



Our Ref: CO2 ASX Announce Appendix 4D Half Year Report 2011 (295)

25 May 2011

Company Announcements Office  
Australian Securities Exchange  
20 Bridge Street  
SYDNEY NSW 2000

ANNOUNCEMENT 295

**By ASX Online**  
**Number of pages: 22**  
(including this page)

**Dear Sir**

**CO2 Group Report for the Half Year Ended 31 March 2011**

The directors of CO2 Group are pleased to release to market the Company's Half Year Report for the half year ended 31 December 2009 and attach the following documents:

ASX Appendix 4D  
Half Year Report 2011

Please telephone Andrew Grant on (03) 9928 5111 or Harley Whitcombe on (08) 9321 4111 with any queries on the Company's 2011 Half-Year Report.

Yours faithfully  
**CO2 Group Limited**

A handwritten signature in black ink, appearing to read 'Harley Whitcombe'.

Harley Whitcombe  
Company Secretary

ENC

**CO2 Group Limited**

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Tel. 08 9321 4111  
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ABN 50 009 317 846

[www.co2australia.com.au](http://www.co2australia.com.au)

The logo consists of the letters 'CO' in a large, white, sans-serif font, followed by a '2' as a subscript. The '2' is smaller and positioned slightly below the 'O'.

CO<sub>2</sub>

*Creating a better climate*

A man wearing a light-colored long-sleeved shirt, khaki trousers, and a wide-brimmed hat is walking through a field of young, green trees. He is touching one of the trees with his right hand. The ground is reddish-brown soil with some sparse grass. The background shows more trees and a clear blue sky.

CO2 GROUP LIMITED  
ABN 50 009 317 846  
INTERIM REPORT  
FOR THE HALF-YEAR ENDED 31 MARCH 2011

Lodged with the ASX under Listing Rule 4.2A.  
This information should be read in conjunction with the  
30 September 2010 Annual report

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Results for Announcement to the Market  
31 March 2011

				\$
<b>Revenue</b> from ordinary activities <i>(Appendix 4D item 2.1)</i>	up	120%	to	15,044,033
<b>Profit / (loss)</b> from ordinary activities after tax attributable to members <i>(Appendix 4D item 2.2)</i>	up	-*	to	1,538,184
<b>Net profit / (loss)</b> for the period attributable to members <i>(Appendix 4D item 2.3)</i>	up	-*	to	1,538,184

<b>Dividends / distributions</b> <i>(Appendix 4D item 2.4)</i>	Amount per security	Franked amount per security
Final dividend <i>(Prior year)</i>	-	-
Interim dividend	-	-

<b>Key Ratios</b>	2011	2010
	March	September
Net tangible assets per share (\$)	<b>0.056</b>	0.050

\*The result for the previous corresponding period was a loss. In these circumstances a percentage increase in profit is not applicable.

**DIRECTORS** Ian Norman Trahar B.Ec, MBA  
*Chairman*

Andrew William Thorold Grant BSc (Hons), Grad Dip Bus Mg  
*Chief Executive Officer*

Harley Ronald Whitcombe B.Bus, CPA  
*Executive Director*

Dr Malcolm Brian Hemmerling PhD, BSc (Hons), Dip T (Sec), FAICD  
*Non-executive Director*

Dr Christopher David Mitchell PhD, BSc (Hons)  
*Executive Director*

Paul John Favretto LL.B.  
*Non-executive Director*

**SECRETARY** Harley Ronald Whitcombe B.Bus, CPA

**PRINCIPAL REGISTERED  
OFFICE IN AUSTRALIA**

Level 11, 225 St George's Terrace  
Perth, Western Australia 6000  
Telephone No: (08) 9321 4111  
Facsimile No: (08) 9321 4411

**SHARE REGISTRY**

Computershare Investor Services Pty Limited  
GPO Box D182  
Perth, Western Australia 6000  
Telephone No: (08) 9323 2000  
Facsimile No: (08) 9323 2033

**AUDITOR**

Deloitte Touche Tohmatsu  
Chartered Accountants  
550 Bourke Street  
Melbourne, VIC 3000

**BANKERS**

Australia and New Zealand Banking Group Limited  
77 St George's Terrace  
Perth, Western Australia 6000

**STOCK EXCHANGE LISTING**

CO2 Group Limited shares are listed on the Australian Stock Exchange.  
ASX code - COZ.

