# Greening Australia Limited and Controlled Entities

**ABN 40 002 963 788**

## Annual Report - 30 June 2018

**Greening Australia Limited and Controlled Entities**
**Directors' report**
**30 June 2018**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Greening Australia Limited and Controlled Entities (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

## Directors

The following persons were directors of Greening Australia Limited and Controlled Entities during the whole of the financial year and up to the date of this report, unless otherwise stated:

Gordon Davis
James Atkins
Arianne Rose
Robert Smith
Julie Green
Charl Pienaar
John Hope

## Information on directors

| | |
|---|---|
| Name: | Gordon Davis |
| Title: | Director |
| Qualifications: | BSc (Hons) Forest Science, Masters Science, MBA |
| Experience and expertise: | Chair of Greening Australia Ltd Nov 2014 to date. Gordon Davis has an honours degree in Forest Science from the University of Melbourne, and a masters degree from the University of Tasmania. He spent 10 years with the Tasmanian Forestry Commission in field and management roles. He then completed an MBA at the Melbourne Business School in 1990, before working with the then leader of the opposition, John Hewson, as a policy advisor.<br><br>Gordon joined ICI Australia (now Orica Limited) in 1993, as Manager of Corporate Affairs, with responsibility for external communication and government relations.<br><br>In 2003 he was appointed to run Orica Explosives global accounts, before taking over management of the $1B turnover Orica Explosives Australia/Asia business.<br><br>He revitalised many aspects of this business, which enabled it to capitalise on the mining boom.<br><br>In 2006 Gordon was appointed CEO of AWB Limited where he reformed the constitution and structure, initiating a major restructure and recapitalisation of the balance sheet. In the process fundamentally modernising the business culture and operating performance. Gordon explored various growth strategies, including mergers with other ASX listed companies, before the Canadian company Agrium successfully acquired it in 2010.<br><br>Gordon was Chair of VicForests from October 2011 to April 2016. He was appointed to non-executive directorships with NuFarm Limited in May 2011, Primary Health Care Limited in August 2015 and Midway Limited in May 2016. He has also served on the Advisory Board of The Nature Conservancy from 2013 to 2018. |

| | |
|---|---|
| Name: | James Atkins |
| Title: | Director |
| Qualifications: | BArts, BCommerce, Graduate of the Australian Institute of Company Directors |
| Experience and expertise: | James Atkins is an experienced business advisor, marketing strategist and company director. He has over 30 years' experience working at a senior level in the retail, financial services and energy sectors. In addition to being Deputy Chair of Greening Australia he is currently Chair of BIG4 Holdings and hockingstuart, and a non-executive director of Connective Group and Circus Oz. James is also a director of Vantage Strategy & Marketing, a strategic consulting firm that provides business advisory services to commercial, government and NFP organisations. He is a member of the AICD and graduate of their Company Directors course. |

| | |
|---|---|
| Name: | Arianne Rose |
| Title: | BSc/LLB, Graduate of the Australian Institute of Company Directors |
| Experience and expertise: | Arianne is a commercial lawyer who has practised in both the private and the public sectors, in financial services, agribusiness, commercial and property law.<br><br>Arianne has private and public sector board and executive management experience in highly regulated sectors particularly in industries where public policy considerations and legislative and regulatory frameworks directly shape the operating environment.<br><br>She has worked in a wide range of complex industries with a strong skill set in corporate governance and risk management. Arianne is also a graduate of the Australian Institute of Company Directors.<br><br>In addition to serving on the Board of Greening Australia, Arianne is the Chair of the Alpine Resorts Co-ordinating Council and a non-executive director of the Architects Registration Board of Victoria..<br><br>Previously, she was a non-executive director of Melbourne Polytechnic (2015-2018), and the Company Secretary and General Counsel, VicTrack (2010-2014) |

