

Seafarms Group Limited ABN 50 009 317 846

Financial statements - 30 June 2017

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Seafarms Group Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Registered postal address is:

PO Box 7312
Cloisters Square WA 6850

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

Its registered office is:

Seafarms Group Limited
Level 11, 225 St Georges Terrace
Perth, Western Australia 6000

Its principal place of business is:

Seafarms Group Limited
Level 11, 225 St Georges Terrace
Perth Western Australia 6000

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 2, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 30 August 2017.

All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.seafarms.com.au

For queries in relation to our reporting please call 08 9321 4111 or e-mail questions@seafarms.com.au.

Seafarms Group Limited
Consolidated statement of profit or loss
For the year ended 30 June 2017

		Consolidated	
		30 June	9 months to
		2017	30 June
Notes		\$	\$
Revenue from continuing operations	5	35,739,152	23,529,286
Other (losses)/gains	6	(368,179)	449,814
Finance costs		(1,010,193)	(470,768)
Fair value adjustment of biological assets		944,497	(262,310)
Fair value adjustment of finished goods		430,617	(361,358)
Cost of Goods Sold	7	(26,681,625)	(20,228,460)
Plantation costs		(2,246,329)	(1,603,972)
Employee benefits expense	7	(6,111,125)	(4,436,370)
Consulting expense		(2,066,813)	(4,469,263)
Travel		(1,943,848)	(1,223,014)
Rent		(433,658)	(314,034)
Legal fees		(234,612)	(287,430)
Depreciation and amortisation expense	7	(1,816,029)	(1,412,484)
Marketing		(134,755)	(109,604)
Insurance		(256,875)	(200,633)
Impairment of property, plant & equipment	18	-	(905,461)
Impairment of intangible assets	20	-	(267,886)
Research and development	7	(5,485,259)	(4,981,817)
Other expenses		(1,719,257)	(1,203,524)
Share of (loss)/profit from associates	35	(111,875)	23,765
Loss before income tax		(13,506,166)	(18,735,523)
Income tax (expense)/benefit	8	(6,269,297)	375,204
Loss for the year/period		(19,775,463)	(18,360,319)
		Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share	38	(0.02)	(2.04)
Diluted loss per share	38	(0.02)	(2.04)

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

Seafarms Group Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2017

	Consolidated	
	30 June	9 months to
	2017	30 June
	\$	2016
	\$	\$
Loss for the year/period	<u>(19,775,463)</u>	<u>(18,360,319)</u>
 Other comprehensive income		
Total comprehensive loss for the year/period is attributable to:		
Owners of Seafarms Group Limited	<u>(19,775,463)</u>	<u>(18,360,319)</u>

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

Seafarms Group Limited
Consolidated statement of financial position
As at 30 June 2017

		Consolidated	
		30 June	30 June
		2017	2016
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	9	11,874,838	8,283,532
Trade and other receivables	10	1,597,295	1,558,373
Inventories	11	7,708,673	6,366,517
Current tax receivables	12	15,786	15,786
Other current assets	13	1,003,078	540,715
Accrued income	14	912,701	791,890
Biological assets	15	4,530,997	3,325,639
Other current financial assets	16	-	186,829
Total current assets		<u>27,643,368</u>	<u>21,069,281</u>
Non-current assets			
Inventories	17	184,923	184,923
Investments accounted for using the equity method	35	348,708	499,109
Property, plant and equipment	18	19,302,139	18,266,194
Deferred tax assets	19	-	6,269,297
Intangible assets	20	3,520,929	3,401,019
Total non-current assets		<u>23,356,699</u>	<u>28,620,542</u>
Total assets		<u>51,000,067</u>	<u>49,689,823</u>
LIABILITIES			
Current liabilities			
Trade and other payables	21	6,026,605	6,984,506
Borrowings	22	447,186	1,271,668
Provisions	23	1,433,910	1,339,549
Deferred revenue	24	1,848,392	1,072,912
Total current liabilities		<u>9,756,093</u>	<u>10,668,635</u>
Non-current liabilities			
Borrowings	25	8,223,763	8,821,666
Provisions	26	301,591	196,914
Total non-current liabilities		<u>8,525,354</u>	<u>9,018,580</u>
Total liabilities		<u>18,281,447</u>	<u>19,687,215</u>
Net assets		<u>32,718,620</u>	<u>30,002,608</u>
EQUITY			
Contributed equity	27	101,512,627	79,021,152
Other reserves	28(a)	5,252,773	5,252,773
Retained earnings		(74,046,780)	(54,271,317)
Total equity		<u>32,718,620</u>	<u>30,002,608</u>

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

Seafarms Group Limited
Consolidated statement of changes in equity
For the year ended 30 June 2017

Consolidated	Notes	Issued capital \$	Options premium reserve \$	Financial assets revaluation reserve \$	Share- based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 October 2015		69,599,918	1,670,705	(24,740)	3,606,808	(35,910,998)	38,941,693
Loss for the year as reported in the 2016 financial statements		-	-	-	-	(18,360,319)	(18,360,319)
Total comprehensive loss for the period		-	-	-	-	(18,360,319)	(18,360,319)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	27	9,421,234	-	-	-	-	9,421,234
Balance at 30 June 2016		79,021,152	1,670,705	(24,740)	3,606,808	(54,271,317)	30,002,608
Balance at 1 July 2016		79,021,152	1,670,705	(24,740)	3,606,808	(54,271,317)	30,002,608
Loss for the period as reported in the 2017 financial statements		-	-	-	-	(19,775,463)	(19,775,463)
Total comprehensive loss for the period		-	-	-	-	(19,775,463)	(19,775,463)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	27	22,491,475	-	-	-	-	22,491,475
Balance at 30 June 2017		101,512,627	1,670,705	(24,740)	3,606,808	(74,046,780)	32,718,620

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

Seafarms Group Limited
Consolidated statement of cash flows
For the year ended 30 June 2017

	Consolidated	
	30 June	9 months to
	2017	30 June
Notes	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	36,679,784	24,941,098
Payments to suppliers and employees (inclusive of goods and services tax)	(50,481,890)	(34,654,732)
	(13,802,106)	(9,713,634)
Interest paid	(1,010,193)	(470,768)
Net cash outflow from operating activities	(14,812,299)	(10,184,402)
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Cash flows from investing activities		
Payments for property, plant and equipment	(2,817,666)	(1,153,848)
Proceeds from/(Payments for) other financial assets	313,190	(53,442)
Loans to related parties	-	(74,190)
Proceeds from sale of non-current assets held for sale	-	1,280,000
Proceeds from sale of available-for-sale financial assets	-	2,067
Interest received	62,754	72,888
Net cash (outflow)/inflow from investing activities	(2,441,722)	73,475
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	22,491,475	9,421,234
Repayment of borrowings	(1,646,148)	(3,058,000)
Net cash inflow from financing activities	20,845,327	6,363,234
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	3,591,306	(3,747,693)
	8,283,532	12,031,225
Cash and cash equivalents at end of period	11,874,838	8,283,532
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The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

The comparative period is for the 9 months ended 30 June 2016, as the shareholders approved the change of accounting date for the Group, from 30 September to 30 June, at the Annual General Meeting of shareholders in February 2016.

(b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties, biological assets and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Application of new and revised accounting standards

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 an accounting period that begins on or after 1 July 2016.