**WEBSITE ADDRESS**

[www.co2australia.com.au](http://www.co2australia.com.au)

## DIRECTORS' REPORT

The directors present their report on the consolidated entity consisting of CO2 Group Limited and the entities it controlled at the end of, or during, the half-year ended 31 March 2011.

### DIRECTORS

The names of the directors of the company during or since the end of the half-year are:

Ian Norman Trahar

Andrew William Thorold Grant

Harley Ronald Whitcombe

Dr Malcolm Brian Hemmerling

Dr Christopher David Mitchell

Paul John Favretto

The above-named directors held office during and since the end of the half-year unless otherwise stated.

### PRINCIPAL ACTIVITIES

The CO2 Group and its subsidiaries ("the Group") principal activity in the course of the financial half-year has been the provision of environmental services primarily carbon sequestration i.e. the establishment of accredited forest carbon sinks on behalf of third parties, primarily for large domestic and international companies and state governments.

### COMPANY FINANCIAL PERFORMANCE

The Group is pleased with the overall financial performance of operations during the first half of the 2011 financial year. The success of the 2010 planting season continues to see the Group maintain its leadership position as Australia's largest provider of dedicated forest carbon sink projects.

The change of accounting date from 30 June to 30 September during the previous financial year has meant that this is the first time that the Group has reported on results for the 6 months ending 31 March. The results for this half-year period demonstrate that the changed accounting date is a better fit with the Group's business and revenue cycle.

	<b>31 March 2011</b>	31 December 2009
	\$	\$
Total revenue	<b>15,044,033</b>	6,822,968
Other income	<b>9,112</b>	133
EBIT	<b>2,231,929</b>	(1,589,581)
Net profit/(loss)	<b>1,538,184</b>	(745,042)
Cash reserves	<b>14,542,866</b>	10,888,785

## REVIEW OF OPERATIONS

### COMPANY

The Group has achieved a record net profit after tax (NPAT) of \$1.5 million for the half-year ended 31 March 2011. This compares to a loss of \$745 thousand for the previous half-year to 31 December 2009. Earnings before interest and tax was \$2.2 million (31 December 2009: a loss of \$1.6 million), and revenue was at record levels, up 120% to \$15 million (31 December 2009: \$6.8 million).

Basic earnings per share were 0.55 cents. While no dividend was declared for the period, the Board continues to review the company's dividend policy.

The strong financial performance was achieved in an environment of continued uncertainty around the federal government's policy on carbon. This highlights that the Australian carbon market is not just a function of Federal regulation, with many industries investing heavily in carbon offset strategies due to environmental approvals, corporate policy and brand development.

Revenue of \$15 million is a key achievement for the Group and illustrates the growing base of annuity income being generated from the company's long term, 30-50 year contracts. Importantly, as revenue continues to grow, corporate costs remain largely fixed at around \$6.5 million per annum.