| | |
|---|---|
| Name: | Robert Smith |
| Title: | Director |
| Qualifications: | MBA, PhD - Resource Economics, Masters Science - Resource Economics, BSc (Forestry)(Hon1) |
| Experience and expertise: | Bob is an experienced manager and adviser in the sustainable management, conservation and profitable use of natural resources to support livelihoods and wellbeing in communities. Bob's current roles include Chair North Coast (NSW) Local Land Services, Assistant Commissioner Land and Environment (NSW0 and Chair Audit and Risk Committee, ICAC (NSW).<br><br>Bob has worked at international level (including participation as nongovernment representative in UNFCCC forums), national levels (including Ministerial Councils for forestry, natural resources and agriculture and the Murray Darling Basin Commission), state levels (senior executive roles in government agencies in Victoria and NSW) in evaluating, developing and delivering natural resource programs. Bob has applied his expertise to improving the livelihood of communities in Indonesia, Papua New Guinea, Solomon Islands and indigenous communities in Northern Australia. |

| | |
|---|---|
| Name: | Julie Green |
| Title: | Director |
| Qualifications: | Fellow Chartered Accountant in Australia and England & Wales, Fellow of Australian Institute of Company Directors, Fellow of Leadership Victoria |
| Experience and expertise: | Julie is a non-executive director of RACV, Loddon Mallee Waste & Resource Recovery, Greening Australia, Maldon Hospital and The Innovation Cooperative. Also formerly a large regional aged care service provider, Shepparton Villages.<br><br>Julie is also a business consultant in strategy, governance and change management. This follows a successful executive career in infrastructure, transport, utilities and healthcare, delivering major change agendas in the public and private sectors.<br><br>Alongside this professional career, Julie has been an advisor to Not For Profits entities over the last 20 years and is a mentor to emerging leaders with Leadership Victoria.<br><br>She is passionate about regional Victoria and currently lives in Maldon Victoria. |
| Name: | Charl Pienaar |
| Title: | Director |
| Qualifications: | Bachelor of Commerce, Bachelor of Commerce (Honours), Master of Commerce (Economics) |
| Experience and expertise: | Prior to joining the Board in 2017, Charl worked with Greening Australia for many years in various voluntary capacities, including serving on the Board of Greening Australia NSW. With a background in economics, he started his career as a management consultant before moving into investment management roles with the Australian Industry Development Corporation, Lend Lease Corporation and MLC Limited in the private equity, infrastructure and alternative asset sectors. He was responsible for establishing and managing MLC's significant international private equity programme and also managed its infrastructure investments in Asia. He currently serves as a non-executive Director and Member on the Board and Investment Committees of New Forests, an international investment management firm focused on sustainable forestry and associated environmental markets (carbon and mitigation banking) in Australia, New Zealand, S.E. Asia and the USA. |
| Name: | John Hope |
| Title: | Director |
| Qualifications: | Bachelor of Commerce and Master of Business Administration (Melbourne), Fellow of Chartered Accountants Australia and New Zealand, Fellow of the Financial Services Institute of Australia, Graduate Member of the Australian Institute of Company Directors |
| Experience and expertise: | John brings professional services leadership and corporate finance experience gained working in Australia and in Asia. John is with Kidder Williams Limited, who provide corporate advisory and investment banking services to private and ASX-listed mid-market companies, with a focus on the Australian agriculture, forestry, food and beverage sectors. John retied from EY on 31 March 2017, after 30 years with the firm. |

**Meetings of directors**

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number of meetings attended by each director were:

| | Full Board | |
|---|---|---|
| | Attended | Held |
| Gordon Davis | 4 | 4 |
| James Atkins | 4 | 4 |
| Arianne Rose | 4 | 4 |
| Robert Smith | 3 | 4 |
| Julie Green | 4 | 4 |
| Charl Pienaar | 4 | 4 |
| John Hope | 4 | 4 |

Held: represents the number of meetings held during the time the director held office.

**Principal Activities**

The principal activities during the year were to tackle critical issues like salinity, declining water quality, soil degradation, climate change and biodiversity loss through an innovative blend of practical experience, science and community engagement. We are dedicated to protecting our heritage, its biodiversity and natural resources.

