SEAFARMS GROUP LIMITED

Our Ref: SFG ASX Announce Appendix 4D Half Year Report 2015 (435)

25 May 2015

ANNOUNCEMENT 435

Company Announcements Office
Australian Securities Exchange
Level 4
20 Bridge Street
SYDNEY NSW 2000

By ASX Online
Number of pages: 28
(including this page)

Dear Sir

Seafarms Group Report for the Half-Year Ended 31 March 2015

Enclosed is Seafarms Group's Report for the half-year ended 31 March 2015 including ASX Appendix 4D.

Please telephone Harley Whitcombe on (08) 9321 4111 with any queries on the Company's 2015 Half-Year Report.

Yours faithfully
Seafarms Group Limited

Harley Whitcombe
Company Secretary

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About Seafarms Group

Seafarms Group Limited (ASX: SFG) is an ASX listed holding company with two separate subsidiary companies operating in non-conventional commodities: aquaculture and carbon. Seafarm Operations Limited operates aquaculture operations and CO2 Australia Limited the carbon and environmental operations.

For further information refer the company's web site: www.seafarms.com.au

About Seafarm Operations Limited

Seafarm – a new Australian agri-food company – operates, builds and invests in sustainable aquaculture production platforms producing high-quality seafood. Seafarms is currently the largest producer of farmed prawns – growing, processing and distributing the well-known Crystal Bay Prawns™ premium brand. The company is one of Australia's largest aquaculture enterprises and is also developing Project Sea Dragon – a large-scale, integrated, land-based prawn aquaculture project in northern Australia designed to produce high-quality, year-round reliable volumes for export markets.

For further information refer the company's web site: www.seafarms.com.au

seafarms

About CO2 Australia Limited

CO2 Australia is a diversified environmental services business, with core competencies in environmental approvals, land management and carbon project management. CO2 Australia has a national reach and provides services across a diverse range of private and public sector clients around Australia. Established in 2004, the company has successfully delivered on over 70 contracts including landmark engagements with Qantas Airways, Santos, Macquarie Bank, Woodside Energy, INPEX Browse, Origin Energy, Newmont Mining and Wannon Water. CO2 Australia manages over 26,000 hectares of land, has developed some of Australia's largest dedicated carbon sinks, has delivered environmental offsets projects for some of Australia's largest infrastructure developments and is delivering large-scale revegetation programs and environmental approvals works across most Australian states and territories.

For further information refer the company's web site: www.co2australia.com.au

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Seafarms Group Limited

ABN 50 009 317 846

Interim report
for the half-year 31 March 2015

Seafarms Group Limited
Appendix 4D
Half-year 31 March 2015

Name of entity
Seafarms Group Limited

ABN or equivalent company reference	Half-year
ABN 50 009 317 846	31 March 2015 (Previous corresponding period: 31 March 2014)

Results for announcement to the market

				$
Revenue from ordinary activities	Up	40.0%	to	20,185,069
Net profit/(loss) for the period attributable to members	Down	9.0%	to	(3,454,050)
Profit/(Loss) from ordinary activities after tax attributable to members	Down	9.0%	to	(3,454,050)

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

	31 March 2015	31 March 2014
Net tangible asset backing (per share)	**0.07**	0.06

Seafarms Group Limited ABN 50 009 317 846
Interim report - 31 March 2015

Contents

These Financial Statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2014 and any public announcements made by Seafarms Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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
Unit 6, 31-47 Joseph Street
Blackburn North Victoria 3130

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

The financial report was authorised for issue by the Directors on 25 May 2015. The Company has the power to amend and reissue the financial report.

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

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

Directors' report

The Directors present their report on the consolidated entity consisting of Seafarms Group Limited (formerly Commodities Group Limited) and the entities it controlled at the end of, or during, the half-year 31 March 2015.

Directors
The following persons held office as Directors of Seafarms Group Limited during the financial period:

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

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

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

Company financial performance
The overall financial performance during the first half of the 2015 financial year reflects the investment being made by the Group in pursuing its expansion into aquaculture operations and the continued contraction in carbon markets as a result of changes in government and environmental regulations.

	Consolidated Half-year	
	31 March 2015 $	31 March 2014 $
Total Revenue	**20,185,069**	14,375,084
Other (losses)/gains	**(51,278)**	(397,604)
EBIT	**(4,648,447)**	(3,428,181)
Net loss after tax	**(3,454,050)**	(3,182,713)
Cash and cash equivalents	**2,685,888**	852,430

The directors do not believe that they are able to provide any further comment or predictions on the Group's future financial performance other than what was included in the Group's Market Update released to the ASX on 21 May 2015.