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

- AASB 1057 *Application of Australian Accounting Standards* and AASB 2015-9 *Amendments to Australian Accounting Standards - Scope and Application Paragraphs*
- AASB 2014-6 *Amendments to Australian Accounting Standards - Agriculture: Bearer Plants*
- AASB 2014-9 *Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements*
- AASB 2015-1 *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012 - 2014 Cycle*
- AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101*

1 Summary of significant accounting policies (continued)

The application of these amendments does not have any impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 <i>Financial Instruments</i>	1 January 2018	30 June 2019
AASB 15 <i>Revenue from Contracts with Customers</i> , AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i> , AASB 2015-8 <i>Amendments to Australian Accounting Standards - Effective date of AASB 15</i> , 2016-3 <i>Amendments to Australian Accounting Standards - Clarifications to AASB 15</i>	1 January 2018	30 June 2019
AASB 16 <i>Leases</i>	1 January 2019	30 June 2020
AASB 2014-10 <i>Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]</i>	1 January 2017	30 June 2018
AASB 2015-10 <i>Amendments to Australian Accounting Standards - Effective date of Amendments to AASB 10 & AAS 128</i>	1 January 2018	30 June 2019
AASB 2016-1 <i>Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017	30 June 2018
AASB 2016-2 <i>Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107</i>	1 January 2017	30 June 2018
AASB 2016-5 <i>Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018	30 June 2019
AASB 2017-2 <i>Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle</i>	1 January 2017	30 June 2018
Interpretation 22 <i>Foreign Currency Transaction and Advance Consideration</i>	1 January 2018	30 June 2019

1 Summary of significant accounting policies (continued)

Impact of changes to Australian Accounting Standards and Interpretations

(i) *AASB 9 'Financial Instruments', and the relevant amending standards*

AASB 9 issued in December 2009 introduced new requirements for the classification and measurement of financial assets. AASB 9 was subsequently amended in December 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in December 2013 to include the new requirements for general hedge accounting. Another revised version of AASB 9 was issued in December 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of AASB 9:

- all recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under AASB 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, AASB 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under AASB 139 'Financial Instruments: Recognition and Measurement', the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, AASB 9 requires an expected credit loss model, as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in AASB 139. Under AASB 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

AASB 9 applies to annual periods beginning on or after 1 January 2018. The directors of the Company anticipate that the application of AASB 9 in the future may or may not have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of AASB 9 until the Group undertakes a detailed review.

1 Summary of significant accounting policies (continued)

Impact of changes to Australian Accounting Standards and Interpretations (continued)

(ii) AASB 15 'Revenue from Contracts with Customers'

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including AASB 118 'Revenue,' AASB 111 'Construction Contracts' and the related Interpretations when it becomes effective.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by AASB 15.

In May 2016, the AASB issued AASB 2016-3 *Amendments to Australian Accounting Standards - Clarifications to AASB 15* in relation to the identification of performance obligations, principle versus agent considerations, as well as licensing application guidance.

AASB 15 applies to annual periods beginning on or after 1 January 2018. The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

(iii) AASB 16 'Leases'

AASB 16 introduces a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. AASB 16 will supersede the current lease guidance including AASB 117 *Leases* and the related interpretations when it becomes effective.

The accounting model for lessees will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets.

AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cashflows will also be affected as operating lease payments under AASB 117 are presented as operating cashflows; whereas under the AASB 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cashflows respectively.

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by AASB 16.

1 Summary of significant accounting policies (continued)

Impact of changes to Australian Accounting Standards and Interpretations (continued)

AASB 16 applies to annual periods beginning on or after 1 January 2019. The directors of the Company anticipate that the application of AASB 16 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 16 until the Group performs a detailed review.

(c) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Seafarms Group Limited ('Company' or 'Parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Seafarms Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(j)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies 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 Group.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Seafarms Group Limited.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

1 Summary of significant accounting policies (continued)

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

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

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Seafarms Group Limited.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

(v) Joint ventures

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 35.

Joint venture entities

The interest in a joint venture partnership is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the partnership is recognised in profit or loss, and the share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. Details relating to the partnership are set out in note 35.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

(d) Segment reporting

The 'management approach', under which segment information is presented, is the same basis as that used for internal reporting purposes. The segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

1 Summary of significant accounting policies (continued)

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.

Information reported to the board of directors for the purposes of resource allocation and assessment of performance is currently more specifically focused on 3 key reportable segments, being Carbon Services, Aquaculture, and Other.

(e) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars (\$), which is Seafarms Group Limited's functional and presentation currency.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non controlling interests as appropriate).

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Project development fees and carbon sink project management fees

Carbon sink project revenue is recognised in proportion to the work performed in relation to the product development and the various stages of completion of the carbon sinks. Work performed that has not been invoiced is recognised as revenue with a corresponding asset recorded on the balance sheet as accrued income. If payment has been received in excess of the stage of completion of the project, the liability is recognised in deferred income.

Management related income is recognised on an accrual basis in accordance with the substance of the relevant contract.

(ii) Sale of environmental credits

Revenue from the sale of environmental credits is recognised when the Group has transferred to the buyer the significant risks and rewards of the ownership of the environmental credits.

(iii) Fee for services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

1 Summary of significant accounting policies (continued)

(iv) Sale of Goods Revenue

Revenue from the sale of prawns is recognised when the Group has transferred to the buyer the significant risks and rewards of the ownership of the prawns.

(g) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(h) Income tax

The income tax expense or benefit for the period is the tax payable or recoverable on the current period's taxable income based on the income tax rate that has been enacted or substantially enacted by the balance sheet date adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Tax consolidation legislation

Seafarms Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Seafarms Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Seafarms Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 8.

1 Summary of significant accounting policies (continued)

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(i) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 18). Finance leases are capitalised at the lease's inception at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 31). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(j) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Company recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Transaction costs associated with business combinations (excluding the costs of issuing equity instruments or raising new borrowings) are expensed as incurred.

(k) Impairment of assets

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 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1 Summary of significant accounting policies (continued)

(l) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(m) Trade receivables

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

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. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group 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 30 days overdue) are considered indicators that the trade receivable is 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.

The amount of the impairment loss is recognised in the income statement within 'other expenses'. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in the income statement.

(n) Inventories

Agricultural produce harvested from the Group's biological assets is measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying AASB 102 *Inventories*.

Inventory is stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

The Group's asset development activities involve the development and management of carbon sinks under contract to third parties. It also involves the acquisition of forestry rights and other assets which are held to offer for resale to third parties.

(o) Biological assets

Prawn livestock is carried at fair value. Fair value is the amount which could be expected to be received from the disposal of the livestock in an active and liquid market less the costs expected to be incurred in realising the proceeds of that disposal.

In the absence of an active and liquid market fair value is determined in accordance with a Directors' valuation using the present value of expected net cash flows from the prawn livestock discounted at a current market-determined rate. The expected net cash flows take into account a number of assumptions including the survival rate, harvest average body weight, average market price, discount rate and average production cost per kilogram. The net cash flows include harvesting costs and freight costs to market.

The change in estimated fair value of prawn livestock is recognised in the income statement in the reporting period and is classified separately.

1 Summary of significant accounting policies (continued)

(o) Biological assets (continued)

The prawn livestock with a weight of less than 1 gram (including all hatchery stock), is carried at historic cost as an estimate of fair value given that little or no biological transformation has taken place. Cost includes all of the costs associated with the production of the livestock.

(p) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: environmental credits at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Environmental credits at fair value through profit or loss

Environmental credits at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as other current assets.

(ii) 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 included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) and receivables in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held to maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Loans and receivables are carried at amortised cost using the effective interest method.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Subsequent measurement

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value of available for sale assets are recorded through equity, unless there is an impairment.

Environmental credits at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'Environmental credits at FVTPL' category are presented in profit or loss within other income or other expenses in the period in which they arise.

1 Summary of significant accounting policies (continued)

Details on how the fair value of financial instruments is determined are disclosed in note 2.

Fair value

The fair values of environmental credits are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

(q) Property, plant and equipment

Property, 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. For carbon sinks held by the Group the economic benefits from the asset are consumed in a pattern which is linked to the production level of carbon credits. Such assets are depreciated on a unit of production basis. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Freehold buildings	10 - 50 years
- Ponds	10 - 50 years
- Plant and equipment	2 - 15 years
- Leasehold improvements	Length of lease
- Vehicles	3 - 30 years
- Furniture, fittings and equipment	5 years
- Carbon sinks	30 - 50 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(k)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

1 Summary of significant accounting policies (continued)

(r) Intangible assets

(i) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight line basis over its useful life.

(ii) Other intangible assets

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

(iii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(iv) Goodwill

Goodwill is measured as described in note 1(j). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4). CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or Group of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or Group of CGUs) and then to the other assets in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(v) NGAC Accreditation

The accreditation under the New South Wales Greenhouse Gas Abatement Scheme (NSWGGAS) allows the Group to generate revenues from any single project and is transferrable between projects at no significant additional cost. During 2011 the Carbon Farming Initiative (CFI) received Royal Assent and the Clean Energy Bill passed through the House of Representatives. Under the CFI the Group will continue to generate revenues from its existing projects, accordingly the NGAC accreditation will continue to be amortised on a unit of production basis.

1 Summary of significant accounting policies (continued)

(s) Trade and other payables

These amounts represent liabilities for goods and services measured initially at fair value provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(t) Borrowings

Borrowings are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

(u) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(v) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

The fair value of options granted to employees is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised on a straight line basis over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date of unlisted options is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

1 Summary of significant accounting policies (continued)

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of 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 taxation authority is included with other receivables or payables in the balance sheet.