**Company Objectives**

The company’s short and long term objectives are:

- to conserve and restore landscapes at scale through collaborative, science-based and innovative conservation programs

**Company Strategies**

To achieve the objectives, the company has adopted the following strategies:

- providing industry leadership
- being proudly community owned and science led
- offering professional services with a real environmental impact
- embracing the cultural and traditional values and perspectives of all landholders and stakeholders
- engaging a culturally rich and diverse workforce that seeks and accepts challenge
- acting courageously and sharing our and other’s achievements

**2018 Highlights**

In 2018, we continued to make excellent progress on our objectives and execution of our strategies which is centred around five national programs. Our path to scale is being driven by a focus on efficiency, effectiveness, the highest levels of accountability and by converting complexity into simplicity.

We have embarked on some major growth orientated and enabling projects throughout the year identified in our Three Year Strategic Plan. This has included safety culture and performance, implementation of a new ERP system “Dynamics NAV” and growing our brand.

While these investments for the future have the effect of reducing our surplus on a year on year basis, we are resolute this will lead to us achieving long term sustainability and ensuring we operate in an effective and efficient manner.

Some of our previous long-term investments have produced mixed results in the reporting period. Our investments in sandalwood plantations have been negatively affected by fluctuations in global markets whilst we were able to capture value from the establishment of a joint venture to develop and deliver recurring revenue streams from carbon sequestration projects.

Our supporting year in review document provides a more expansive summary of the highlights and activities.

**Contributions on winding up**

Limited liability of members

For so long as a person or Corporate Entity is a member and for one year after they cease to be a member, each member undertakes to contribute to the assets of the Company up to an amount not exceeding one dollar ($1.00) for payments of the debts and liabilities of the Company (including the costs of winding up) if it is wound up.

**Rounding of amounts**

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Auditor's independence declaration**
A copy of the auditor's independence declaration as required under subdivision 60-40 of the Australian Charities and Not-for-profits Commission Act 2012 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors

On behalf of the directors

Director

1 November 2018

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# Auditor's Independence Declaration

## To the Directors of Greening Australia Limited and Controlled Entities

In accordance with the requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, as lead auditor for the audit of Greening Australia Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner - Audit & Assurance

Melbourne, 1 November 2018

**Greening Australia Limited and Controlled Entities**
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## General information

The financial statements cover Greening Australia Limited and Controlled Entities as a consolidated entity consisting of Greening Australia Limited and Controlled Entities and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Greening Australia Limited and Controlled Entities's functional and presentation currency.

Greening Australia Limited and Controlled Entities is a not-for-profit unlisted public company limited by guarantee.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 October 2018.

**Greening Australia Limited and Controlled Entities**
**Statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2018**

| | Note | Consolidated 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Consultancy services | | 492 | 173 |
| On-ground works and revegetation | | 19,740 | 21,059 |
| Sale of seeds and plants | | 2,727 | 2,934 |
| Sale of publications and merchandise | | 26 | 20 |
| Training and education | | 1,005 | 858 |
| Carbon sales | | 98 | - |
| Membership income | | 11 | 13 |
| Fundraising income | | 2,754 | 2,372 |
| | | 26,853 | 27,429 |
| Less: Direct expenses | | (10,329) | (10,812) |
| Gross profit | | 16,524 | 16,617 |
| Other income | 3 | 780 | 404 |
| **Expenses** | | | |
| Rent and rates | | (663) | (578) |
| Depreciation expense | | (681) | (747) |
| Employment related expenses | | (14,024) | (13,160) |
| Operational and administrative expenses | 4 | (1,688) | (1,385) |
| Finance costs | | (71) | (66) |
| Fair value loss on biological assets | 13 | (358) | - |
| Total operating expenses | | (17,485) | (15,936) |
| **Surplus/(deficit) before income tax expense** | | (181) | 1,085 |
| Income tax expense | | (119) | (118) |
| **Surplus/(deficit) after income tax expense for the year** | | (300) | 967 |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Gain on the revaluation of land and buildings, net of tax | | 310 | - |
| Other comprehensive income for the year, net of tax | | 310 | - |
| **Total comprehensive income for the year** | | 10 | 967 |
| Surplus/(deficit) for the year is attributable to: | | | |
| Non-controlling interest | | (251) | (36) |
| Members of Greening Australia Limited and Controlled Entities | | (49) | 1,003 |
| | | (300) | 967 |
| Total comprehensive income for the year is attributable to: | | | |
| Non-controlling interest | | (251) | (36) |
| Members of Greening Australia Limited and Controlled Entities | | 261 | 1,003 |
| | | 10 | 967 |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Greening Australia Limited and Controlled Entities**
**Statement of financial position**
**As at 30 June 2018**