Review of operations
Operating results
The Group’s half-year results reflect the acquisition by the Company’s wholly-owned subsidiary, Seafarms Operations Limited (formerly Seafarms Group Limited), of one of Australia’s oldest and largest prawn farming operations in North Queensland during the last financial year and a further acquisition of a prawn farm in this period. As outlined in the Full Year Report, the political uncertainty regarding carbon pricing policies has stalled new business opportunities in the Group’s carbon project development business.

The Group’s half-year net loss after tax (NLAT) was $3,454,050 (PCP: NLAT $3,182,713). Loss before interest and tax was $4.6m (PCP: $3.4 million loss). Revenue for the six months was up 40% to $20.2 million (PCP: $14.4 million). Basic loss per share was 0.53 cents (PCP: basic loss per share 0.70 cents). No dividend was declared for the period.

Review of operations (continued)
Operating results (continued)
Normalised half-year results

	Consolidated	
	31 March 2015 $m	31 March 2014 $m
Reported half-year loss	**(3.5)**	(3.2)
Add back: Project Sea Dragon costs	**1.0**	0.2
Add back: Costs of aquaculture acquisitions expensed	**0.3**	1.2
Add back: Costs of restructuring	**0.5**	1.1
Add back: Impairment	**0.4**	-
Normalised half-year results	**(1.3)**	(0.7)

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

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

Operations
The Group has three principal operating activities which are 100% owned subsidiaries:

- Seafarm Queensland Pty Ltd ("SQPL") operates 160 hectares over 3 farms of prawn production in far north Queensland where it produces circa 1,600 metric tonnes of black tiger and banana prawns which are distributed to Australian retailers and the domestic food service industry.
- The Group acquired Farms 1 and 2 in January 2014 and Farm 3 in October 2014. These operations have been consolidated at its Cardwell production and processing hub.
- SQPL, using its Crystal Bay® prawn brand has significantly expanded its retail footprint and now offers a selection of Black Tiger and Banana prawns over fresh, refrigerated and frozen products under multiple packing and branding formats.

The Cardwell production hub also provides the platform for building the requisite management team systems, brand, logistics, science and management policy and procedures for the implementation and execution of Project Sea Dragon.

Project Sea Dragon
The project ("PSD") entails a staged development over 7 years to create a 10,000 ha export focused low cost producer of high quality Australian Black Tiger prawns. PSD plans to:

- 'Industralise' known processes and technology;
- Pursue and capture significant science upside using clear adoption pathways;
- Occupy a global production cost profile in the bottom quartile of lowest cost producers;
- Deploy an operational approach more akin to food manufacturing than farming;
- Embrace its clean sustainable biosecure credentials.

With securing the project land position, PSD is in full execution mode for the delivery of the project bankable feasibility study encompassing licence to operate pathways with Government, Indigenous communities and securing a co-investment partner or partners.

Review of operations (continued)
CO2 Australia
CO2 Australia has four operating activities, being:

- Contract management of in excess of 26,000 ha of forest carbon sinks on behalf of major Australian and International companies over long term extending to 33 years;
- CO2A operates advisory activities in the area of EIS, biosecurity offsets. The Advisory Team offers unique expertise in the field of biodiversity offsets, Geographic Information System (GIS) and spatial analysis, environmental survey and planning, and environmental management. These services and skill sets have been delivered to many private sector and government clients and are being brought to bear by the company in PSD.
- Carbon Banc is now in its third year of trading in environment, energy and carbon instruments.
- CO2 Asia controls a portfolio of clean projects located in Asia and represents a free Option of 650t per annum for 20 years.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

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

On behalf of the Directors.

Harley Ronald Whitcombe
Executive Director
Melbourne
25 May 2015

Deloitte.

