COMMODITIES
GROUP
LIMITED

Our Ref: CGL ASX Announce Appendix 4D Half Year Report 2014 (406)

2 June 2014

ANNOUNCEMENT 406

Company Announcements Office
Australian Securities Exchange
Level 6
20 Bridge Street
SYDNEY NSW 2000

By ASX Online
Number of pages: 26
(including this page)

Dear Sir

CO2 Group Report for the Half-Year Ended 31 March 2014

Enclosed is CO2 Group's Report for the half year ended 31 March 2014 including ASX Appendix 4D.

Please telephone Harley Whitcombe on (08) 9321 4111 with any queries on the Company's 2014 Half-Year Report.

Yours faithfully
CO2 Group Limited

Harley Whitcombe
Company Secretary

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Commodities Group Limited

ABN 50 009 317 846

Interim report
for the half-year 31 March 2014

Commodities Group Limited ABN 50 009 317 846
Interim report - 31 March 2014

Contents

These Financial Statements do 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 2013 and any public announcements made by Commodities Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This financial report covers the consolidated financial statements for the consolidated entity consisting of Commodities Group Limited and its subsidiaries. The financial report is presented in the Australian currency.

Commodities Group Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:
Commodities Group Limited
Level 11, 225 St Georges Terrace
Perth, Western Australia 6000

Its principal place of business is:
Commodities Group Limited
Unit 6, 31-47 Joseph Street
Blackburn North Victoria 3130

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 4, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 30 May 2014. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.co2australia.com.au

Commodities Group Limited
Appendix 4D
Half-year 31 March 2014

Name of entity
Commodities Group Limited

ABN or equivalent company reference

ABN 50 009 317 846

Half-year

31 March 2014
(Previous corresponding period: 31 March 2013)

Results for announcement to the market

				$
Revenue from ordinary activities	Down	47.0%	to	14,375,084
Net profit/(loss) for the period attributable to members	Up	24.0%	to	(3,182,713)
Profit/(Loss) from ordinary activities after tax attributable to members	Up	24.0%	to	(3,182,713)

Dividends / distributions	**Amount per security**	**Franked amount per security**
Final dividend (per share)	-	-
Interim dividend	-	-

	31 March 2014	31 March 2013
Net tangible asset backing (per share)	**0.06**	0.08

Directors	Ian Norman Trahar B.Ec, MBA *Chairman* Harley Ronald Whitcombe B.Bus, CPA Dr Christopher David Mitchell PhD, BSc (Hons), GAICD Paul John Favretto LL.B.
Secretary	Harley Ronald Whitcombe B.Bus, CPA
Principal registered office in Australia	Level 11, 225 St Georges Terrace Perth, Western Australia 6000 (08) 9321 4111
Share and debenture register	Computershare Investor Services Pty Limited GPO Box D182 Perth, Western Australia 6000 (08) 9323 2000
Auditor	Deloitte Touche Tohmatsu Chartered Accountants 550 Bourke Street Melbourne, Victoria 3000
Bankers	Australia and New Zealand Banking Group Limited 77 St Georges Terrace Perth, Western Australia 6000
Stock exchange listings	Commodities Group Limited shares are listed on the Australian Securities Exchange. ASX code - COZ.
Website	www.co2australia.com.au
AFSL	Commodities Group Limited is a corporate authorised representative ("CAR") (Number 420079) of CO2 Group Financial Services Pty Ltd (ABN 92 142 542 774 AFSL 388086).The Group's Authorised Representative numbers are: Commodities Group Limited (CAR # 420079); Carbon Banc Limited (CAR # 420080); CO2 Australia Limited (CAR # 420081).

Directors' report

The Directors present their report on the consolidated entity consisting of Commodities Group Limited (formerly CO2 Group Limited) and the entities it controlled at the end of, or during, the half-year 31 March 2014.

Directors

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

Ian Norman Trahar
Harley Ronald Whitcombe
Dr Christopher David Mitchell
Paul John Favretto

Andrew Grant was a director from the beginning of the financial period until resigning his directorship on 20 January 2014.

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

Principal activities

The principal activities of Commodities Group and its subsidiaries (the "Commodities Group") in the course of the financial half year have been aquaculture project development, aquaculture operations, carbon project management (Australia, New Zealand and Vietnam), the provision of environmental services (advisory in ecosystem offsets and carbon farming projects), and trading environmental credits.

