which comprises the statement of financial position as at 30 June 2012, the statement of 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 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.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed 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.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Ecofund Queensland Pty Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In my opinion the financial report of Ecofund Queensland Pty Ltd is in accordance with the *Corporations Act 2001*, including –

- (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Other Matters - Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Ecofund Queensland Pty Ltd for the year ended 30 June 2012. Where the financial report is included on Ecofund Queensland Pty Ltd's website the company's directors are responsible for the integrity of Ecofund Queensland Pty Ltd's website and I have not been engaged to report on the integrity of Ecofund Queensland Pty Ltd's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.



N GEORGE CPA
as Delegate of the Auditor-General of Queensland



Queensland Audit Office
Brisbane

CORPORATE GOVERNANCE STATEMENT

Ecofund is committed to better corporate governance through its Board and management team to ensure its business activities are conducted legally and at the highest standards of integrity and propriety.

Ecofund has aligned its corporate governance practices with the eight core principles outlined in the *Australian Securities Exchange Corporate Governance Principles and Recommendations* ('ASX Principles').

Ecofund's Board of Directors ('Board') is responsible for Ecofund's corporate governance. Ecofund's Board assumes governance and risk compliance and is establishing an appropriate system of risk oversight and management **(ASX Principle 7)**.

Each Director and employee of Ecofund is expected to adhere to Ecofund's practices and policies in the performance of their duties.

Ecofund will continually review its practices and policies to respond to developments in its business and these ASX Principles.

The Board is structured to add value with the composition, size and commitment to adequately discharge its responsibilities and duties **(ASX Principle 2)**. All Directors are non-executive and independent in accordance with the criteria set out in the ASX Principles.

The Board's task is to govern on behalf of the Shareholder. The Board recognises that, to carry out this role, the Shareholder must receive high quality relevant information in a timely manner. Ecofund's arrangements for reporting to its Shareholder are outlined in section 9.1 of the Ecofund Statement of Corporate Intent 2012/13 **(ASX Principle 5)**.

Ecofund has a Board Charter that sets the foundation of the functions delegated to the Board within the Constitution.

The Board has established two sub-committees to increase the efficiency of Board processes and assist the Board in discharging its responsibilities.

These are the Audit and Risk Management Committee and the People and Remuneration Committee. Each committee of the Board has a formal charter and reports to the Board **(ASX Principle 2)**.

Risks derived from the conduct of Ecofund's business are addressed by the Board, in conjunction with Ecofund's Chief Executive Officer and senior management. This is managed through Ecofund's risk management policies and the Audit and Risk Committee and its own Charter.

Ecofund acknowledges that probity and transparency are crucial to ensuring it meets the public's high expectations of accountability given its relationship to the Queensland Government (as Ecofund's Shareholder) and the nature of its business.

Ecofund's Board promotes ethical and responsible decision making by the use and commitment to codes of conduct and internal controls dealing with conflicts of interest and disclosure **(ASX Principle 3)**.

Ecofund's Constitution delegates certain responsibilities to the Board. The Board may delegate any of its powers or responsibilities to the Chief Executive Officer or senior management.

The Board has delegated the responsibility for the day-to-day operation and administration of the Company to executive management, led by the Chief Executive Officer. The levels of authority for management are also documented in detail, as part of the Delegations Framework and Delegation of Authority Policy. These are available to all employees.

Ecofund has developed and adopted a suite of policies and protocols to assist with regulatory compliance, internal governance and meeting the Shareholder's governance expectations.

In accordance with its Constitution, Ecofund has appointed the Queensland Auditor-General as its auditor.



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