| | | Consolidated | |
|---|---|---|---|
| | **Note** | **2018 $'000** | **2017 $'000** |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 17,319 | 20,167 |
| Trade and other receivables | 6 | 3,902 | 4,043 |
| Inventories | 7 | 1,668 | 1,480 |
| Biological assets | 8 | 356 | 258 |
| Financial assets | 9 | 4,640 | 3,151 |
| Total current assets | | 27,885 | 29,099 |
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | 7,058 | 5,951 |
| Intangible assets | 11 | 334 | 165 |
| Other assets | 12 | 455 | 569 |
| Biological assets | 13 | 59 | 417 |
| Total non-current assets | | 7,906 | 7,102 |
| **Total assets** | | 35,791 | 36,201 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 3,282 | 4,129 |
| Financial liabilities | 15 | 91 | 150 |
| Income tax | 16 | 66 | 100 |
| Provisions | 17 | 1,789 | 1,731 |
| Other liabilities | 18 | 16,644 | 16,690 |
| Total current liabilities | | 21,872 | 22,800 |
| **Non-current liabilities** | | | |
| Financial liabilities | 19 | 464 | - |
| Provisions | 20 | 187 | 143 |
| Total non-current liabilities | | 651 | 143 |
| **Total liabilities** | | 22,523 | 22,943 |
| **Net assets** | | 13,268 | 13,258 |
| **Equity** | | | |
| Reserves | 21 | 2,695 | 2,384 |
| Retained surpluses | | 10,388 | 10,438 |
| Equity attributable to the members of Greening Australia Limited and Controlled Entities | | 13,083 | 12,822 |
| Non-controlling interest | 22 | 185 | 436 |
| **Total equity** | | 13,268 | 13,258 |

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Greening Australia Limited and Controlled Entities**
**Statement of changes in equity**
**For the year ended 30 June 2018**

| **Consolidated** | **Reserves $'000** | **Retained Surpluses $'000** | **Non-controlling interest $'000** | **Total equity $'000** |
|---|---|---|---|---|
| Balance at 1 July 2016 | 2,547 | 9,426 | 472 | 12,445 |
| Surplus/(deficit) after income tax expense for the year | - | 1,003 | (36) | 967 |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | 1,003 | (36) | 967 |
| Transfer of reserves | (8) | 8 | - | - |
| Revaluation of land | (154) | - | - | (154) |
| Balance at 30 June 2017 | 2,385 | 10,437 | 436 | 13,258 |

| | | | | |
|---|---|---|---|---|
| Balance at 1 July 2017 | 2,385 | 10,437 | 436 | 13,258 |
| Deficit after income tax expense for the year | - | (49) | (251) | (300) |
| Other comprehensive income for the year, net of tax | 310 | - | - | 310 |
| Total comprehensive income for the year | 310 | (49) | (251) | 10 |
| Balance at 30 June 2018 | 2,695 | 10,388 | 185 | 13,268 |

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Greening Australia Limited and Controlled Entities**
**Statement of cash flows**
**For the year ended 30 June 2018**

| | Note | Consolidated 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 26,797 | 34,086 |
| Payments to suppliers and employees (inclusive of GST) | | (27,364) | (28,204) |
| | | (567) | 5,882 |
| Interest received | | 151 | 154 |
| Other revenue | | 283 | 196 |
| Income taxes paid | | (153) | (62) |
| Net cash from/(used in) operating activities | | (286) | 6,170 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (1,493) | (577) |
| Payments for financial assets | | (1,489) | - |
| Proceeds from disposal of property, plant and equipment | | 15 | 63 |
| Net cash used in investing activities | | (2,967) | (514) |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | 405 | (626) |
| Net cash from/(used in) financing activities | | 405 | (626) |
| Net increase/(decrease) in cash and cash equivalents | | (2,848) | 5,030 |
| Cash and cash equivalents at the beginning of the financial year | | 20,167 | 15,137 |
| Cash and cash equivalents at the end of the financial year | 5 | 17,319 | 20,167 |

*The above statement of cash flows should be read in conjunction with the accompanying notes*

## Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

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

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

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), the Australian Charities and Not-for-profits Commission Act 2012 and Victorian legislation the Fundraising Act 1998 and associated regulations and the Corporations Act 2001, as appropriate for not-for profit oriented entities.