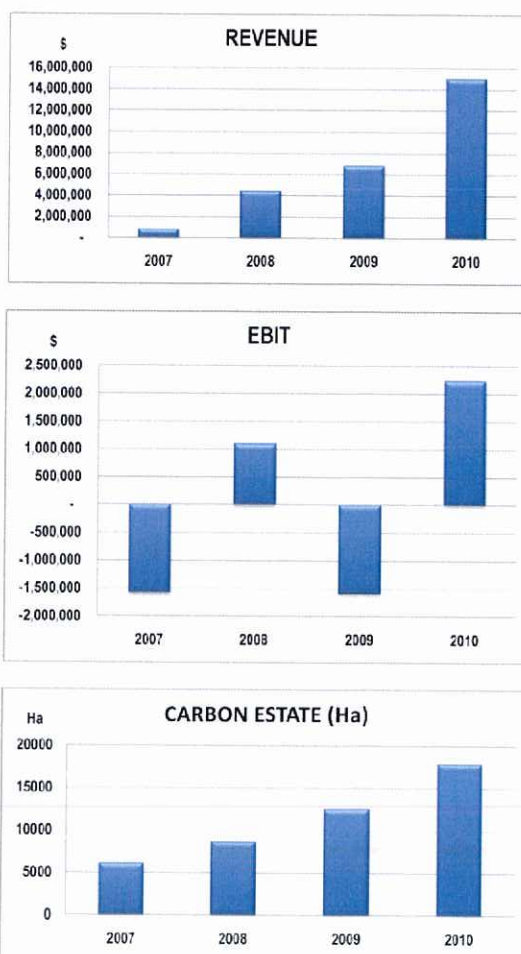


Figure 1 Half-Year Result History

## ON-GROUND

The Group has reinforced its position as Australia's largest and most successful provider of forest carbon sink projects. The Group is now managing estates of approximately 17,900 hectares of carbon plantings for its blue chip customer base, and preparations are now well advanced to establish a further 4,400 hectares for the 2011 planting season. This will take total plantings to 22,300 hectares, an almost 25% increase on projects already established.

The health and vigour of the estate despite the extreme climatic conditions (including drought and flood) reinforces the quality of the Group's species selection, forest establishment and management procedures.

## RESEARCH AND DEVELOPMENT

The Group has continued to focus, over this half-year, on the development and deployment of new commercially proven tree species into new landscapes. Delivery of a new species requires considerable research effort and investment, including in-field evaluation of forest performance; development of detailed carbon accounting systems; and the calibration and rigorous testing of forest growth models: a process that can take several years.

A major priority for the Group is the ongoing development of growth models and carbon accounting tools for highly bio-diverse, multi-species plantings. This will include in-field testing of a range of species mixes and planting configurations.

Independent audits into the Group's carbon accounting systems were successfully conducted during the half-year. These included formal audits conducted by experts appointed by the New South Wales Greenhouse Gas Abatement Scheme (NSWGGAS) of carbon sequestration forecasting methodologies.

As part of the Group's genetic improvement program, site preparation activities are underway for the establishment of two new seed orchards. This will significantly increase the Group's capacity to produce genetically superior seed stocks for use in carbon projects. This is a key factor for scaling up our operations and ensuring the Group can respond to increased demand from the market.

The Group continues to maintain close working relationships with a number of external technical agencies and is involved increasingly in collaborative projects.

## COMMERCIAL

During the period, the Group continued to diversify its operations into other areas of environmental services. In New Zealand, where the government has legislated and implemented a Carbon Trading Scheme, the Group has been engaged in mapping and forestry management inventory consulting projects. Mine site rehabilitation, broader environmental plantings, carbon accounting and inventory management are all new services which are being actively marketed.

The Group will shortly launch a major new business initiative aimed at facilitating the trading of renewable energy certificates and carbon credits sourced from accredited carbon reduction projects worldwide. This initiative will access the growing domestic and global demand for verified, environmentally and socially beneficial carbon offsets.

The Group, through its wholly owned subsidiary CO2 Australia, successfully executed all contracts during the half-year with all customers remaining supportive and committed to their projects. No contractual issues have arisen and a number of new customer opportunities are being pursued.

### Current Clients

**Woodside** – CO2 Australia established plantings for Woodside in New South Wales and Western Australia. The planting program is scheduled to continue into 2013.

**INPEX Browse** – CO2 Australia continues to manage a variety of single species and biodiverse plantings for Inpex Browse in Western Australia.

**Newmont Australia Limited** – CO2 Australia successfully established plantings for Newmont in 2009 and 2010; both in Western Australia and New South Wales. We continue to manage the planting under a 50 year management agreement.



**Eraring Energy** – CO2 Australia continued to manage a large forest carbon sink estate established for Eraring Energy between 2006 and 2010. Eraring have demonstrated the success of integrating plantings with third party landholders.

**Wannon Water** – CO2 Australia completed the 2009 / 2010 planting program for Wannon Regional Water Corporation. The plantings were established across a number of properties in Victoria.