Company financial performance

The overall financial performance during the first half of the 2014 financial year reflects the investment being made by the Commodities Group in pursuing its expansion into aquaculture operations and the continued contraction in carbon markets as a result of changes in government and environmental regulations.

	Consolidated Half-year	
	31 March 2014 $	31 March 2013 $
Total Revenue	**14,375,084**	27,121,347
Other (losses)/gains	**(397,604)**	441,121
EBIT	**(3,428,181)**	(6,349,865)
Net loss	**(3,182,713)**	(4,201,258)
Cash and cash equivalents	**852,430**	19,497,123

The directors do not believe at this stage that they are able to provide any further comment or provide any predictions on the Group's future financial performance.

Review of operations

Operating results

Commodities Group's half-year results reflect the acquisition by the Company's wholly-owned subsidiary, Seafarms Group Limited, of one of Australia's oldest and largest prawn farming operations in North Queensland. As outlined in the Full Year Report, the political uncertainty regarding carbon pricing policies has stalled new business opportunities in Commodities Group's carbon project development business.

Review of operations (continued)

Operating results (continued)

The Group's half year net loss after tax (NLAT) was $3.2m (PCP: NLAT $4.2 million). Loss before interest and tax was $3.4m (PCP: $6.4 million loss). Revenue for the six months was down 47% to $14.4 million (PCP: $27.1 million). Basic loss per share was 0.7 cents (PCP: basic loss per share 0.94 cents). No dividend was declared for the period.

Normalised half-year results

	Consolidated	
	31 March 2014 $m	30 September 2013 $m
Reported half-year loss	**(3.2)**	(4.2)
Add back: Project Sea Dragon costs	**0.2**	2.9
Add back: Costs of Seafarm acquisition expensed	**1.2**	-
Add back: Costs of restructuring	**1.1**	-
Normalised half-year results	**(0.7)**	(1.3)

The Commodities Group has previously announced that the Group's carbon business has limited growth opportunities as a consequence of Federal government policies. The Group has taken decisive action to reduce costs associated with new planting projects, these costs are reflected above under restructuring and include redundancies and non-recurring costs into the future. The Group has retained the capacity to manage the existing plantings and contractual obligations for our strong customer base.

The Group has also been required, as set out in the accounting standards, to expense the costs associated with the acquisition of the Seafarm business. These costs are also noted above and are not incurred on an ongoing basis.

Seafarms Group Limited

The Commodities Group changed the name of Western Australian Resources Limited to Seafarms Group Limited (SGL) subsequent to the acquisition of the large north Queensland prawn aquaculture business 'Seafarm'. The name better reflects the direction of the company.

Seafarm currently produces Crystal Bay banana prawns for the Australian domestic market. We have introduced Black Tiger prawns into the production mix and expanded the customer base.

Seafarms Group Limited has, since the end of the last financial year:

- Acquired and settled the acquisition of the Seafarm business and business assets;
- Increased production at Seafarm from a single production per annum to a double production run;
- Identified two bolt-on acquisition opportunities;
- Identified two separate target zones to expand the business in different geographical locations; and
- Reached agreement with CSIRO to in-principal develop research projects which will enhance the SGL business model.

Positioning SGL to be Australia's No.1 shrimp producer

- Seafarm operations currently represent 13% of Australia's land-based shrimp production. Further acquisitions in North Queensland will provide scope to increase market share and production margins;
- Production focus will shift to Black Tiger prawns;
- The north Queensland operations will provide a platform for Project Sea Dragon which will be a major industry expansion (see below):

Review of operations (continued)

Positioning SGL to be Australia's No.1 shrimp producer (continued)

- SGL's Director of Aquaculture has the experience of building and running the largest single shrimp farm in the world, over 4,000 ha of grow-out ponds integrated with hatchery, feed mill and processing facilities in Saudi Arabia; and
- He will be focusing on improving hatchery performance, ensure optimal stocking & redeveloping under-utilised facilities.

Project Sea Dragon

The prefeasibility work has been completed which focused on the initial development of a production module of 10,000 ha of grow out ponds producing annually over 100,000 tonnes of Black Tiger prawns. The production system is fully integrated with broodstock, hatchery and processing facilities.

Project Sea Dragon has continued to progress in the past 6 months, however the focus has been on integrating the Queensland operations and work done to link the learnings from Queensland into Project Sea Dragon.

Discussions have continued with potential project partners.