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*

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 consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 26.

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Greening Australia Limited and Controlled Entities ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Greening Australia Limited and Controlled Entities and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

**Note 1. Significant accounting policies (continued)**

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Revenue recognition**
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

*Sale of goods*
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

*Rendering of services*
Rendering of services revenue from computer maintenance fees is recognised by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

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

*Other revenue*
Other revenue is recognised when it is received or when the right to receive payment is established.

**Income tax**
As the consolidated entity is a charitable institution in terms of subsection 50-5 of the Income Tax Assessment Act 1997, as amended, it is exempt from paying income tax.

**Current and non-current classification**
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**Cash and cash equivalents**
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Trade and other receivables**
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

**Note 1. Significant accounting policies (continued)**

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

**Inventories**
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Associates**
Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Shares received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

**Investments and other financial assets**
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

**Note 1. Significant accounting policies (continued)**

*Impairment of financial assets*
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

**Property, plant and equipment**
Land and buildings are carried at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|---|---|
| Buildings | 40 years |
| Leasehold improvements | 3-10 years |
| Plant and equipment | 3-7 years |
| Plant and equipment under lease | 2-5 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

**Biological assets**
A controlled entity has interests in sandalwood plantations (the biological assets). An external independent valuer has valued the biological assets. The fair value is determined based on the net present value of the expected future cashflows discounted at a risk-adjusted rate.
Net increments or decrements in the fair value less cost to sell of the biological assets are recognised as income or expense in the profit and loss determined as the difference between the fair value at the beginning of the period and the fair value at the reporting date.

**Leases**
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

**Note 1. Significant accounting policies (continued)**

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

**Intangible assets**
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Goodwill*
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

*Carbon credits*
A controlled entity has interests in carbon credits. Carbon credits are carried at their fair value determined by management based on the net present value of the expected future cashflows discounted at a risk-adjusted rate.
Net increments or decrements in the fair value less cost to sell of carbon credits are recognised as income or expense in the profit and loss.

**Exploration and evaluation assets**
Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

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

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

## Note 1. Significant accounting policies (continued)

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

### Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

### Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### Employee benefits

*Short-term employee benefits*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

*Other long-term employee benefits*
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

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

### Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

## Note 1. Significant accounting policies (continued)

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

### Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

## Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Provision for impairment of receivables*
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

## Note 2. Critical accounting judgements, estimates and assumptions (continued)

*Provision for impairment of inventories*
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

*Fair value measurement hierarchy*
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

*Estimation of useful lives of assets*
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Goodwill and other indefinite life intangible assets*
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

*Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*Income tax*
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

*Recovery of deferred tax assets*
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

*Employee benefits provision*
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

## Note 2. Critical accounting judgements, estimates and assumptions (continued)

*Lease make good provision*
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

*Warranty provision*
In determining the level of provision required for warranties the consolidated entity has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

*Business combinations*
As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

## Note 3. Other income

| | Consolidated | |
|---|---|---|
| | 2018<br>$'000 | 2017<br>$'000 |
| Net fair value gain on carbon credits | 170 | - |
| Interest income | 230 | 154 |
| Gain on sale of assets | 97 | 54 |
| Other income | 283 | 196 |
| Other income | 780 | 404 |

## Note 4. Operational and administrative expenses

| | Consolidated | |
|---|---|---|
| | 2018<br>$'000 | 2017<br>$'000 |
| Computer maintenance and consumables | 12 | 11 |
| Legal fees | 10 | 6 |
| Insurance | 164 | 163 |
| Telephone and internet | 405 | 204 |
| Other expenses | 1,097 | 1,001 |
| | 1,688 | 1,385 |