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 taxation authority, are presented as operating cash flows.

(x) Parent entity financial information

The financial information for the Parent entity, Seafarms Group Limited, disclosed in note 40 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Seafarms Group Limited. Dividends received from associates are recognised in the Parent entity's profit or loss when its right to receive the dividend is established.

(ii) Tax consolidation legislation

Seafarms Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Seafarms Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Seafarms Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Seafarms Group Limited for any current tax payable assumed and are compensated by Seafarms Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Seafarms Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial period. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(iii) Financial guarantees

Where the Parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

2 Financial risk management

The Group's activities may expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures, as management considers this unnecessary given the nature and size of the Group's operations.

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
Financial assets		
Cash and cash equivalents	11,874,838	8,283,532
Loans and receivables	1,634,471	1,593,879
Fair value through profit or loss	186,504	356,660
	13,695,813	10,234,071
Financial liabilities		
Amortised cost	14,697,554	17,077,840
	14,697,554	17,077,840

(a) Market risk

(i) Foreign exchange risk

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	30 June 2017	30 June 2016
	\$	\$
Fair value through profit or loss (NZD account)	-	186,829

2 Financial risk management (continued)

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	Consolidated	
	30 June 2017	9 months to 30 June 2016
	\$	\$
<i>Amounts recognised in profit or loss</i>		
Net foreign exchange (loss)/gain included in other income/other expenses	(27,520)	24,031
Total net foreign exchange (losses)/gains recognised in profit before income tax for the period	(27,520)	24,031
 <i>Net (loss)/gain recognised in other comprehensive income</i>		
	(27,520)	24,031

(ii) Price risk

Exposure

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in Other financial assets - investments as available-for-sale investments. The Group is not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

Cash deposits at variable rates expose the Group to cash flow interest rate risk.

As at the end of the reporting period, the Group had the following variable rate deposits:

Consolidated	30 June 2017		30 June 2016	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$	%	\$
Deposits at call	1.8%	307,987	2.1%	307,987
Net exposure to cash flow interest rate risk		307,987		307,987

Sensitivity

Management has assessed that the sensitivity of the profit or loss to higher/lower interest rates applied to cash and cash equivalents as being immaterial.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually. The Group measures credit risk on a fair value basis.

2 Financial risk management (continued)

(i) Risk management

Wholesale customers of prawns and related products are subject to trade credit insurance. Credit limits are set by the insurer and are not exceeded. There have been no bad debts or claims on the insurance policy during the year.

In the carbon segment, trade accounts receivable consist mainly of a small number of large enterprises which have individual contracts for the management of carbon sinks, and the government for re-vegetation projects (eg the 20 million trees project). With very few customers, of which all have significant financial standing, the Group is able to maintain low levels of credit risk.

Apart from the above, the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Consolidated	
	30 June	30 June
	2017	2016
	\$	\$
Trade receivables		
<i>Counterparties without external credit rating *</i>		
Group 1	-	-
Group 2	1,231,526	1,321,339
Group 3	-	-
	1,231,526	1,321,339

* Group 1 - new customers (less than 6 months)
Group 2 - existing customers (more than 6 months) with no defaults in the past
Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(i) Financing arrangements

The Group has access to undrawn borrowing facilities of \$500,000 at the end of the reporting period (2016: Nil).

(ii) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2 Financial risk management (continued)

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
At 30 June 2017	\$	\$	\$	\$	\$	\$	\$
Non-derivatives							
Trade payables	6,026,605	-	-	-	-	-	-
Finance lease liabilities	20,212	20,888	43,892	179,871	-	-	264,863
Borrowings - Fixed rate 7.5%	326,665	79,420	-	-	-	-	-
Borrowings - variable rate (weighted average 5.67%)	-	-	-	-	-	-	8,000,000
Total non-derivatives	6,373,482	100,308	43,892	179,871	-	-	8,264,863

At 30 June 2016

Non-derivatives							
Trade payables	6,984,505	-	-	-	-	6,753,119	6,753,119
Borrowings - Fixed rate 7.5%	686,772	657,084	322,605	-	-	1,666,460	1,593,333
Borrowings - variable rate (weighted average 5.67%)	-	-	9,104,748	-	-	-	8,500,000
Total non-derivatives	7,671,277	657,084	9,427,353	-	-	8,419,579	16,846,452

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Disclosure of fair value measurements is performed by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2017:

Consolidated - at 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Biological assets	-	-	4,530,997	4,530,997
Total assets	-	-	4,530,997	4,530,997

2 Financial risk management (continued)

Consolidated - at 30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Available-for-sale financial assets				
Trading derivatives	186,829	-	-	186,829
Biological assets	-	-	3,325,639	3,325,639
Total assets	<u>186,829</u>	<u>-</u>	<u>3,325,639</u>	<u>3,512,468</u>

There have been no transfers between Level 1 and Level 2 in the period. The carrying value of other financial assets and financial liabilities approximates their fair value. For a reconciliation of the movement of level 3 disclosures, refer to note 15.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) Biological assets

As referred to in the accounting policy above the fair value of biological assets is estimated using a discounted cash flow model which incorporates a number of assumptions. Management is required to exercise significant judgement in estimating the underlying cash flows where those assumptions are not based on observable market data ('Level 3' inputs). The most significant assumptions requiring management judgement are in respect of the survival rate, harvest average body weight, average market price, discount rate and average production cost per kilogram until harvest-ready.

(ii) Estimated impairment of goodwill and other non-current assets

Determining whether goodwill and other non-current assets are impaired requires an estimation of the value in use of the cash generating units to which the assets have been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 30 June 2017 was \$1,207,187 (30 June 2016: \$1,207,187). No impairment losses were assessed in 2017 or 2016.

The carrying amount of development costs at 30 June 2017 was \$2,124,534 (30 June 2016: \$1,979,482). No impairment loss was recognised during 2017 (2016: \$267,886).

(b) Critical judgements in applying the entity's accounting policies

(i) Revenue recognition

The Group's policy for recognising revenue from project development is based on management's estimation of the stage of completion for these projects by reference to costs incurred compared to total estimated costs at completion. As at 30 June 2017, the Group has recognised \$912,701 (2016: \$791,890) as accrued income and \$1,848,392 (2016: \$1,072,912) as deferred income as a result of the application of this policy.

3 Critical accounting estimates and judgements (continued)

(ii) *Development costs*

Management continually evaluates the commercial and technical feasibility of projects, together with the ability to complete the project and generate revenues. As at 30 June 2017, the Group has capitalised \$2,124,534 (2016: \$1,979,482) as development costs as a result of following this policy.

(iii) *Deferred tax*

As a result of its ongoing review of the future timing of taxable profits, and the delay in Project Sea Dragon, the Group has provided against the deferred tax assets that had previously been recognised in respect of tax losses. This has resulted in a non cash tax charge during the year of \$6,269,297.

4 Segment information

(a) **Description of segments**

Business Segments

The Group operates wholly within three reportable segments, all located within Australia.

Aquaculture

Development of a large scale land-based aquaculture project in Northern Australia by Project Sea Dragon Pty Ltd, and prawn aquaculture operations in North Queensland.

Carbon services

The establishment and management of carbon sinks and re-vegetation projects throughout Australia including the provision of abatement certificates generated from accredited forest carbon sinks owned by the Group and its customers, and trading in environmental credits.