Deloitte Touche Tohmatsu
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Board of Directors
Seafarms Group Limited
Unit 6, Ground Floor
31-47 Joseph Street
Blackburn North, VIC, 3130

25 May 2015

Dear Board Members

Auditor's Independence Declaration to Seafarms Group Limited

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

As lead audit partner for the review of the financial statements of Seafarms Group Limited for the half-year ended 31 March 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Genevra Cavallo

Genevra Cavallo
Partner
Chartered Accountants

	Consolidated Half-year 31 March 2015 $	31 March 2014 $
Revenue from continuing operations	**20,185,069**	14,375,084
Other gains/(losses)	**(51,278)**	(397,604)
Fair value adjustment of biological assets	**(152,901)**	403,083
Cost of goods sold	**(16,770,147)**	(8,274,682)
Loss on disposal of subsidiary	**(300,496)**	(167,649)
Employee benefits expense	**(2,491,738)**	(3,640,903)
Depreciation and amortisation expense	**(966,107)**	(628,159)
Consulting expense	**(842,745)**	(658,880)
Legal fees	**(68,716)**	(121,883)
Travel	**(254,266)**	(339,209)
Insurance	**(112,007)**	(222,220)
Rent	**(362,529)**	(470,680)
Research and development	**(391,614)**	(309,946)
Other expenses	**(1,491,052)**	(2,119,610)
Marketing	**(8,196)**	(30,954)
Aquaculture concept	**(180,252)**	(473,364)
Plantation costs	**(389,472)**	(350,605)
Finance costs	**(277,096)**	(77,882)
Loss before income tax	**(4,925,543)**	(3,506,063)
Income tax benefit	**1,471,493**	323,350
Loss for the period	**(3,454,050)**	(3,182,713)

	Cents	Cents
Loss per share		
Basic loss per share	**(0.53)**	(0.70)
Diluted loss per share	**(0.53)**	(0.70)

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

	Consolidated Half-year	
	31 March 2015 $	31 March 2014 $
Loss for the period	**(3,454,050)**	(3,182,713)
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**-**	(8,562)
Other comprehensive (loss)/income for the period, net of tax	**-**	(8,562)
Total comprehensive loss for the period	**(3,454,050)**	(3,191,275)
Total comprehensive loss for the period is attributable to:		
Owners of Seafarms Group Limited	**(3,454,050)**	(3,191,275)

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

Seafarms Group Limited
Condensed consolidated statement of financial position
As at 31 March 2015

	Consolidated	
	31 March 2015 $	30 September 2014 $
ASSETS		
Current assets		
Cash and cash equivalents	**2,685,888**	3,525,016
Trade and other receivables	**4,325,311**	2,811,046
Inventories	**6,185,053**	5,854,772
Current tax receivables	**14,316**	13,999
Other current assets	**454,437**	513,964
Accrued income	**697,684**	187,120
Biological assets	**2,719,033**	3,425,165
Other current financial assets	**319,098**	365,423
Assets classified as held for sale	**1,280,000**	-
Total current assets	**18,680,820**	16,696,505
Non-current assets		
Other financial assets	**9,354**	9,354
Property, plant and equipment	**22,898,889**	18,338,240
Deferred tax assets	**6,880,957**	11,087,839
Intangible assets	**6,279,110**	4,513,380
Non-current assets held for sale	**-**	1,280,000
Total non-current assets	**36,068,310**	35,228,813
Total assets	**54,749,130**	51,925,318
LIABILITIES		
Current liabilities		
Trade and other payables	**4,534,200**	3,469,733
Borrowings	**3,379,667**	2,113,000
Provisions	**1,038,642**	1,053,138
Deferred income	**163,139**	594,006
Total current liabilities	**9,115,648**	7,229,877
Non-current liabilities		
Borrowings	**9,405,001**	5,013,000
Provisions	**28,961**	28,871
Total non-current liabilities	**9,433,962**	5,041,871
Total liabilities	**18,549,610**	12,271,748
Net assets	**36,199,520**	39,653,570
EQUITY		
Contributed equity	**54,351,826**	54,351,826
Other reserves	**5,252,773**	5,252,773
Accumulated losses	**(23,405,079)**	(19,951,029)
Total equity	**36,199,520**	39,653,570

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

Consolidated	Issued capital $	Share-based payments reserve $	Foreign currency translation reserve $	Option premium $	Financial assets revaluation reserve $	Accumulated losses $	Total equity $
Balance at 1 October 2013	44,288,480	3,606,808	8,562	1,670,705	(24,740)	(13,301,801)	36,248,014
Loss for the half-year	-	-	-	-	-	(3,182,713)	(3,182,713)
Other comprehensive income							
Exchange differences on translation of foreign operations	-	-	(8,562)	-	-	-	(8,562)
Total comprehensive loss for the period	**-**	**-**	**(8,562)**	**-**	**-**	**(3,182,713)**	**(3,191,275)**
Balance at 31 March 2014	**44,288,480**	**3,606,808**	**-**	**1,670,705**	**(24,740)**	**(16,484,514)**	**33,056,739**
Balance at 1 October 2014	54,351,826	3,606,808	-	1,670,705	(24,740)	(19,951,029)	39,653,570
Loss for the half-year	-	-	-	-	-	(3,454,050)	(3,454,050)
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**(3,454,050)**	**(3,454,050)**
Balance at 31 March 2015	**54,351,826**	**3,606,808**	**-**	**1,670,705**	**(24,740)**	**(23,405,079)**	**36,199,520**