## Note 5. Current assets - Cash and cash equivalents

| | Consolidated | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Cash on hand | 3 | 8 |
| Cash at bank | 17,316 | 20,159 |
| | 17,319 | 20,167 |

## Note 6. Current assets - Trade and other receivables

| | Consolidated | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Trade receivables | 3,148 | 2,908 |
| Less: Provision for impairment of receivables | (414) | (414) |
| | 2,734 | 2,494 |
| Work in progress | 892 | 1,176 |
| Other receivables | 24 | 128 |
| Prepayments and deposits | 152 | 224 |
| Interest receivable | 100 | 21 |
| | 3,902 | 4,043 |

## Note 7. Current assets - Inventories

| | Consolidated | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Merchandise, packaging and planting supplies | 152 | 155 |
| Seed stock | 1,516 | 1,325 |
| | 1,668 | 1,480 |

## Note 8. Current assets - Biological assets

| | Consolidated | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Plant stock | 356 | 258 |

## Note 9. Current assets - Financial assets

| | Consolidated | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Short term bank deposits | 4,640 | 3,151 |

## Note 10. Non-current assets - Property, plant and equipment

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| Land and buildings - at revaluation | 5,850 | 5,679 |
| Less: Accumulated depreciation | (1,013) | (1,145) |
| | 4,837 | 4,534 |
| | | |
| Leasehold improvements - at cost | 798 | 633 |
| Less: Accumulated depreciation | (316) | (360) |
| | 482 | 273 |
| | | |
| Plant and equipment - at cost | 1,849 | 1,922 |
| Less: Accumulated depreciation | (1,521) | (1,532) |
| | 328 | 390 |
| | | |
| Furniture, fixtures and fittings - at cost | 249 | 285 |
| Less: Accumulated depreciation | (238) | (268) |
| | 11 | 17 |
| | | |
| Motor vehicles - at cost | 3,226 | 3,061 |
| Less: Accumulated depreciation | (2,533) | (2,404) |
| | 693 | 657 |
| | | |
| Computer equipment - at cost | 1,662 | 990 |
| Less: Accumulated depreciation | (965) | (914) |
| | 697 | 76 |
| | | |
| Office equipment - at cost | 115 | 107 |
| Less: Accumulated depreciation | (105) | (103) |
| | 10 | 4 |
| | | |
| | 7,058 | 5,951 |

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

| **Consolidated** | Freehold Land and Buildings $'000 | Leasehold Improvements $'000 | Furniture, Fixtures and Fittings $'000 | Motor Vehicles $'000 | Plant and Equipment $'000 | Office Equipment $'000 | Computer Equipment $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 July 2017 | 4,534 | 273 | 17 | 657 | 390 | 4 | 76 | 5,951 |
| Additions | - | 266 | 8 | 396 | 171 | 9 | 643 | 1,493 |
| Disposals | - | - | - | (15) | - | - | - | (15) |
| Revaluation increments | 310 | - | - | - | - | - | - | 310 |
| Transfers in/(out) | - | - | - | - | (138) | - | 138 | - |
| Depreciation expense | (7) | (57) | (14) | (345) | (95) | (3) | (160) | (681) |
| | | | | | | | | |
| Balance at 30 June 2018 | 4,837 | 482 | 11 | 693 | 328 | 10 | 697 | 7,058 |

## Note 10. Non-current assets - Property, plant and equipment (continued)

Land and buildings are carried at fair value. Land and buildings were last revalued as at 30 June 2018, based on independent valuations by Opteon, CBRE Valuations Pty Ltd and Knight Frank. The valuers used a market approach that reflects observed prices for recent market transactions for similar properties and incorporate adjustments for factors specific to the land in question, including size, location, covenants and other encumbrances and current use.