**Kansai Electric Power Company** – CO2 Australia, via its related entity The Oil Mallee Company of Australia Limited, continues to manage a forest carbon sink in Western Australia for Kansai Electric Power Company, one of the largest power utility companies in Japan.

**ACTEW Corporation Limited** – CO2 Australia has completed a plantings program for ACTEW Corporation. The plantings were established in New South Wales and will continue to be managed under a 30 year management agreement.

**Voluntary Projects** – CO2 Australia continues to establish plantings for a number of voluntary clients. Each year the Big Day Out festival engages CO2 Australia to provide carbon offsets for the concerts around Australia and New Zealand. In addition, festival goers are provided with an opportunity to offset one day of their life when purchasing a ticket to the festival.

CO2 Australia is also proud to continue our relationship with the Rip Curl Pro held in Bells Beach, Victoria. The Rip Curl Pro celebrated its 50<sup>th</sup> Anniversary in 2011, and CO2 Australia is pleased to be able to provide carbon offsets for emissions involved in running the event.

## ENVIRONMENTAL EXCELLENCE

The Group works hard to improve the sustainability of the landscapes in which we work. In addition to removing carbon from the atmosphere, our plantings have been used to reduce the risk of salinity, increase productivity through the reduction of water logging and support greater biodiversity on farms.

Many properties on which the Group establishes plantings already feature remnant vegetation or paddock trees. The Group designs new plantings in conjunction with this native vegetation so as to maximise the opportunity for biolinks to be established. All remnant vegetation is protected and registered on title of the property in conjunction with new plantings.

The Group offsets 100% of the company's Scope 1 greenhouse gas emissions through verified carbon credits.

## AUSTRALIAN CARBON MARKET DEVELOPMENTS

The Australian Government and the Opposition both maintain a policy to reduce Australia's greenhouse gas emissions by 5% from 2000 levels by 2020.

Within this context, the Government's proposed Carbon Farming Initiative (CFI) is an important development towards a full market framework for carbon projects. The CFI is also necessary within a direct action approach.

The CFI will provide a mechanism for formal recognition of the company's Australian carbon sink projects. Australian Carbon Credit Units created through CFI projects can be used in the domestic market or exported as part of the international voluntary and compliance markets. The CFI may also unleash hidden demand for voluntary carbon abatement.

The legislation for the CFI is currently before the lower house, with the government intending to have it passed into law by 30 June 2011.

Complementary to the CFI the Australian Government remains committed to introducing a broad carbon price mechanism to commence in 2012. Details of the carbon price, initially a carbon tax, have yet to be released pending negotiations within the parliamentary Multi-Party Climate Change Committee.

The Group's Directors and Executives continue to closely monitor policy development and participate in forums with

government and parliamentarians. The Group's CEO was appointed to the Land Sector Working Group that examines the benefits and opportunities for the land sector under a carbon price.

#### 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 10.

This report is made in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors.



AWT Grant  
Director  
Melbourne  
24 May 2011

24 May 2011

The Board of Directors  
CO2 Group Limited  
349 Moray Street  
SOUTH MELBOURNE VIC 3205

Dear Board Members,

### **Auditor's Independence Declaration to CO2 Group Limited**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of CO2 Group Limited.

As lead audit partner for the review of the financial statements of CO2 Group Limited for the half year period ending 31 March 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully,



DELOITTE TOUCHE TOHMATSU



Ian Sanders  
Partner  
Chartered Accountants

CO2 Group Limited  
Condensed consolidated income statement  
For the half-year ended 31 March 2011