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

	Notes	Consolidated Half-year 31 March 2015 $	31 March 2014 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**17,684,668**	13,590,117
Payments to suppliers and employees (inclusive of goods and services tax)		**(22,304,449)**	(20,748,014)
		(4,619,781)	(7,157,897)
Interest paid		**(277,096)**	(77,882)
Income taxes refunded		**5,678,059**	-
Net cash inflow/(outflow) from operating activities		**781,182**	(7,235,779)
Cash flows from investing activities			
Payments for business acquisition	4	**(400,000)**	(7,000,000)
Payments for property, plant and equipment		**(1,285,660)**	(264,319)
Payments for other financial assets		**(31,862)**	(244,588)
Payments for intangible assets		**(2,198,847)**	-
Payments of development costs		**-**	(1,440)
Proceeds from sale of property, plant and equipment		**5,510**	-
Interest received		**474,524**	170,298
Net cash outflow from investing activities		**(3,436,335)**	(7,340,049)
Cash flows from financing activities			
Proceeds from borrowings		**4,600,000**	1,200,000
Repayment of borrowings		**(2,741,333)**	-
Loans to related parties		**(42,642)**	-
Net cash inflow from financing activities		**1,816,025**	1,200,000
Net decrease in cash and cash equivalents		**(839,128)**	(13,375,828)
Cash and cash equivalents at the beginning of the financial year		**3,525,016**	14,228,258
Cash and cash equivalents at end of period		**2,685,888**	852,430

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

1 Summary of significant accounting policies

(a) Basis of preparation of half-year report

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

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

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

Going concern

These financial statements have been prepared on the going concern basis of accounting, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

At 31 March 2015, the Group had net current assets of $9,565,172, including $2,685,888 of cash and cash equivalents. For the half-year ended 31 March 2015, the Group incurred a positive operating cash flow of $781,182 and a net loss for the period of $3,454,050.

Having regard to these results and forecasted cashflows out to May 2016, which contemplate the funding requirements to progress Project Sea Dragon, the Directors have considered the following sources of funding available to the Group:

- An equity raising is being contemplated by the Group;
- The Group is in the advanced stages of negotiations with external financiers; and
- The progress of Project Sea Dragon will be made commensurate with the funding sources available.

Based on their assessment that the above funding initiatives are achievable, the Directors are of the opinion that the going concern basis upon which the financial statements have been prepared continues to be appropriate.

(b) New accounting standards and interpretations

(i) AASB 1031 *Materiality, (2013)*
The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031 does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

(ii) AASB 2013-5 *Amendments to Australian Accounting Standards - Investment Entities*
The Group has applied the amendments to AASB 10, AASB 12 and AASB 127 for the first time in the current year. The amendments to AASB 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

1 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to AASB 12 and AASB 127 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in AASB 10 as at 1 January 2014), the application of the amendments does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

(iii) AASB 2012-3 *'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities'*
The Group has applied the amendments to AASB 132 for the first time in the current year. The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

(iv) AASB 2013-3 *'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'*
The Group has applied the amendments to AASB 136 for the first time in the current year. The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'.

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

(v) AASB 2013-4 *'Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting'*
The Group has applied the amendments to AASB 139 for the first time in the current year. The amendments to AASB 139 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

As the Group does not have any derivatives that are subject to novation, the application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

(vi) AASB 2013-9 *'Amendments to Australian Accounting Standards' - Part B: 'Materiality'*
This amending standard makes amendments to particular Australian Accounting Standards to delete references to AASB 1031, at the same time it makes various editorial corrections to Australian Accounting Standards as well. The adoption of amending standard does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

1 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

(vii) AASB 2014-1 'Amendments to Australian Accounting Standards' - *Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycle'*

The Annual Improvements 2010-2012 Cycle include a number of amendments to various AASBs, which are summarised below.