## Note 11. Non-current assets - Intangible assets

| | Consolidated | |
|---|---|---|
| | 2018<br>$'000 | 2017<br>$'000 |
| Goodwill - at cost | 98 | 98 |
| Carbon sequestration rights | 64 | 64 |
| Less: Accumulated amortisation | (5) | (4) |
| | 59 | 60 |
| Carbon farming initiative reforestation | 7 | 7 |
| Carbon credits | 170 | - |
| | 334 | 165 |

The company is a shareholder in a joint-venture to identify and develop carbon sequestration projects. The fair value of carbon credits as at 30 June 2018 was determined by management based on the present value of the net cashflows expected to be generated over 17 years. The key cashflow assumptions are carbon price and yield, which have been developed with particular regard to the volume and price of carbon currently being sold by the joint venture. The expected cashflows are discounted using a risk adjusted discount rate.

## Note 12. Non-current assets - Other assets

| | Consolidated | |
|---|---|---|
| | 2018<br>$'000 | 2017<br>$'000 |
| Prepaid lease | 695 | 695 |
| Less: Accumulated amortisation | (240) | (126) |
| | 455 | 569 |

## Note 13. Non-current assets - Biological assets

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Biological assets | 59 | 417 |

A controlled entity holds approximately 1,850 hectares of land of which approximately 365 hectares is planted to sandalwood (Santalum Spicatum). The fair value of the biological assets was assessed as at 30 June 2018 by an external independent expert. The valuer considered the present value of the net cash flows expected to be generated by the plantations. The cash flow projected included assumptions in respect of sandalwood yield, prices, harvest time, harvest cost and plantation management costs. The expected future net cashflows are discounted using a risk adjusted discount rate.

The fair value assessment is particularly sensitive to changes in sandalwood yield and price assumptions, a change in which may result in a significantly higher or lower fair value.

A loss on biological assets of $358,000 was recorded at 30 June 2018.

## Note 14. Current liabilities - Trade and other payables

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Trade payables | 1,460 | 1,974 |
| Accruals and other payables | 1,822 | 2,155 |
| | 3,282 | 4,129 |

## Note 15. Current liabilities - Financial liabilities

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Bank loans | 83 | - |
| Finance leases | 8 | 150 |
| | 91 | 150 |

The bank loans and finance leases are secured against the assets acquired and are subject to fixed and floating interest rates respectively.

## Note 16. Current liabilities - Income tax

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Income tax payable | 66 | 100 |

## Note 17. Current liabilities - Provisions

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Employee benefits | 1,789 | 1,731 |

## Note 18. Current liabilities - Other liabilities

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Funds received in advance | 16,644 | 16,690 |

## Note 19. Non-current liabilities - Financial liabilities

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Bank loans | 368 | - |
| Lease liability | 96 | - |
| | 464 | - |

*Total secured liabilities*
The total secured liabilities (current and non-current) are as follows:

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Bank loans | 451 | - |
| Lease liability | 104 | 150 |
| | 555 | 150 |

*Assets pledged as security*
The bank overdraft and loans are secured by first mortgages over the consolidated entity's land and buildings.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

## Note 20. Non-current liabilities - Provisions

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Employee benefits | 187 | 143 |

## Note 21. Equity - Reserves

| | Consolidated | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| Asset revaluation surplus reserve | 2,214 | 1,903 |
| GADD Bequest Reserve | 481 | 481 |
| | 2,695 | 2,384 |

GAAD Bequest Reserve
A bequest was made to Greening Australia (WA) in 1995. The terms state the bequest will be applied “for projects in Western Australia which the majority of trustees are satisfied will; benefit the environment and its conservation’. The board of directors of Greening Australia (WA) are the trustees of this bequest and allocate funds accordingly to the terms of the bequest.

## Note 22. Equity - Non-controlling interest

| | Consolidated | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| Issued capital | 900 | 900 |
| Accumulated deficits | (715) | (464) |
| | 185 | 436 |

The non-controlling interest held by a third party is in Greening Australia – Sandalwood Australia Co Pty Ltd. The company holds these shares as trustee for a third party. The shares are non-voting and the holder is entitled to distribution by dividend only on dissolution of Greening Australia – Sandalwood Australia Co Pty Ltd.

## Note 23. Key management personnel

| | Consolidated | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| The totals of remuneration paid to the key managment personnel of the company during the year are as follows: | | |
| Key management personnel compensation | 1,928 | 1,146 |

There are no post-employment benefits for the key management personnel.