CO2 Australia

With more than 26,400 hectares of forest carbon sinks now established, CO2 Australia is focusing on management of these assets on behalf of a broad variety of blue chip Australian and International companies servicing both voluntary and compliance carbon obligations. The company realised the creation of the largest number of Australian Carbon Credit Units (ACCUs) from forest projects during the half-year. Significant sales of carbon offsets were achieved during the half-year. CO2 Australia continues to implement biodiverse plantings on behalf of government clients.

CO2 Australia's advisory activities have developed as expected with the Advisory Team now seen as offering unique expertise in the field of biodiversity offsets. CO2 Australia's ability to marry biodiversity offsets with Geographic Information System (GIS) and spatial analysis and environmental survey and planning, to on ground delivery of biodiversity offsets and environmental management provides capability for all stages of the project cycle. These services have been delivered to many private sector and government clients.

Carbon Banc

As extensively reported in the media mooted changes in the Mandatory Renewable Energy Target have had a major impact in key markets in which Commodities Group's environmental trading division Carbon Banc Limited operates. The company continues to evolve its trading strategy in line with changing market opportunities.

CO2 Asia

Our project portfolio of Clean Development Projects in Asia is progressing as expected with issuance of CERs on track. While CERs continue to trade at historic lows, the entry point for funding these projects is also low. There remains substantial upside potential over a 15 year trading horizon.

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 8.

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.

Ian Norman Trahar
Chairman
Melbourne

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Commodities Group Limited
Unit 6, Ground Floor,
31-47 Joseph Street,
BLACKBURN NORTH VIC 3130

30 May 2014

Dear Board Members

Auditor's Independence Declaration to Commodities 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 Commodities Group Limited.

As lead audit partner for the review of the financial statements of Commodities Group Limited for the half-year ended 31 March 2014, 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 sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Genevra Cavallo

Genevra Cavallo
Partner
Chartered Accountants

	Consolidated Half-year **31 March 2014** $	31 March 2013 $
Revenue from continuing operations	**14,375,084**	27,121,347
Other gains/(losses)	**(397,604)**	441,121
Fair value adjustment of biological assets	**403,083**	-
Cost of goods sold	**(8,274,682)**	(25,504,840)
Loss on disposal of subsidiary	**(167,649)**	-
Employee benefits expense	**(3,640,903)**	(3,838,419)
Depreciation and amortisation expense	**(628,159)**	(325,579)
Consulting expense	**(658,880)**	(457,822)
Legal fees	**(121,883)**	(162,360)
Travel	**(339,209)**	(563,619)
Insurance	**(222,220)**	(129,383)
Rent	**(470,680)**	(470,223)
Research and development	**(309,946)**	(98,844)
Other expenses	**(2,119,610)**	(770,438)
Marketing	**(30,954)**	(178,491)
Aquaculture concept	**(473,364)**	(1,110,273)
Plantation costs	**(350,605)**	(496,706)
Finance costs	**(77,882)**	(1,796)
Share of profit/(loss) from associates	**-**	194,664
Loss before income tax	**(3,506,063)**	(6,351,661)
Income tax benefit	**323,350**	2,150,403
Loss for the period	**(3,182,713)**	(4,201,258)

	Cents	Cents
Loss per share		
Basic loss per share	**(0.70)**	(0.94)
Diluted loss per share	**(0.70)**	(0.94)

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

	Consolidated Half-year 31 March 2014 $	31 March 2013 $
Loss for the period	**(3,182,713)**	(4,201,258)
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(8,562)**	185
Other comprehensive (loss)/income for the period, net of tax	**(8,562)**	185
Total comprehensive loss for the period	**(3,191,275)**	(4,201,073)
Total comprehensive loss for the period is attributable to:		
Owners of Commodities Group Limited	**(3,191,275)**	(4,201,073)

The above condensed consolidated statement of profit or loss and other comprehensive loss should be read in conjunction with the accompanying notes.