The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to AASB 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The 'Annual Improvements 2011-2013 Cycle' include a number of amendments to various AASBs, which are summarised below.

The amendments to AASB 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132.

The amendments to AASB 140 clarify that AASB 140 and AASB 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

1 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

(a) the property meets the definition of investment property in terms of AASB 140; and
(b) the transaction meets the definition of a business combination under AASB 3.

2 Segment information

(a) Description of segments

Business segments

Carbon Services

The establishment and management of carbon sinks throughout Southern 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.

Aquaculture

Development of a large scale land based aquaculture project in Northern Australia by Seafarms Operations Limited, acquired 20 August 2012, and prawn aquaculture operations in North Queensland, acquired 6 January 2014 and 31 October 2014.

Other

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

(b) Primary reporting format - business segments

Half-year 31 March 2015	**Carbon services $**	**Aquaculture $**	**Other $**	**Consolidated $**
Segment revenue				
Sales to external customers	4,174,463	14,978,726	564,158	19,717,347
Total sales revenue	4,174,463	14,978,726	564,158	19,717,347
Other revenue	-	1,040	466,682	467,722
Total segment revenue	4,174,463	14,979,766	1,030,840	20,185,069
Consolidated revenue				20,185,069
Segment profit/(loss)				
Segment profit/(loss)	**107,971**	**(2,619,430)**	**485,890**	(2,025,569)
Central administration and directors' salaries				(2,899,974)
Loss before income tax				(4,925,543)
Income tax benefit				1,471,493
Loss for the year				(3,454,050)
Segment assets at 31 March 2015				
Segment assets	**12,629,346**	**32,805,744**	**87,500**	45,522,590
Unallocated assets				9,226,540
Total assets				54,749,130

2 Segment information (continued)

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

Half-year 31 March 2014	**Carbon services**	**Aquaculture**	**Other**	**Consolidated**
	$	**$**	**$**	**$**
Segment revenue				
Sales to external customers	12,582,751	1,152,759	510,873	14,246,383
Total sales revenue	12,582,751	1,152,759	510,873	14,246,383
Other revenue	-	-	128,701	128,701
Total segment revenue	12,582,751	1,152,759	639,574	14,375,084
Consolidated revenue				14,375,084
Segment profit/(loss)				
Segment profit/(loss)	**2,914,934**	**(2,794,878)**	**(88,267)**	31,789
Central administration and directors' salaries				(3,537,852)
Loss before income tax				(3,506,063)
Income tax benefit				323,350
Loss for the half- year				(3,182,713)
Segment assets at 30 September 2014				
Segment assets	**13,367,460**	**23,657,258**	**69,826**	37,094,544
Unallocated assets				14,830,774
Total assets				51,925,318

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

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

3 Issuances, repurchases and repayments of equity securities

During the half year reporting period, Seafarms Group Limited did not issue any ordinary shares (2014: Nil).

4 Business combination

(a) Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred
			(%)	$
2015				
Coral Seafarms Pty Ltd	Aquaculture	31-10-2014	-	4,200,000
Total				4,200,000
2014				
Seafarm Pty Ltd	Aquaculture	06-01-2014	-	11,226,000
Total				11,226,000

On 31 October 2014 the Group, via its wholly-owned subsidiary Seafarms Hinchinbrook Pty Ltd, completed the acquisition of the business and assets of the Queensland prawn aquaculture company Coral Seafarms Pty Ltd situated 45 km from Cardwell, for consideration of $4,200,000. The acquisition will increase the Group's market share of the domestic prawn market and reduce costs through economies of scale.

(b) Consideration transferred

	Seafarm Pty Ltd $	Coral Seafarms Pty Ltd $
2015		
Cash paid	-	400,000
Vendor finance	-	3,800,000
Total	-	4,200,000
2014		
Cash paid	7,000,000	-
Vendor finance	4,226,000	-
Total	11,226,000	-

Interest on the vendor finance is fixed at 7.5%, payable quarterly (2014: 7.5% payable monthly). The principal is repayable in 12 quarterly instalments (2014: 2 annual instalments).