## Note 24. Contingent liabilities

| | Consolidated | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| Bank guarantees | 84 | 36 |

A fixed and floating charge has been given by the group over its net assets for the finance lease liability and the bank loans of the group.

## Note 25. Commitments

| | Consolidated | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| *Finance lease commitments* | | |
| Committed at the reporting date and recognised as liabilities, payable: | | |
| Within one year | - | 154 |
| | - | 154 |
| Less: Future finance charges | - | (4) |
| Net commitment recognised as liabilities | - | 150 |

## Note 26. Parent entity information

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

| | Parent | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| Deficit after income tax | (170) | (208) |
| Total comprehensive income | (170) | (208) |

*Statement of financial position*

| | Parent | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| Total current assets | 1,755 | 4,548 |
| Total assets | 3,076 | 5,423 |
| Total current liabilities | 2,552 | 4,746 |
| Total liabilities | 2,619 | 4,799 |
| Equity | | |
| Retained surpluses | 456 | 626 |
| Total equity | 456 | 626 |

## Note 27. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

| Name | Principal place of business / Country of incorporation | Ownership interest 2018 % | Ownership interest 2017 % |
|---|---|---|---|
| Greening Australia Limited (Parent Entity) | Australia | - | - |
| Greening Australia (Capital Region) | Australia | 100% | 100% |
| Greening Australia (WA) | Australia | 100% | 100% |
| Greening Australia (NSW) | Australia | 100% | 100% |
| Greening Australia (QLD) | Australia | 100% | 100% |
| Greening Australia (VIC) | Australia | 100% | 100% |
| Greening Australia (TAS) | Australia | 100% | 100% |
| Greening Australia (SA) | Australia | 100% | 100% |
| Greening Australia (NT) Ltd | Australia | 100% | 100% |
| Greening Australia - Sandalwood Australia Co Pty Ltd | Australia | 40% | 40% |
| Nindethana Seed Service Pty Ltd | Australia | 100% | 100% |
| Vegetation Management Trust Funds | Australia | 100% | 100% |
| Australian Carbon Biosequestration Initiative Ltd | Australia | 100% | 100% |

## Note 28. Information and declaration to be furnished under the Charitable Fundraising Act 1991

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| Gross proceeds from fundraising | 2,754 | 2,371 |
| Wages | (263) | (189) |
| Subscription fees | (15) | (7) |
| Promotional materials | (62) | (63) |
| Bank fees | (2) | (2) |
| Net fundraising revenue | 2,412 | 2,110 |

## Note 29. Events after the reporting period

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Note 30. Company details

The registered office and primary place of business of the company is:
Greening Australia Limited
Level 3, 349 Collins Street
Melbourne VIC 3000

**Greening Australia Limited and Controlled Entities**
**Directors' declaration**
**30 June 2018**

In the directors' opinion:

- the attached financial statements and notes comply with Australian Accounting Standards - Reduced Disclosure Requirements, the Australian Charities and Not-for-profits Commission Act 2012 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors

On behalf of the directors

Director

1 November 2018

Collins Square, Tower 1
727 Collins Street
Melbourne VIC 3008

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# Independent Auditor's Report

## To the Members of Greening Australia Limited and Controlled Entities

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Greening Australia Limited and its consolidated entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and comprising notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of Greening Australia Limited has been prepared in accordance with Division 60 of the Aus*tralian Charities and Not-for-profits Commission Act 2012*, as well as:

a presenting fairly, in all material respects, the consolidated entity's financial position as at 30 June 2018 and of its performance and cash flows for the year then ended in accordance with the accounting policies described in Note 1; and

b complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013* to the extent described in Note 1.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Group's financial reporting responsibilities under the *Australian Charities and Not-for-profits Commission Act 2012*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

## Information Other than the Financial Report and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

## Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies used and described in Note 1 to the financial report are appropriate to meet the requirements of Australian Accounting Standards, the *Australian Charities and Not-for-profits Commission Act 2012* and meet the needs of the Members. This responsibility includes such internal control as management determines is necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 01 November 2018