Other

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

(b) **Segments**

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 June 2017 is as follows:

Year to 30 June 2017	Aquaculture	Carbon services	Other	Consolidated
	\$	\$	\$	\$
Segment revenue				
Sales and external customers	29,285,798	5,379,148	1,008,000	35,672,946
Total sales revenue	29,285,798	5,379,148	1,008,000	35,672,946
Other revenue	10,590	-	55,715	66,305
Total segment revenue	29,296,388	5,379,148	1,063,715	35,739,251
Consolidated revenue				35,739,251
Segment loss				
Segment (loss)/profit	(10,937,644)	(277,238)	294,594	(10,920,288)
Central administration and directors' salaries				(2,585,878)
Loss before income tax				(13,506,166)
Income tax expense				(6,269,297)
Loss for the year				(19,775,463)
Segment assets				
Segment assets/(liabilities)	32,177,597	6,653,800	(4,490)	38,826,907
Unallocated assets				12,173,161
Total assets				51,000,068

4 Segment information (continued)

(b) Segments (continued)

The segment information provided to the strategic steering committee for the reportable segments for the 9 months ended 30 June 2016 is as follows:

9 months to 30 June 2016	Aquaculture	Carbon services	Other	Consolidated
	\$	\$	\$	\$
Segment revenue				
Sales and external customers	19,220,281	3,786,946	444,388	23,451,615
Total sales revenue	19,220,281	3,786,946	444,388	23,451,615
Other revenue	24,305	-	53,366	77,671
Total segment revenue	19,244,586	3,786,946	497,754	23,529,286
Consolidated revenue				23,529,286
Segment loss				
Segment loss	(16,754,660)	(229,116)	(1,666)	(16,985,442)
Central administration and directors' salaries				(1,750,081)
Loss before income tax				(18,735,523)
Income tax benefit				375,204
Loss for the period				(18,360,319)
Segment assets				
Segment assets	28,273,012	6,616,810	-	34,889,822
Unallocated assets				14,800,001
Total assets				49,689,823

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, 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.

(c) Other profit and loss disclosures

2017	Individually significant items	Depreciation and amortisation
	\$	\$
Carbon Services	-	(298,214)
Aquaculture	-	(1,505,473)
Other	-	(12,342)
Total	-	(1,816,029)

4 Segment information (continued)

2016	Individually significant items	Depreciation and amortisation
	\$	\$
Carbon Services	(1,173,347)	(233,524)
Aquaculture	-	(1,156,732)
Other	-	(15,762)
Unallocated	-	(6,465)
Total	<u>(1,173,347)</u>	<u>(1,412,483)</u>

The individually significant items for 2016 includes an impairment charge of \$267,886 in the carbon services segment relating to capitalised development costs on projects that management has assessed to no longer be viable in 2016. There was no impairment charge during the year for this segment (2016: \$905,461) relating to carbon plantations.

The individually significant items for the aquaculture segment in 2016 is an impairment of plant and equipment caused by cyclone damage at the Project Sea Dragon Broodstock facility in Exmouth, West Australia.

The unallocated significant item in 2016 is the deemed loss on disposal of a subsidiary (note 35(b)).

5 Revenue

	Consolidated	
	30 June	9 months to
	2017	30 June
	\$	2016
		\$
From continuing operations		
<i>Sales revenue</i>		
Project development fees	2,749,336	2,168,162
Carbon sink project management fees	2,590,177	1,580,488
Fee for services	1,008,000	444,388
Sale of Goods Revenue	29,285,798	19,220,281
	35,633,311	<u>23,413,319</u>
<i>Other revenue</i>		
Interest from financial assets not at fair value through profit or loss	62,754	62,030
Office services	1,133	-
Crop share and agistment	41,954	53,937
	105,841	<u>115,967</u>
	35,739,152	<u>23,529,286</u>

6 Other (losses)/gains

	Consolidated	
	30 June	9 months to
	2017	30 June
	\$	2016
		\$
Net gain on disposal of property, plant and equipment	2,000	-
Net gains/(losses) on financial assets	95,097	(64,878)
Net foreign exchange (losses)/gains	(27,520)	24,031
Gain/(loss) on environmental credits fair value through P&L	31,263	(25,520)
Contract termination fee	158,472	516,181
Loss on disposal of subsidiary - Refer to note 35 (b)	(627,491)	-
	(368,179)	449,814

7 Expenses

Profit before income tax includes the following specific expenses:

	Consolidated	
	30 June	9 months to
	2017	30 June
	\$	2016
	\$	\$
<i>Depreciation</i>		
Buildings	77,795	57,559
Plant and equipment	1,119,019	876,270
Ponds	339,089	254,317
Plant and equipment under finance leases	7,891	-
Carbon sinks	223,804	158,629
Leasehold improvements	16,229	9,453
Total depreciation	1,783,827	1,356,228
<i>Amortisation</i>		
NGAC	22,124	15,648
Software	2,914	12,913
Research & development	7,163	27,695
Total amortisation	32,201	56,256
Total depreciation and amortisation	1,816,028	1,412,484
<i>Research and development</i>		
Carbon projects	578,584	190,611
Project Sea Dragon	4,906,675	4,791,206
Research and development costs paid and expensed	5,485,259	4,981,817
<i>Employee benefits expense</i>		
Superannuation	237,822	138,052
Other employee benefits	5,873,303	4,298,318
Total employee benefits expense	6,111,125	4,436,370
<i>Cost of goods sold</i>		
Variable Selling Expenses	3,329,984	1,513,853
Cost of environmental credits sold	349,493	30,651
Cost of goods sold - prawns	23,002,148	18,683,956
Total cost of goods sold	26,681,625	20,228,460

8 Income tax expense

(a) Income tax expense/(benefit)

	Consolidated	
	30 June 2017	9 months to 30 June 2016
	\$	\$
Current tax	-	(3,574)
Deferred tax	-	(297,221)
Adjustments for deferred tax of prior periods	-	(74,409)
Write off current and prior year deferred tax assets	6,269,297	-
	6,269,297	(375,204)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	30 June 2017	9 months to 30 June 2016
	\$	\$
Loss from continuing operations before income tax expense	(13,506,166)	(18,735,523)
Tax at the Australian tax rate of 30.0% (2016 - 30.0%)	(4,051,850)	(5,620,657)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	2,004,267	2,693,076
Research and Development tax offset not recognised	-	(2,009,056)
Sundry items	(793,515)	(272,773)
	(2,841,098)	(5,209,410)
Difference in overseas tax rates	21,847	9,255
Under/(over) provision of income tax in previous year	(190)	(74,409)
Write off current and prior year deferred tax assets	5,713,662	-
Current year tax losses not recognised	3,375,076	4,899,360
Income tax expense/(benefit)	6,269,297	(375,204)

(c) Tax consolidation legislation

Seafarms Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1(h).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Seafarms Group Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Seafarms Group Limited for any current tax payable assumed and are compensated by Seafarms Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Seafarms Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

8 Income tax expense (continued)

(c) Tax consolidation legislation (continued)

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current inter-company receivables or payables.

(d) Franking account

	Consolidated	
	30 June	30 June
	2017	2016
	\$	\$
Franking account balance (tax paid basis)	741,264	741,264
Impact on franking account balance of dividends not recognised	-	-
	741,264	741,264

9 Current assets - Cash and cash equivalents

	Consolidated	
	30 June	30 June
	2017	2016
	\$	\$
Cash at bank and in hand	11,565,530	7,974,224
Deposits at call	307,987	307,987
Other cash and cash equivalents	1,321	1,321
	11,874,838	8,283,532

(a) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2.

(b) Cash at bank and on hand

Of the cash at bank and on hand, \$313,240 (2016: \$319,305) is non-interest bearing, and \$11,561,598 (2016: \$7,964,227) is in accounts that earn interest.

(c) Cash not available for use

\$307,987 (2016: \$307,987) is held as security for bank facilities and lease guarantees (note 25).

(d) Deposits at call

Deposits at call are interest bearing.

10 Current assets - Trade and other receivables

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
Trade receivables	1,231,526	1,321,357
Loans to employees	77,603	21,299
Goods and services tax (GST) receivable	288,166	215,717
	1,597,295	1,558,373

(a) Past due but not impaired

As of 30 June 2017, trade receivables of \$777,261 (2016: \$703,679) were past due but not impaired.

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
Up to 3 months	166,280	672,663
3 to 6 months	610,981	4,474
More than 6 months	-	26,542
	777,261	703,679

(b) Interest rate risk

Information about the Group's exposure to interest rate risk in relation to trade and other receivables is provided in note 2.

(iii) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The average credit period on rendering of invoices is 30 days.

Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

11 Current assets - Inventories

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
Finished goods	5,901,303	5,121,160
Feed and consumables	1,807,370	1,245,357
	7,708,673	6,366,517

Finished goods are harvested prawns from the Group's aquaculture operations in North Queensland.

Feed and consumables relate wholly to the Group's aquaculture operations.

12 Current assets - Current tax receivables

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
Current tax receivables	15,786	15,786
	15,786	15,786

Current tax receivables relates to overseas income tax refundable to CO2 Asia Pte Ltd.