	<b>Half-year Consolidated</b>	
	<b>31 March 2011 \$</b>	<b>31 December 2009 \$</b>
<b>Revenue from continuing operations</b>	<b>15,044,033</b>	6,822,968
Other income	9,112	133
Employee benefits expense	(1,910,285)	(1,766,044)
Depreciation and amortisation expense	(263,829)	(566,742)
Consulting expense	(96,950)	(102,991)
Legal fees	(119,796)	(120,329)
Travel	(409,727)	(302,168)
Insurance	(122,041)	(98,455)
Rent	(370,586)	(334,153)
Research and development	(109,157)	(28,235)
Other expenses	(499,781)	(489,248)
Marketing	(92,793)	(118,351)
Impairment loss	(94,178)	-
Plantation costs	(8,692,005)	(4,485,966)
Finance costs	(3,083)	(5,618)
Share of net (loss)/profit of associates and joint venture partnership accounted for using the equity method	(40,088)	-
<b>Profit/(loss) before income tax</b>	<b>2,228,846</b>	(1,595,199)
Income tax (expense) benefit	(690,662)	850,157
<b>Profit/(loss) for the half-year</b>	<b>1,538,184</b>	(745,042)
	<b>Cents</b>	Cents
<b>Earnings (loss) per share:</b>		
Basic (loss) earnings per share	<b>0.55</b>	(0.27)
Diluted (loss) earnings per share	<b>0.44</b>	(0.27)

*The above condensed consolidated income statement should be read in conjunction with the accompanying notes.*

CO2 Group Limited  
Condensed consolidated statement of comprehensive income  
For the half-year ended 31 March 2011

	<b>Half-year Consolidated</b>	
	<b>31 March 2011</b>	31 December 2009
	\$	\$
<b>Profit/(loss) for the half-year</b>	<b>1,538,184</b>	(745,042)
<b>Other comprehensive (loss)/income</b>		
Other comprehensive (loss)/income for the year, net of tax	-	-
Total comprehensive (loss)/income for the half-year is attributable to:		
Owners of CO2 Group Limited	<u><b>1,538,184</b></u>	<u>(745,042)</u>
	<u><b>1,538,184</b></u>	<u>(745,042)</u>

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

	<b>Consolidated</b>	
	<b>31 March 2011</b>	<b>30 September 2010</b>
Notes	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	14,542,866	17,365,076
Trade and other receivables	262,356	576,914
Inventories	5,180,018	7,243,536
Other current assets	314,699	198,535
Accrued income	508,696	479,849
<b>Total current assets</b>	<b><u>20,808,635</u></b>	<b><u>25,863,910</u></b>
<b>Non-current assets</b>		
Investments accounted for using the equity method	62,278	-
Other financial assets - investments	313,593	313,593
Property, plant and equipment	4,512,861	4,727,437
Deferred tax assets	4,339,855	2,571,987
Intangible assets	1,446,181	1,404,251
<b>Total non-current assets</b>	<b><u>10,674,768</u></b>	<b><u>9,017,268</u></b>
<b>Total assets</b>	<b><u>31,483,403</u></b>	<b><u>34,881,178</u></b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	5,424,226	5,348,841
Borrowings	8,219	48,048
Current tax liabilities	3,635,438	1,176,909
Provisions	409,080	473,431
Deferred income	4,874,839	12,256,820
<b>Total current liabilities</b>	<b><u>14,351,802</u></b>	<b><u>19,304,049</u></b>
<b>Non-current liabilities</b>		
Borrowings	20,596	24,837
Provisions	79,422	80,012
<b>Total non-current liabilities</b>	<b><u>100,018</u></b>	<b><u>104,849</u></b>
<b>Total liabilities</b>	<b><u>14,451,820</u></b>	<b><u>19,408,898</u></b>
<b>Net assets</b>	<b><u>17,031,583</u></b>	<b><u>15,472,280</u></b>
<b>EQUITY</b>		
Issued capital	3 30,663,095	30,658,480
Reserves	6,647,833	6,631,329
Accumulated losses	(20,279,345)	(21,817,529)
<b>Total equity</b>	<b><u>17,031,583</u></b>	<b><u>15,472,280</u></b>

*The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.*

CO2 Group Limited  
Condensed consolidated statement of changes in equity  
For the half-year ended 31 March 2011