4 Business combination (continued)

(c) Assets acquired and liabilities assumed at the date of acquisition

2015	**Seafarm Pty Ltd $**	**Coral Seafarms Pty Ltd $**
Property, plant and equipment	-	1,275,133
Land	-	260,000
Buildings	-	269,236
Ponds	-	2,395,631
Net assets acquired	-	4,200,000

2014	**Seafarm Pty Ltd $**	**Coral Seafarms Pty Ltd $**
Inventories	926,000	-
Property, plant and equipment	4,325,000	-
Land	1,750,000	-
Buildings	498,000	-
Ponds	4,027,000	-
Provision for employee benefits	(300,000)	-
Net assets acquired	11,226,000	-

The initial accounting for the acquisition of the assets of Coral Seafarms Pty Ltd has only been provisionally determined at the end of the reporting period. For tax purposes, the tax values of the assets are required to be reset based on market values of the assets. At the date of finalisation of these consolidated financial statements, the necessary market valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the directors' best estimate of the likely tax values.

The accounting for the acquisition of Seafarm Pty Limited is no longer provisional. No adjustment has been made to the assets acquired after finalisation of tax matters.

4 Business combination (continued)

(d) Goodwill arising on acquisition

2015	**Seafarm Pty Ltd $**	**Coral Seafarms Pty Ltd $**
Consideration transferred	-	4,200,000
Less: fair value of identifiable net assets acquired	-	(4,200,000)
Goodwill arising on acquisition	-	-

2014		
Consideration transferred	11,226,000	-
Less: fair value of identifiable net assets acquired	(11,226,000)	-
Goodwill arising on acquisition	-	-

(e) Net cash flow on acquisition of subsidiaries

	Consolidated Half-year	
	31 March 2015 $	31 March 2014 $
Consideration paid in cash	**(400,000)**	(7,000,000)
	(400,000)	(7,000,000)

Acquisition-related costs of $285,452 (2014: $1,238,409) are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

(f) Impact of acquisitions on the results of the Group

The acquired business contributed revenues of $1,835,629 and a net profit of $340,292 (including acquisition-related costs of $285,452) to the Group for the period from 31 October 2014 to 31 March 2015. If the acquisition had occurred on 1 October 2014, consolidated revenue and consolidated loss for the half-year ended 31 March 2015 would have been the same as reported above, as the farm was not in production when purchased.

5 Fair value measurement

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

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

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

Trading derivatives of $362,357 (30 September 2014 $455,387) are valued using quoted prices in an active market, which are considered Level 1 in the fair value measurement hierarchy.

Biological assets of $2,719,033 (30 September 2014 $3,425,164) are valued utilising unobservable inputs including the harvest weight of prawns, mortality rates, processing costs and the sale price of harvested prawns to customers. These are considered Level 3 inputs in the fair value measurement hierarchy set out in AASB13, *Fair Value Measurement.*

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

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

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

(c) Reconciliation of Level 3 fair value measurements

Biological assets have an opening balance of $3,425,164 and closing balance of $2,719,033. Movement in biological assets due to harvesting and re-stocking during the period was ($553,230). There was a fair value loss recognised in the profit or loss of $152,901.

6 Related party transactions

(a) Loans to/from related parties

During the period the Group extended a $5 million credit facility with Avatar Finance Pty Ltd, a company owned by Mr Ian Trahar, Chairman of the Group, to $7.5 million. The amounts advanced and interest charged are disclosed in the following table:

	Consolidated	
	31 March 2015 $	30 September 2014 $
Loan from Avatar Finance Pty Ltd		
Beginning of the year	**2,900,000**	-
Loans advanced	**4,600,000**	2,900,000
Interest charged	**166,171**	94,746
Interest paid	**(166,171)**	(94,746)
End of period	**7,500,000**	2,900,000

(b) Terms and conditions

The facility is provided on normal commercial terms and conditions and at market rates, and is to be repaid on 31 October 2016. The average interest rate on the loan during the period was 7.38% (2014: 6.68%).

7 Events occurring after the reporting period

There has been no matter or circumstance that has arisen since 31 March 2015 that has significantly affected, or may significantly affect:

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

In the Directors' opinion:

(a) the interim financial statements and notes set out on pages 8 to 22 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 March 2015 and of its performance for the half-year on that date, and

(b) the interim financial statements and notes set out on pages 8 to 22 are also in accordance with the international financial reporting standards issued by the International Accounting Standard Board

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

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

Harley Ronald Whitcombe
Executive Director
Melbourne

25 May 2015

Deloitte.

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

We have reviewed the accompanying half-year financial report of Seafarms Group Limited which comprises the condensed consolidated statement of financial position as at 31 March 2015, and the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 23.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Seafarms Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Seafarms Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Genevra Cavallo

Genevra Cavallo
Partner
Chartered Accountants
Melbourne, 25 May 2015