13 Current assets - Other current assets

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
Prepayments	599,539	292,168
Deposits paid	21,390	19,720
Environmental credits at FVTPL	186,504	169,831
Other aquaculture assets	195,645	58,996
	1,003,078	540,715

Environmental credits have been purchased on the spot market. They do not represent carbon credits produced by the Group's carbon sinks. All credits generated from the Group's plantations were sold during the financial year.

14 Current assets - Accrued income

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
Carbon sink development	62,058	-
Accrued income from carbon sink management	850,643	791,890
	912,701	791,890

15 Current assets - Biological assets

	30 June 2017	30 June 2016
	\$	\$
<i>Livestock at fair Value</i>		
Opening Balance	3,325,639	3,522,950
Gain or Loss arising from changes in fair value less estimated point of sale costs	944,497	(262,310)
Increases due to purchases	3,586,501	3,587,949
Transferred to inventories	(3,325,639)	(3,522,950)
Closing Balance	4,530,997	3,325,639

15 Current assets - Biological assets (continued)

The group has classified live prawn as level 3 in the fair value hierarchy (refer note 1 (a) for explanation of levels), since one or more of the significant inputs is not based on observable market data.

Valuation processes

The group's finance team performs the valuations of the group's biological assets for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit and risk committee (ARC). Discussions of valuation processes and results are held between the CFO and the ARC at least once every six months, in line with the group's half-yearly reporting requirements.

The main level 3 inputs used by the group are derived and evaluated as follows:

- Survival rate, harvest average body weight and average production cost per kilogram is determined based on actual survival rates achieved over the last 6-12 months.
- Prawn market prices are based on active liquid market prices achieved over the last 3 months.
- Discount rate is determined using a capital asset pricing model to calculate a post-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Changes in level 3 fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the CFO, and ARC. As part of this discussion the team presents a report that explains the reason for the fair value movements.

Financial risk management strategies for biological assets

The group is exposed to risks arising from environmental and climatic changes and market prices.

The group has strong operating procedures to prevent and mitigate the impact of disease and environmental risks.

The group is exposed to some risks arising from fluctuations in the price and demand of prawn. To mitigate those risks the group continues to focus on producing a high quality product that is well sought after in the market. Where appropriate the group will also enter into supply contracts.

16 Current assets - Other current financial assets

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
New Zealand energy futures at FVTPL	-	186,829
	-	186,829

17 Non-current assets - Inventories

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
Other inventories	184,923	184,923
	184,923	184,923

18 Non-current assets - Property, plant and equipment

Consolidated	Freehold land \$	Freehold buildings \$	Ponds \$	Plant and equipment \$	Leasehold improvements \$	Leased plant and equipment \$	Carbon sinks \$	Total \$
At 1 October 2015								
Cost or fair value	2,719,799	1,410,750	6,781,774	8,546,364	406,607	60,181	4,201,540	24,127,015
Accumulated depreciation	-	(75,537)	(478,961)	(2,049,857)	(338,115)	(60,181)	(1,750,326)	(4,752,977)
Net book amount	<u>2,719,799</u>	<u>1,335,213</u>	<u>6,302,813</u>	<u>6,496,507</u>	<u>68,492</u>	<u>-</u>	<u>2,451,214</u>	<u>19,374,038</u>
Year ended 30 June 2016								
Opening net book amount	2,719,799	1,335,213	6,302,813	6,496,507	68,492	-	2,451,214	19,374,038
Additions	-	171,080	-	976,811	5,954	-	-	1,153,845
Depreciation charge	-	(57,559)	(254,317)	(876,270)	(9,453)	-	(158,629)	(1,356,228)
Impairment loss	-	-	-	-	-	-	(905,461)	(905,461)
Closing net book amount	<u>2,719,799</u>	<u>1,448,734</u>	<u>6,048,496</u>	<u>6,597,048</u>	<u>64,993</u>	<u>-</u>	<u>1,387,124</u>	<u>18,266,194</u>
At 30 June 2016								
Cost or fair value	2,719,799	1,581,830	6,781,774	9,523,175	412,562	60,181	4,201,540	25,280,861
Accumulated depreciation	-	(133,096)	(733,278)	(2,926,127)	(347,569)	(60,181)	(2,814,416)	(7,014,667)
Net book amount	<u>2,719,799</u>	<u>1,448,734</u>	<u>6,048,496</u>	<u>6,597,048</u>	<u>64,993</u>	<u>-</u>	<u>1,387,124</u>	<u>18,266,194</u>

18 Non-current assets - Property, plant and equipment (continued)

Consolidated	Freehold land \$	Freehold buildings \$	Ponds \$	Plant and equipment \$	Leasehold improvements \$	Leased plant and equipment \$	Carbon sinks \$	Total \$
At 1 July 2016								
Cost or fair value	2,719,799	1,581,830	6,781,774	9,523,175	412,562	60,181	4,201,540	25,280,861
Accumulated depreciation	-	(133,096)	(733,278)	(2,926,127)	(347,569)	(60,181)	(2,814,416)	(7,014,667)
Net book amount	2,719,799	1,448,734	6,048,496	6,597,048	64,993	-	1,387,124	18,266,194
Year ended 30 June 2017								
Opening net book amount	2,719,799	1,448,734	6,048,496	6,597,048	64,993	-	1,387,124	18,266,194
Additions	-	-	-	2,478,633	22,147	318,992	-	2,819,772
Depreciation charge	-	(77,795)	(339,089)	(1,119,019)	(16,229)	(7,891)	(223,804)	(1,783,827)
Closing net book amount	2,719,799	1,370,939	5,709,407	7,956,662	70,911	311,101	1,163,320	19,302,139
At 30 June 2017								
Cost or fair value	2,719,799	1,581,830	6,781,774	12,000,323	426,459	379,173	4,201,540	28,090,898
Accumulated depreciation	-	(210,891)	(1,072,367)	(4,043,661)	(355,548)	(68,072)	(3,038,220)	(8,788,759)
Net book amount	2,719,799	1,370,939	5,709,407	7,956,662	70,911	311,101	1,163,320	19,302,139

19 Non-current assets - Deferred tax assets

	Consolidated	
	30 June 2017 \$	30 June 2016 \$
The balance comprises temporary differences attributable to:		
Tax losses	237,172	2,099,734
Provisions	430,173	414,805
Accruals	135,605	248,720
Intangible assets	111,403	111,403
Depreciable assets	30,305	32,145
Accrued interest	(314,064)	98,468
Research & development	(630,594)	(587,078)
R&D tax offset	-	3,851,100
Net deferred tax assets	-	6,269,297
Movements:		
Opening balance at 1 July 2016 and 1 October 2015	6,269,297	5,897,667
Charged/credited:		
- to profit or loss	(6,269,297)	297,221
Under (over) provision of deferred tax in previous year	-	74,409
Closing balance at 30 June	-	6,269,297

Unrecognised deferred tax balances

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:

Tax losses (revenue in nature)	8,673,445	-
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19 Non-current assets - Deferred tax assets (continued)

Movements	Tax losses \$	Provisions \$	Intangibles & Rights Issue expenses \$	Accruals \$	Accrued income & available-for-sale investment \$	Carbon sinks & depreciable assets \$	R&D Tax offset \$	Total \$
At 1 October 2015	2,099,734	326,306	(564,329)	89,410	(96,369)	191,815	3,851,100	5,897,667
(Charged)/credited - to profit or loss	-	88,499	88,654	76,936	190,357	(147,225)	-	297,221
Under (over) provision of deferred tax in previous year	-	-	-	82,374	4,480	(12,445)	-	74,409
At 30 June 2016	2,099,734	414,805	(475,675)	248,720	98,468	32,145	3,851,100	6,269,297
(Charged)/credited - to profit or loss	(1,862,562)	15,368	(43,516)	(113,115)	(412,532)	(1,840)	(3,851,100)	(6,269,297)
At 30 June 2017	237,172	430,173	(519,191)	135,605	(314,064)	30,305	-	-