	Consolidated	
	31 March 2014 $	30 September 2013 $
ASSETS		
Current assets		
Cash and cash equivalents	**852,430**	14,228,258
Trade and other receivables	**614,608**	1,616,028
Inventories	**3,466,179**	2,175,282
Current tax receivables	**13,192**	-
Other current assets	**493,525**	535,106
Accrued income	**1,087,037**	765,620
Biological assets	**2,813,061**	-
Other current financial assets	**47,758**	-
Total current assets	**9,387,790**	19,320,294
Non-current assets		
Other financial assets	**9,354**	9,354
Property, plant and equipment	**17,783,963**	7,508,111
Deferred tax assets	**10,016,027**	9,570,739
Intangible assets	**4,920,761**	4,959,014
Exploration and evaluation	**98,832**	98,832
Total non-current assets	**32,828,937**	22,146,050
Total assets	**42,216,727**	41,466,344
LIABILITIES		
Current liabilities		
Trade and other payables	**2,562,877**	3,023,699
Borrowings	**2,113,000**	-
Current tax liabilities	**-**	40,367
Provisions	**996,913**	785,637
Deferred income	**98,382**	1,294,597
Total current liabilities	**5,771,172**	5,144,300
Non-current liabilities		
Borrowings	**3,313,000**	-
Provisions	**75,816**	74,030
Total non-current liabilities	**3,388,816**	74,030
Total liabilities	**9,159,988**	5,218,330
Net assets	**33,056,739**	36,248,014
EQUITY		
Contributed equity	**44,288,480**	44,288,480
Other reserves	**5,252,773**	5,261,335
Retained earnings	**(16,484,514)**	(13,301,801)
Total equity	**33,056,739**	36,248,014

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated	Issued capital $	Share-based payments reserve $	Foreign currency translation reserve $	Option premium $	Financial assets revaluation reserve $	Accumulated losses $	Total equity $
Balance at 1 October 2012	43,785,575	3,926,837	1,300	1,670,705	(24,740)	(6,522,278)	42,837,399
Loss for the half- year	-	-	-	-	-	(4,201,258)	(4,201,258)
Other comprehensive income							
Exchange differences on translation of foreign operations	-	-	185	-	-	-	185
Total comprehensive loss for the period	**-**	**-**	**185**	**-**	**-**	**(4,201,258)**	**(4,201,073)**
Recognition of share-based payments	-	182,876	-	-	-	-	182,876
Performance rights issued to employees	502,905	(502,905)	-	-	-	-	-
	502,905	(320,029)	-	-	-	-	182,876
Balance at 31 March 2013	**44,288,480**	**3,606,808**	**1,485**	**1,670,705**	**(24,740)**	**(10,723,536)**	**38,819,202**
Balance at 1 October 2013	44,288,480	3,606,808	8,562	1,670,705	(24,740)	(13,301,801)	36,248,014
Loss for the half- year	-	-	-	-	-	(3,182,713)	(3,182,713)
Other comprehensive loss							
Exchange differences on translation of foreign operations	-	-	(8,562)	-	-	-	(8,562)
Total comprehensive loss for the period	**-**	**-**	**(8,562)**	**-**	**-**	**(3,182,713)**	**(3,191,275)**
Balance at 31 March 2014	**44,288,480**	**3,606,808**	**-**	**1,670,705**	**(24,740)**	**(16,484,514)**	**33,056,739**

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

	Notes	Consolidated Half-year 31 March 2014 $	31 March 2013 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**13,590,117**	29,167,041
Payments to suppliers and employees (inclusive of goods and services tax)		**(20,748,014)**	(35,873,272)
		(7,157,897)	(6,706,231)
Interest paid		**(77,882)**	(1,796)
Income taxes paid		**-**	(2,242,982)
Net cash (outflow) from operating activities		**(7,235,779)**	(8,951,009)
Cash flows from investing activities			
Payments for business acquisition	5	**(7,000,000)**	-
Net cash inflow on acquisition of subsidiary		**-**	697,326
Payments for property, plant and equipment		**(264,319)**	(28,976)
Payments for other financial assets		**(244,588)**	-
Payments for intangible assets		**-**	(55,446)
Payment of development costs		**(1,440)**	(585,279)
Interest received		**170,298**	452,164
Net cash (outflow)/inflow from investing activities		**(7,340,049)**	479,789
Cash flows from financing activities			
Proceeds from/(repayment) of borrowings		**1,200,000**	(16,080)
Net cash inflow/(outflow) from financing activities		**1,200,000**	(16,080)
Net (decrease) in cash and cash equivalents		**(13,375,828)**	(8,487,300)
Cash and cash equivalents at the beginning of the financial year		**14,228,258**	27,984,424
Cash and cash equivalents at end of period		**852,430**	19,497,124

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

1 Basis of preparation of half-year report

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the impact of accounting policies, Standards & Interpretations as noted below.

2 Summary of significant accounting policies

(a) Biological assets

Live prawns are valued at fair value less estimated point of sale costs. This fair value is the amount which could be expected to be received from the disposal of the asset in an active and liquid market less the costs expected to be incurred in realising the proceeds of such disposal. The net increment/(decrement) in the fair value of prawns is recognised as income/(expense) in the reporting period.