Consolidated	Issued capital \$	Option premium \$	Financial assets revaluation reserve \$	Share-based payments reserve \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2009</b>	30,014,166	1,670,705	63,278	4,755,817	(18,472,065)	18,031,901
Loss for the half-year	-	-	-	-	(745,042)	(745,042)
<b>Total comprehensive income for the half-year</b>	-	-	-	-	(745,042)	(745,042)
Contributions of equity	644,314	-	-	-	-	644,314
Recognition of share-based payments	-	-	-	67,277	-	67,277
<b>Balance at 31 December 2009</b>	<b>30,658,480</b>	<b>1,670,705</b>	<b>63,278</b>	<b>4,823,094</b>	<b>(19,217,107)</b>	<b>17,998,450</b>
<b>Balance at 1 October 2010</b>	<b>30,658,480</b>	<b>1,670,705</b>	<b>63,278</b>	<b>4,897,346</b>	<b>(21,817,529)</b>	<b>15,472,280</b>
Profit for the half-year	-	-	-	-	1,538,184	1,538,184
<b>Total comprehensive income for the half-year</b>	-	-	-	-	1,538,184	1,538,184
Contributions of equity	4,615	-	-	-	-	4,615
Recognition of share-based payments	-	-	-	16,504	-	16,504
<b>Balance at 31 March 2011</b>	<b>30,663,095</b>	<b>1,670,705</b>	<b>63,278</b>	<b>4,913,850</b>	<b>(20,279,345)</b>	<b>17,031,583</b>

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

CO2 Group Limited  
Condensed consolidated statement of cash flows  
For the half-year ended 31 March 2011

	<b>Half-year Consolidated</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2011</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	9,478,078	10,648,852
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(12,184,024)</u>	<u>(9,030,196)</u>
	(2,705,946)	1,618,656
Interest paid	(3,083)	(5,618)
Income taxes paid	-	(255,723)
<b>Net cash inflow (outflow) from operating activities</b>	<u><b>(2,703,899)</b></u>	<u><b>1,357,315</b></u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(41,123)	(6,200)
Payments for investment in joint venture partnership	(102,367)	-
Payments for other financial assets	(151,208)	-
Payment of development costs	(153,663)	-
Proceeds from sale of property, plant and equipment	14,555	1,867
Interest received	<u>360,078</u>	<u>169,927</u>
<b>Net cash (outflow) inflow from investing activities</b>	<u><b>(73,728)</b></u>	<u><b>165,594</b></u>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and other equity securities	4,615	644,313
Repayment of borrowings	<u>(44,068)</u>	<u>(13,833)</u>
<b>Net cash inflow (outflow) from financing activities</b>	<u><b>(39,453)</b></u>	<u><b>630,480</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,822,210)</b>	2,153,389
Cash and cash equivalents at the beginning of the half-year	<u>17,365,076</u>	<u>8,735,396</u>
<b>Cash and cash equivalents at end of the half-year</b>	<u><b>14,542,866</b></u>	<u><b>10,888,785</b></u>

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



## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 31 March 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2010 and any public announcements made by CO2 Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

#### *Compliance with IFRS*

The consolidated financial statements of CO2 Group Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

The accounting date of the Group was moved from 30 June to 30 September in the last financial year. The comparative figures in this financial report for the half-year are drawn from the last half-year report which was for the 6 months ended 31 December 2009. In future reports the comparative period will be for the 6 months ending 31 March.

### (b) Segment reporting

The company has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors.

## 2 SEGMENT INFORMATION

### (a) Description of segments

#### *Business segments*

##### *Carbon Sink Establishment*

The establishment of accredited forest carbon sinks throughout Southern Australia on behalf of third parties, primarily for large domestic and international companies and state governments.

##### *Carbon Offsets*

The provision of abatement certificates generated from accredited forest carbon sinks owned by the Group.

## 2 SEGMENT INFORMATION (CONTINUED)

### Other

'Other' is the aggregation of the Group's other operating segments that are not separately reportable.