20 Non-current assets - Intangible assets

Consolidated	Development costs	Goodwill	Patents, trademarks and other rights	Computer software	Other intangible assets	NGAC accreditation	Total
	\$	\$	\$	\$	\$	\$	\$
At 1 October 2015							
Cost	2,948,415	1,207,187	3,072	192,754	790,166	408,380	5,549,974
Accumulated amortisation and impairment	(673,420)	-	(3,072)	(175,564)	(790,166)	(182,659)	(1,824,881)
Net book amount	<u>2,274,995</u>	<u>1,207,187</u>	<u>-</u>	<u>17,190</u>	<u>-</u>	<u>225,721</u>	<u>3,725,093</u>
Year ended 30 June 2016							
Opening net book amount	2,274,995	1,207,187	-	17,190	-	225,721	3,725,093
Other charge	68	-	-	-	-	-	68
Amortisation charge	(27,695)	-	-	(12,913)	-	(15,648)	(56,256)
Impairment charge	(267,886)	-	-	-	-	-	(267,886)
Closing net book amount	<u>1,979,482</u>	<u>1,207,187</u>	<u>-</u>	<u>4,277</u>	<u>-</u>	<u>210,073</u>	<u>3,401,019</u>
Cost	2,948,482	1,207,187	3,072	192,754	790,166	408,380	5,550,041
Accumulated amortisation and impairment	(969,000)	-	(3,072)	(188,477)	(790,166)	(198,307)	(2,149,022)
Net book amount	<u>1,979,482</u>	<u>1,207,187</u>	<u>-</u>	<u>4,277</u>	<u>-</u>	<u>210,073</u>	<u>3,401,019</u>

20 Non-current assets - Intangible assets (continued)

Consolidated	Development costs \$	Goodwill \$	Patents, trademarks and other rights \$	Computer software \$	Other intangible assets \$	NGAC accreditation \$	Total \$
At 30 June 2016							
Cost	2,948,482	1,207,187	3,072	192,754	790,166	408,380	5,550,041
Accumulated amortisation and impairment	(969,000)	-	(3,072)	(188,477)	(790,166)	(198,307)	(2,149,022)
Net book amount	<u>1,979,482</u>	<u>1,207,187</u>	<u>-</u>	<u>4,277</u>	<u>-</u>	<u>210,073</u>	<u>3,401,019</u>
12 months ended 30 June 2017							
Opening net book amount	1,979,482	1,207,187	-	4,277	-	210,073	3,401,019
Additions	152,215	-	-	-	-	-	152,215
Other charge	-	-	-	(104)	-	-	(104)
Amortisation charge	(7,163)	-	-	(2,914)	-	(22,124)	(32,201)
Closing net book amount	<u>2,124,534</u>	<u>1,207,187</u>	<u>-</u>	<u>1,259</u>	<u>-</u>	<u>187,949</u>	<u>3,520,929</u>
At 30 June 2017							
Cost	3,100,697	1,207,187	3,072	192,754	790,166	408,380	5,702,256
Accumulated amortisation and impairment	(976,163)	-	(3,072)	(191,495)	(790,166)	(220,431)	(2,181,327)
Net book amount	<u>2,124,534</u>	<u>1,207,187</u>	<u>-</u>	<u>1,259</u>	<u>-</u>	<u>187,949</u>	<u>3,520,929</u>

20 Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to operating segment.

Goodwill is monitored by management at the level of the three operating segments (see note 4 for details).

A segment-level summary of the goodwill allocation is presented below.

Consolidated

2017	\$	Total \$
Carbon services	-	-
Aquaculture	1,207,187	1,207,187
Other	-	-
	1,207,187	1,207,187
Consolidated		
2016	\$	Total \$
Carbon services	-	-
Aquaculture	1,207,187	1,207,187
Other	-	-
	1,207,187	1,207,187

(ii) Significant estimates: key assumptions used for value-in-use calculations

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

CGU	Budget period				Growth rate beyond budget period **		Discount rate	
	Gross margin *		Growth rate		2017	2016	2017	2016
	2017	2016	2017	2016				
Aquaculture	22.0	21.5	6.0	5.0	2.0	-	12.0	12.0

* Budgeted gross margin

** Weighted average growth rate used to extrapolate cash flows beyond the budget period

21 Current liabilities - Trade and other payables

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
Trade payables	4,138,172	4,844,780
Amounts due to associates	298,018	229,410
Accrued expenses	820,445	1,317,708
PAYG payable	230,596	363,880
Other payables	539,374	228,728
	6,026,605	6,984,506

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

22 Current liabilities - Borrowings

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
Secured		
Lease liabilities	41,100	-
Total secured current borrowings	41,100	-
Unsecured		
Vendor finance	406,086	1,271,668
Total unsecured current borrowings	406,086	1,271,668
Total current borrowings	447,186	1,271,668

(a) Lease liabilities

The Group leased 6 vehicles under finance leases during the period. The average lease term is 5 years. The Group has options to purchase the vehicles for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

(b) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 2.

23 Current liabilities - Provisions

	Consolidated	
	30 June	30 June
	2017	2016
	\$	\$
Employee benefits	1,433,910	1,339,549
	1,433,910	1,339,549

24 Current liabilities - Deferred revenue

	Consolidated	
	30 June	30 June
	2017	2016
	\$	\$
Deferred income from project development	1,786,651	979,616
Deferred income on carbon sink management	58,356	89,911
Deferred advisory income	3,385	3,385
	1,848,392	1,072,912

25 Non-current liabilities - Borrowings

	Notes	Consolidated	
		30 June	30 June
		2017	2016
		\$	\$
Secured			
Lease liabilities		223,763	-
Unsecured			
Loans from related parties	32(c)	8,000,000	8,500,000
Vendor Finance		-	321,666
Total unsecured non-current borrowings		8,000,000	8,821,666
Total non-current borrowings		8,223,763	8,821,666

Refer to note 36, \$2,500,000 was converted to equity on 5 July 2017.

(i) Secured liabilities and assets pledged as security

The Group has a \$115,000 (2016: \$115,000) facility on its company credit cards and has been required to provide guarantee facilities of \$192,987 (2016: \$192,987) in respect of office leases. The Group maintains a term deposit with the bank to secure these facilities.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

25 Non-current liabilities - Borrowings (continued)

	Notes	Consolidated	
		30 June 2017 \$	30 June 2016 \$
Current			
Deposits at call	9	307,987	307,987
Total current assets pledged as security		307,987	307,987

(ii) Risk exposures

Information about the Group's exposure to interest rate and foreign exchange risk is provided in note 2.

26 Non-current liabilities - Provisions

	Consolidated	
	30 June 2017 \$	30 June 2016 \$
Employee benefits - long service leave	49,014	43,137
Other provisions	252,577	153,777
	301,591	196,914

27 Issued capital

	Notes	30 June 2017 Shares	30 June 2016 Shares	30 June 2017 \$	30 June 2016 \$
		Ordinary shares			
Ordinary shares - fully paid	27(b)	1,361,868,033	1,028,967,449	101,512,326	79,020,851
Convertible preference shares	27(c)	30,150,190	30,150,190	301	301
		1,392,018,223	1,059,117,639	101,512,627	79,021,152

(b) Movements in ordinary share capital

	Number of shares	\$
Opening balance 1 October 2015	886,107,449	69,599,617
Placement	142,860,000	10,000,201
Less: Transaction costs arising on share issue	-	(578,967)
Balance 30 June 2016	1,028,967,449	79,020,851
Opening balance 1 July 2016	1,028,967,449	79,020,851
Placement	332,900,584	23,656,443
	1,361,868,033	102,677,294
Less: Transaction costs arising on share issue	-	(1,164,667)
Balance 30 June 2017	1,361,868,033	101,512,627

27 Issued capital (continued)

(c) Movements in convertible preference share capital

Details	Number of shares	\$
Opening balance 1 October 2015	30,150,190	301
Balance 30 June 2016	30,150,190	301
Opening balance 1 July 2016	30,150,190	301
Balance 30 June 2017	30,150,190	301

(d) Convertible preference shares

The convertible preference shares were issued at \$0.00001. To convert to fully paid ordinary shares each holder is required to pay \$0.06499. Conversion can occur at any time at the election of the holders.

The convertible preference shares have limited voting rights as described in ASX Listing Rule 6.3 and are entitled to the payment of a dividend equal to one hundred thousandth of any dividends declared.

(v) Options

Information relating to the Group's Employee Option Plan and options issued to employees and executives of the Group, including details of options issued, exercised and lapsed during the financial period and options outstanding at the end of the financial period, is set out in note 39.

28 Reserves

(a) Other reserves

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
Financial assets revaluation reserve	(24,740)	(24,740)
Share-based payments	3,606,808	3,606,808
Option premium reserve	1,670,705	1,670,705
	5,252,773	5,252,773

(b) Nature and purpose of other reserves

(i) Share-based payments

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees
- the issue of shares held by the Seafarms Employee Share Trust to employees
- in the parent entity the fair value of shares and options issued to employees of subsidiaries.