Where an active and liquid market is not available, fair value is determined using the present value of expected net cash flows from the asset discounted at a current market-determined rate. The net cash flows are reduced for harvesting costs and freight costs to market. Further the expected net cash flows take into account the expected weight of the prawns at harvest, expected costs and sale prices, and incorporates expected possible variations in the net cash flows.

The change in estimated fair value is recognised in the income statement and is classified separately.

Historic cost is used as an estimate of fair value where little or no biological transformation has taken place.

(b) New accounting standards and interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

(i) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. There has been no impact on the consolidated financial statements of the Group.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. AASB 11 will not have any impact on the consolidated financial statements of the Group.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the Group has not affected any of the amounts recognised in the consolidated financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a 'partial disposal' concept. There is no impact on the consolidated financial statements of the Group.

(ii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 ‘Share-based Payment’, leasing transactions that are within the scope of AASB 117 ‘Leases’, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period, the application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

(iii) Revised AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australian Accounting Standards* arising from AASB 119 (September 2011) and AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements* (effective 1 January 2013)

In the current year, the Group has applied AASB 119 (as revised in 2011) ‘Employee Benefits’ and the related consequential amendments for the first time.

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of AASB 119 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of AASB 119 are replaced with a ‘net interest’ amount under AASB 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had no impact on the amounts recognised in profit or loss and other comprehensive income in prior years.

3 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.

Environmental offsets

Trading in environmental credits (Renewable Energy Certificates).

Aquaculture

Development of a large scale land based aquaculture project in Northern Australia by Seafarms Group Limited, acquired 20 August 2012, and prawn aquaculture operations in North Queensland, acquired 6 January 2014.

Other

'Other' is the aggregation of the Group's other operating segments that are not separately reportable, including sale of abatement certificates generated from accredited forest carbon sinks, revenues from managing carbon sinks, and advisory fees.

3 Segment information (continued)

(b) Primary reporting format - business segments

Half-year 31 March 2014	**Carbon sink establishment**	**Environ-mental offsets**	**Aquaculture**	**Other**	**Consolidated**
	$	**$**	**$**	**$**	**$**
Segment revenue					
Sales to external customers	1,387,668	9,111,438	1,152,759	2,594,518	14,246,383
Total sales revenue	1,387,668	9,111,438	1,152,759	2,594,518	14,246,383
Other revenue	-	-	-	128,701	128,701
Total segment revenue	1,387,668	9,111,438	1,152,759	2,723,219	14,375,084
Consolidated revenue					14,375,084
Segment profit/(loss)					
Segment profit/(loss)	**1,552,123**	**358,135**	**(2,748,505)**	**1,957,402**	1,119,155
Central administration and directors' salaries					(4,625,218)
Loss before income tax					(3,506,063)
Income tax benefit					323,350
Loss for the year					(3,182,713)
Segment assets					
Segment assets	**6,723,376**	**6,534,160**	**17,028,471**	**962,589**	31,248,596
Unallocated assets					10,968,131
Total assets					42,216,727
Half-year 31 March 2013					
Segment revenue					
Sales to external customers	2,176	25,449,716	-	1,228,382	26,680,274
Total sales revenue	2,176	25,449,716	-	1,228,382	26,680,274
Other revenue			4,798	436,275	441,073
Total segment revenue	2,176	25,449,716	4,798	1,664,657	27,121,347
Consolidated revenue					27,121,347
Segment profit/(loss)					
Segment profit/(loss)	**(325,074)**	**385,997**	**(2,866,179)**	**605,911**	(2,199,345)
Central administration and directors' salaries					(4,152,316)
Loss before income tax					(6,351,661)
Income tax benefit					2,150,403
Loss for the year					(4,201,258)
Segment assets as at 30 September 2013					
Segment assets	**7,379,373**	**7,243,504**	**1,793,331**	**752,192**	17,168,400
Unallocated assets					24,297,944
Total assets					41,466,344

3 Segment information (continued)

(b) Primary reporting format - business segments (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.

4 Issuances, repurchases and repayments of equity securities

During the half year reporting period, Commodities Group Limited did not issue any ordinary shares (2013: 149,103,431 ordinary shares for $17,892,412 on exercise of 149,103,431 listed options).