### (b) Primary reporting format - business segments

Half-year 31 March 2011	Carbon sink establishment \$	Carbon Offsets \$	Other \$	Consolidated \$
<b>Segment revenue</b>				
Sales to external customers	13,556,498	231,340	864,483	14,652,321
Total sales revenue	<u>13,556,498</u>	<u>231,340</u>	<u>864,483</u>	<u>14,652,321</u>
<b>Total segment revenue</b>	<b><u>13,556,498</u></b>	<b><u>231,340</u></b>	<b><u>864,483</u></b>	<b><u>14,652,321</u></b>
Interest revenue				391,712
<b>Consolidated revenue</b>				<b><u>15,044,033</u></b>
<b>Segment profit</b>				
<b>Segment profit</b>	<b><u>4,427,126</u></b>	<b><u>3,005</u></b>	<b><u>855,426</u></b>	<b><u>5,285,557</u></b>
Central administration and directors' salaries				(3,056,711)
Profit before income tax				2,228,846
Income tax expense				(690,662)
<b>Profit for the half-year</b>				<b><u>1,538,184</u></b>
<b>Segment assets</b>				
<b>Segment assets</b>	<b><u>8,336,085</u></b>	<b><u>3,437,380</u></b>	<b><u>204,914</u></b>	<b><u>11,978,379</u></b>
Unallocated assets				19,505,024
<b>Total assets</b>				<b><u>31,483,403</u></b>
Half-year 31 December 2009	Carbon sink establishment \$	Carbon Offsets \$	Other \$	Consolidated \$
<b>Segment revenue</b>				
Sales to external customers	5,979,037	74,330	583,262	6,636,629
Total sales revenue	<u>5,979,037</u>	<u>74,330</u>	<u>583,262</u>	<u>6,636,629</u>
<b>Total segment revenue</b>	<b><u>5,979,037</u></b>	<b><u>74,330</u></b>	<b><u>583,262</u></b>	<b><u>6,636,629</u></b>
Interest revenue				186,339
<b>Consolidated revenue</b>				<b><u>6,822,968</u></b>
<b>Segment profit</b>				
<b>Segment profit</b>	<b><u>1,033,512</u></b>	<b><u>24,923</u></b>	<b><u>307,389</u></b>	<b><u>1,365,824</u></b>
Central administration and directors' salaries				(2,961,023)
Loss before income tax				(1,595,199)
Income tax benefit				850,157
<b>Loss for the half-year</b>				<b><u>(745,042)</u></b>
<b>Segment assets</b>				
<b>Segment assets</b>	<b><u>6,064,440</u></b>	<b><u>9,670,025</u></b>	<b><u>219,829</u></b>	<b><u>15,954,294</u></b>
Unallocated assets				12,478,455
<b>Total assets</b>				<b><u>28,432,749</u></b>

## 2 SEGMENT INFORMATION (CONTINUED)

Segment revenues, expenses, and assets are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of forest carbon sinks, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributed to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment assets do not include income taxes.

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profit of associates, investment revenue and finance costs, income tax expense, and gains or losses on disposal of associates and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

## 3 ISSUANCES, REPURCHASES AND REPAYMENTS OF EQUITY SECURITIES

During the half-year reporting period, CO2 Group Limited issued 38,460 ordinary shares (2009: 702,611) for \$4,615 on exercise of 38,460 listed options.

## 4 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There has been no matter or circumstance that has arisen since 31 March 2011 that has significantly affected, or may significantly affect:

- the consolidated entity's operations in future financial periods, or
- the results of those operations in future financial periods, or
- the consolidated entity's state of affairs in future financial periods.

The directors declare that:

- (a) in the directors' opinion, the financial statements and notes set out on pages 11 to 18 are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and give a true and fair view of the financial position and performance of the consolidated entity; and
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 March 2011 and of its performance for the half-year ended on that date, and
- (b) the financial statements and notes set out on pages 11 to 18 are also in accordance with the international financial reporting standards issued by the International Accounting Standards Board

This declaration is made in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the directors.



AWT Grant  
Director  
Melbourne  
24 May 2011

## Independent Auditor's Review Report to the members of CO2 Group Limited

We have reviewed the accompanying half-year financial report of CO2 Group Limited, which comprises the condensed consolidated statement of financial position as at 31 March 2011, and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 11 to 19.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CO2 Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*,

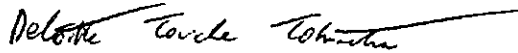
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which has been given to the directors of CO2 Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of CO2 Group Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Ian Sanders  
Partner  
Chartered Accountants  
Melbourne, 24 May 2011