(ii) Option premium

The option premium represents the fair value of 47,734,412 Seafarms Group Limited options issued as part consideration for the Ranger takeover bid.

(iii) Financial assets revaluation reserve

Changes in the fair value of assets classified as available for sale financial assets are taken to the financial assets revaluation reserve. Amounts are recognised in profit and loss when the associated assets are sold or impaired.

29 Key management personnel disclosures

(a) Directors

The following persons were directors of Seafarms Group Limited during the financial year:

(i) Chairman - executive

I N Trahar

(ii) Executive directors

H R Whitcombe

Dr C D Mitchell

(iii) Non-executive directors

P Favretto

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

<i>Name</i>	<i>Position</i>	<i>Employer</i>
A J Soanes	Director and General Manager Operations	CO2 Australia Limited
Dr J Bulinski	Director	CO2 Australia Limited
D Donovan	Chief Operating Officer	Seafarms Operations Limited

(c) Key management personnel compensation

	Consolidated	
	30 June	9 months to
	2017	30 June
	\$	2016
		\$
Short-term employee benefits	1,528,393	1,111,400
Post-employment benefits	223,744	116,132
Long-term benefits	24,562	17,067
	1,776,699	1,244,599

Detailed remuneration disclosures are provided in the remuneration report on pages 7 to 13.

30 Remuneration of auditors

During the year the following fees were agreed for services provided by the auditor of the Parent entity, its related practices and non-related audit firms:

30 Remuneration of auditors (continued)

(a) Audit services

(i) *Deloitte Touche Tohmatsu*

	Consolidated	
	30 June	9 months to
	2017	30 June
	\$	2016
	\$	\$
Audit and review of financial reports	125,000	145,000
Additional fees in respect to the prior period	20,000	-
Other fees paid to auditors	25,000	25,000
Total auditors' remuneration	170,000	170,000

31 Commitments

(a) Lease commitments: Group as lessee

(a) *Non-cancellable operating leases*

Operating leases relate to four office facilities, each with different terms: 3 years with an option to renew for a further 3 years; 1 year with no option to renew; 8 years with 2 options for a further 4 years, and a fixed term to June 2020 with no option for any further extension. The operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. There are also fixed increase dates annually. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

The Group leases 9 motor vehicles under operating leases with a term of three years, with no option to purchase the vehicle at the expiry of the lease period.

	Consolidated	
	30 June	30 June
	2017	2016
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	423,103	298,954
Later than one year but not later than five years	1,001,210	1,174,735
Later than five years	-	39,225
	1,424,313	1,512,914

32 Related party transactions

(a) Parent entities

The parent entity within the Group and the ultimate Australian parent entity is Seafarms Group Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 33.

32 Related party transactions (continued)

(c) Loans to/from related parties

The Group has an \$8.5 million a credit facility with Avatar Finance Pty Ltd, a company owned by Mr Ian Trahar, Chairman of the Group. The Group has also advanced funds to a related party, Callisto, to commence setup of energy trading operations in Singapore. The amounts advanced and interest charged are disclosed in the following table:

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
<i>Loan from Avatar Finance Pty Ltd</i>		
Beginning of the year	8,500,000	8,500,000
Loans repayments made	(500,000)	-
Interest charged	480,467	306,183
Interest paid	(480,467)	(306,183)
End of period	8,000,000	8,500,000
<i>Loans to other related parties</i>		
Beginning of the year	151,789	218,178
Loans repayments made	-	(66,389)
Loans written off	(151,789)	-
End of period	-	151,789

(d) Terms and conditions

The facility from Avatar Finance Pty Ltd is provided on normal commercial terms and conditions and at market rates, and is to be repaid on 31 January 2019. The average interest rate on the loan during the year was 5.68% (2016: 7.38%).

33 Subsidiaries and transactions with non-controlling interests

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries.

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2017 %	2016 %
CO2 Australia Limited *	Australia	Ordinary	100	100
Carbon Banc Limited *	Australia	Ordinary	100	100
Carbon Estate Pty Ltd *	Australia	Ordinary	100	100
CO2 New Zealand Limited *	Australia	Ordinary	100	100
Mallee Land Company Pty Ltd *	Australia	Ordinary	100	100
Mallee Carbon Limited *	Australia	Ordinary	100	100
Carbon Sinks Services Pty Ltd *	Australia	Ordinary	100	100
The Oil Mallee Company of Australia Limited *	Australia	Ordinary	100	100
Yonderr Pty Ltd *	Australia	Ordinary	100	100
Seafarms Operations Pty Limited (formerly Seafarms Operations Limited) *	Australia	Ordinary	100	100
CO2 Group Financial Services Pty Ltd	Australia	Ordinary	100	100
Marine Harvest Australia Pty Ltd *	Australia	Ordinary	100	100
Seafarms Hinchinbrook Pty Ltd *	Australia	Ordinary	100	100
Project Sea Dragon Pty Ltd *	Australia	Ordinary	100	100
Marine Farms Pty Ltd*	Australia	Ordinary	100	100
Seafarm Queensland Pty Ltd*	Australia	Ordinary	100	100

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 34.

34 Deed of cross guarantee

All companies in the Group except CO2 Group Financial Services Pty Ltd ("CO2GFS") are parties to a deed of cross-guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The balance sheet and income statement of the closed group is the same as that of the consolidated entity except that they do not include CO2GFS.

Set out below is a consolidated income statement for the 12 months ended 30 June 2017 of the Closed Group consisting of Seafarms Group Limited, CO2 Australia Limited, Carbon Banc Limited, Carbon Estate Pty Ltd, CO2 New Zealand Limited, Mallee Land Company Pty Ltd, Mallee Carbon Limited, Carbon Sinks Services Pty Ltd, The Oil Mallee Company of Australia Limited, Yonderr Pty Ltd, Seafarms Operations Limited, Marine Farms Pty Ltd, Marine Harvest Australia Pty Ltd, Seafarm Queensland Pty Ltd, Seafarm Hinchinbrook Pty Ltd, and Project Sea Dragon Pty Ltd.

34 Deed of cross guarantee (continued)

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings

	30 June 2017 \$	9 month to 30 June 2016 \$
<i>Consolidated statement of profit or loss</i>		
Revenue from continuing operations	35,739,152	23,529,286
Other (losses) / income	(368,179)	449,990
Fair value adjustment of biological assets	944,497	(262,310)
Fair value adjustment of finished goods	430,617	(361,358)
Consulting expense	(2,066,813)	(4,469,263)
Legal fees	(234,612)	(287,430)
Travel	(1,877,310)	(1,207,371)
Insurance	(256,875)	(200,633)
Rent	(433,658)	(314,034)
Research & development	(5,485,259)	(4,981,817)
Marketing	(134,755)	(109,604)
Plantation costs	(2,246,329)	(1,603,972)
Finance costs	(1,010,193)	(470,768)
Cost of goods sold	(26,681,625)	(20,228,460)
Other expenses	(1,664,011)	(2,331,176)
Employee benefits expense	(6,111,125)	(4,436,370)
Depreciation and amortisation expense	(1,804,087)	(1,398,986)
Share of net (losses) / profits of associates and joint venture partnership accounted for using the equity method	(111,875)	23,766
Loss before income tax	(13,372,440)	(18,660,510)
Income tax (expense) benefit	(6,299,623)	313,729
Loss for the period	(19,672,063)	(18,346,781)
	30 June 2017 \$	30 June 2016 \$

Consolidated statement of comprehensive income

Loss for the period	(19,672,063)	(18,346,781)
Total comprehensive loss for the period	(19,672,063)	(18,346,781)

(b) Consolidated statement of financial position

Set out below is a consolidated balance sheet as at 30 June 2017 of the Closed Group consisting of Seafarms Group Limited, CO2 Australia Limited, Carbon Banc Limited, Carbon Estate Pty Ltd, CO2 New Zealand Limited, Mallee Land Company Pty Ltd, Mallee Carbon Limited, Carbon Sinks Services Pty Ltd, The Oil Mallee Company of Australia Limited, Yonderr Pty Ltd, Seafarms Operations Limited, Marine Farms Pty Ltd, Marine Harvest Australia Pty Ltd, Seafarm Queensland Pty Ltd, Seafarm Hinchinbrook Pty Ltd, and Project Sea Dragon Pty Ltd.