5 Business combination

Seafarm Pty Ltd

(a) Summary of acquisition

On 6 January 2014 the Group completed the acquisition of the business and assets of the Queensland prawn aquaculture company Seafarm Pty Ltd, the largest fully integrated prawn aquaculture business in Australia. The acquisition was made by Seafarm Queensland Pty Ltd (formerly Queensland Aquaculture Pty Ltd), a wholly-owned subsidiary of Seafarms Group Limited (formerly Western Australian Resources Limited).

The acquired business contributed revenues of $1,117,806 and a net loss of $1,178,227 (including acquisition-related costs of $1,238,409) to the Group for the period from 6 January 2014 to 31 March 2014. If the acquisition had occurred on 1 October 2013, consolidated revenue and consolidated loss for the half-year ended 31 March 2014 would have been $21,138,751 and $2,191,961 respectively.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Consolidated Half-Year 31 March 2014 $
Purchase consideration (refer to (b) below):	
Cash paid	**7,000,000**
Vendor finance	**4,226,000**
Total purchase consideration	**11,226,000**
Fair value of net identifiable assets acquired	**(11,226,000)**
Goodwill	**-**

5 Business combination (continued)

(a) Summary of acquisition (continued)

Interest on the vendor finance is paid monthly. The capital is to be repaid in two equal instalments in January 2015 and January 2016.

(b) Cash flow information

	Consolidated Half-Year 31 March 2014 $
Cash consideration	**7,000,000**

Acquisition-related costs

Acquisition-related costs of $1,238,409 are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

(c) Assets and liabilities acquired

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $
Inventories	**926,000**
Property, plant and equipment	**10,600,000**
Provision for employee benefits	**(300,000)**
Net identifiable assets acquired	**11,226,000**

The initial accounting for the acquisition of the business and assets of Seafarm Pty Ltd has only been provisionally determined at the end of the reporting period.

6 Fair value measurement

This note provides information about how the Group determines fair values of various financial assets including biological assets and financial liabilities.

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basi

The Group holds trading derivatives and biological assets at fair value.

Trading derivatives of $178,096 (30 September 2013 $525,926) are valued using quoted prices in an active market, which are considered Level 1 in the fair value measurement hierarchy.

Biological assets of $2,813,061 (30 September 2013 $nil) are valued utilising unobservable inputs including the harvest weight of prawns, mortality rates, processing costs and the sale price of harvested prawns to customers. These are considered Level 3 inputs in the fair value measurement hierarchy set out in AASB13, *Fair Value Measurement.*

There have been no transfers between Level 1 and Level 2 in the period.

(b) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

(c) Reconciliation of Level 3 fair value measurements

Biological assets have an opening balance of nil and the closing balance of $2,813,061 comprises costs incurred during the current financial period of $2,409,978 and a fair value uplift recognised in the profit or loss of $403,083.

7 Related party transactions

(a) Loans to/from related parties

During the period the Group entered into a $5 million credit facility with Avatar Finance Pty Ltd, a company owned by Mr Ian Trahar, Chairman of the Group. The amounts advanced and interest charged are disclosed in the following table:

	Consolidated	
	31 March 2014 $	30 September 2013 $
Loan from Avatar Finance Pty Ltd		
Loans advanced	**1,200,000**	-
Interest charged	**21,675**	-
Interest paid	**(21,675)**	-
End of period	**1,200,000**	-

7 Related party transactions (continued)

(b) Terms and conditions

The facility is provided on normal commercial terms and conditions and at market rates, and is to be repaid on 31 October 2015. The average interest rate on the loan during the period was 6.68% (2013: 0%).

8 Events occurring after the reporting period

There has been no matter or circumstance that has arisen since 31 March 2014 that has significantly affected, or may significantly affect:

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

In the Directors' opinion:

(a) the interim financial statements and notes set out on pages 9 to 21 are in accordance with the *Corporations Act 2001*, including:
  (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 2014 and of its performance for the half-year on that date, and

(b) the interim financial statements and notes set out on pages 9 to 21 are also in accordance with the international financial reporting standards issued by the International Accounting Standard Board

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

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

Ian Norman Trahar
Chairman
Melbourne

30 May 2014

Deloitte.

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

We have reviewed the accompanying half-year financial report of Commodities Group Limited which comprises the condensed consolidated statement of financial position as at 31 March 2014, and the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other 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 9 to 22.

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 gives a true and fair view and 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 2014 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 Commodities 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.

Deloitte.

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*, which has been given to the directors of Commodities 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 Commodities 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 2014 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

DELOITTE TOUCHE TOHMATSU

Genevra Cavallo

Genevra Cavallo
Partner
Chartered Accountants
Melbourne, 30 May 2014