Seafarms Group Limited
Notes to the consolidated financial statements
30 June 2017
(continued)

34 Deed of cross guarantee (continued)

	30 June 2017 \$	30 June 2016 \$
Current assets		
Cash and cash equivalents	11,815,357	8,015,549
Trade and other receivables	1,238,679	1,328,963
Inventories	7,893,597	6,551,440
Other current assets	1,045,286	656,865
Accrued income	912,701	791,890
Biological assets	4,530,997	3,325,639
Other financial assets	-	186,829
Total current assets	27,436,617	20,857,175
Non-current assets		
Investments in associates and joint ventures	348,708	499,109
Property, plant and equipment	19,227,347	18,229,568
Deferred tax assets	-	6,277,471
Intangible assets	3,520,929	3,400,915
Total non-current assets	23,096,984	28,407,063
Total assets	50,533,601	49,264,238
Current liabilities		
Trade and other payables	5,644,289	6,749,363
Provisions	1,433,910	1,339,549
Other current liabilities	7,495	4,603
Deferred income	1,848,392	1,072,912
Borrowings	1,392,188	1,271,668
Total current liabilities	10,326,274	10,438,095
Non-current liabilities		
Borrowings	7,054,998	8,821,666
Provisions	49,014	43,137
Other provisions	476,340	153,777
Total non-current liabilities	7,580,352	9,018,580
Total liabilities	17,906,626	19,456,675
Net assets	32,626,975	29,807,563
Equity		
Issued capital	97,710,928	75,219,453
Reserves	5,252,773	5,252,773
Accumulated losses	(70,336,726)	(50,664,663)
Total equity	32,626,975	29,807,563

35 Interests in joint ventures

(a) Joint venture partnership

Blue-Leafed Mallee Pty Ltd (BLM) was a wholly owned subsidiary of the Parent Entity, conducting carbon projects through a 60% interest in a joint operation. In relation to its interest in the joint operation, BLM recognised its 60% share of the assets, liabilities, revenues and expenses in/resulting from the joint operation in the P&L and statement of financial position of the Group.

The Group has accounted for the retained 60% interest as an equity accounted investment - refer to Note 1(b)(iii) for the accounting policy.

(b) Disposal of subsidiary

On 14 December 2016, the Group entered into a sale agreement with Motupipi Offshore Investments Limited to sell its 49% share in Callisto Quantitative Pte Limited for \$49.

This transaction resulted in the recognition of a loss on disposal of subsidiary as follows:

	30 June 2017	30 June 2016
	\$	\$
Loss on disposal of subsidiary	627,491	-

This loss has been recognised within 'loss on disposal of subsidiaries' on the face of the statement of profit and loss.

(c) Equity accounted investment

At 30 June 2017, the carrying value of the investment in the statement of financial position is \$348,708 (2016: \$499,109).

During the current period an equity accounted loss of \$111,875 has been recognised in profit or loss (2016: \$97,956 loss).

36 Events occurring after the reporting period

On 5 July 2017, the Group issued 41,666,666 shares to Avatar Finance Pty Limited with the proceeds (\$2.5 million) being used to repay debt to Avatar Finance (Debt Conversion).

On 17 July 2017, the Group issued 126,092,585 listed options pursuant to the Option Offers made to those participants in the June 2017 Share Placement, Shareholders who subscribed for shares in the June 2017 Share Participation Plan and Avatar Finance which converted debt to shares in the Company on 5 July 2017. The issue of the majority of the Options was approved at the Extraordinary General Meeting on 4 July 2017.

On 22 August 2017, equity securities, in the form of Performance Rights and Options, were granted to directors and staff pursuant to the "Seafarms Group Employee Incentive Plan" which was approved by shareholders at the 1 February 2016 Annual General Meeting (AGM) and the 25 November 2016 AGM.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

37 Reconciliation of loss for the year to net cash flows from operating activities

	Consolidated	
	30 June	9 months to
	2017	30 June
	\$	2016
		\$
Loss for the year	(19,775,463)	(18,360,319)
Depreciation and amortisation	1,816,029	1,412,483
Impairment of development costs	-	267,886
Impairment of property, plant & equipment	-	905,461
Net gain on sale of financial assets	12,973	64,815
Fair value (gains)/losses on financial assets at fair value through profit or loss	(31,263)	25,520
Share of losses/(profits) of joint venture	111,875	(23,766)
Interest income received	(62,754)	(72,888)
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors and receivables	(38,922)	932,061
(Increase)/decrease in inventories	(1,342,156)	2,230,166
(Increase)/decrease in other current assets	(462,363)	194,764
Increase in current tax receivables	-	(3,576)
(Increase)/decrease in biological assets	(1,205,358)	197,311
Decrease/(increase) in deferred tax assets	6,269,297	(371,630)
Increase in other operating assets	(120,811)	(716,602)
(Decrease)/increase in trade creditors	(957,901)	2,973,326
Increase/(decrease) in other operating liabilities	775,480	(249,744)
Increase in other provisions	199,038	410,330
Net cash outflow from operating activities	(14,812,299)	(10,184,402)

38 Earnings per share

(a) Basic earnings per share

	Consolidated	
	30 June	9 months to
	2017	30 June
	Cents	2016
		Cents
Basic earnings per share	(0.02)	(2.04)
Total basic earnings per share attributable to the ordinary owners of the Company	(0.02)	(2.04)

38 Earnings per share (continued)

(b) Diluted earnings per share

	Consolidated	
	30 June 2017 Cents	9 months to 30 June 2016 Cents
Diluted earnings per share	(0.02)	(2.04)
Total basic earnings per share attributable to the ordinary owners of the Company	(0.02)	(2.04)

(c) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	30 June 2017 \$	9 months to 30 June 2016 \$
<i>Basic earnings per share</i>		
Loss from continuing operations	(19,775,463)	(18,360,319)
	(19,775,463)	(18,360,319)
<i>Diluted earnings per share</i>		
Loss from continuing operations	(19,775,463)	(18,360,319)
Loss from continuing operations attributable to the ordinary equity holders of the Company	(19,775,463)	(18,360,319)

Due to the net loss position of the Group, any conversion to shares would be anti-dilutive.

(d) Weighted average number of shares used as denominator

	Consolidated	
	30 June 2017 Number	9 months to 30 June 2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	121,090,417,694	901,528,844

39 Share-based payments

(a) Employee Incentive & Option Plan

There is no current employee incentive & option plan.

Performance Rights

All remaining performance rights lapsed in the year ended 30 June 2016.

40 Parent entity financial information

(a) Summary financial information

The individual financial statements for the Parent entity show the following aggregate amounts:

40 Parent entity financial information (continued)

	30 June 2017	30 June 2016
	\$	\$
Balance sheet		
Current assets	76,507,070	58,787,265
Non-current assets	3,622,002	9,927,695
Total assets	80,129,072	68,714,960
Current liabilities	762,872	342,999
Non-current liabilities	8,253,762	8,653,912
Total liabilities	9,016,634	8,996,910
Net assets	71,112,438	59,718,050
<i>Shareholders' equity</i>		
Issued capital	101,501,993	79,021,153
Reserves		
Reserves	5,302,513	5,302,513
Retained earnings	(35,692,069)	(24,605,616)
	71,112,437	59,718,050
Loss for the period	(11,086,453)	(8,921,119)
Total comprehensive loss	(11,086,453)	(8,921,119)

(b) Guarantees entered into by the parent entity

There are cross guarantees given by Seafarms Group Limited and all its subsidiaries as described in note 34. No deficiencies of assets exist in any of these companies. The parent company has given no other guarantees.

(c) Contingent liabilities of the parent entity

The Parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016. For information about guarantees given by the Parent entity, please see above.

(d) Contractual commitments for the acquisition of property, plant or equipment

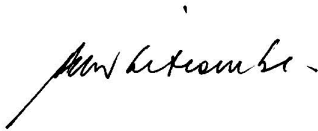
As at 30 June 2017, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 17 to 74 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 30 June 2017 and of its performance for the 12 months ended on that date, and
- (b) the financial statements and notes set out on pages 17 to 74 are also in accordance with the international financial reporting standards issued by the International Accounting Standards 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, and
- (d) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 34 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 34.

The Directors have been given the declarations by the executive chairman and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.



Harley Ronald Whitcombe
Perth
30 August 2017