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4 December 2014

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ANNOUNCEMENT 426

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Dear Sir

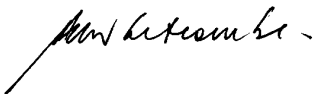
**Commodities Group Annual Report -  
Year Ended 30 September 2014**

Enclosed is Commodities Group's Annual Report for the financial year ended 30 September 2014.

The Company will release separately a comprehensive market release.

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

Yours faithfully  
**Commodities Group Limited**



Harley Whitcombe  
Company Secretary

ENC

# **Commodities Group Limited**

ABN 50 009 317 846

## **Annual report for the year ended 30 September 2014**

**Commodities Group Limited** ABN 50 009 317 846  
**Annual report - 30 September 2014**

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**Commodities Group Limited  
Corporate directory**

**Directors**

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

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

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

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

**Secretary**

Harley Ronald Whitcombe B.Bus, CPA

**Principal registered office in Australia**

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

**Share registry**

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

**Auditor**

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

**Bankers**

Australia and New Zealand Banking Group Limited  
77 St Georges Terrace  
Perth, Western Australia 6000

**Stock exchange listing**

Commodities Group Limited shares are listed on the  
Australian Stock Exchange. Home Exchange - Perth.

ASX Code - COZ

**Website**

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

## Directors' report

The Directors present their report together with the financial statements of Commodities Group Limited (referred to hereafter as the Group) consisting of Commodities Group Limited and the entities it controlled at the end of or during the year ended 30 September 2014.

### Directors

The following persons were Directors of Commodities Group Limited during the whole of the financial year and up to the date of this report:

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

Andrew Grant was Chief Executive Officer and an Executive Director until his resignation on 21 January 2014.

### Principal activities

The Group's principal continuing activity during the year consisted of aquaculture project development, aquaculture operations, carbon project management (Australia, New Zealand and Vietnam), the provision of environmental services (advisory in ecosystem offsets and carbon farming projects), and trading environmental credits.

### Review of operations

The Group has reported a loss for the year after taxation of \$6,649,228 (2013: loss \$6,779,523).

A summary of consolidated revenues and results for the year by significant industry segments is set out below:

	Segment revenues		Segment results	
	2014	2013	2014	2013
Consolidated	\$	\$	\$	\$
Carbon services	17,382,355	43,745,896	1,440,089	579,072
Aquaculture	4,979,411	5,593	(4,005,648)	(5,588,886)
Other	1,330,727	1,588,502	35,029	804,179
Total segment revenue/result	<b>23,692,493</b>	45,339,991	<b>(2,530,530)</b>	(4,205,635)

Segment results are adjusted earnings before interest and tax, which is the measure of segment result that is reported to the strategic steering committee to assess the performance of the operating segments.

Comments on the operations and the results of those operations are set out below:

#### **Carbon Services**

The Group delivered a profitable result at the operating level across its portfolio of carbon, trading and environmental activities.

##### *Carbon services*

The company successfully delivered major biodiversity plantings in Western Australia, New South Wales and Victoria for the Commonwealth Government and Parks Victoria.

Our major program of work to transition the carbon projects we manage into the Carbon Farming Initiative and to create ACCUs continued with a very large body of work successfully completed. The company has an exemplary record in managing the complex processes of in-field sampling and measurement, preparation of off-sets reports, carbon audit prior to ACCU issuance.

## Review of operations (continued)

### **Carbon Services (continued)**

#### *Carbon services (continued)*

With the recent passage of the legislation to implement the Australian Government's Direct Action package, these projects will remain able to produce ACCUs.

The company restructured its operations to ensure that it allocates appropriate resources to the contracted management of its plantations.

#### *Advisory services*

CO2 Australia's dedicated team of environmental and technical professionals continue to deliver outstanding service to their blue-chip clients. The advisory team specialises in a number of areas, notably biodiversity offsets in which both State and Commonwealth requirements need to be met. The pipeline of resource projects particularly in Queensland translates to a continuing need for CO2 Australia's services.

#### *Trading*

Carbon Banc continues to selectively trade a range of instruments. Returns throughout 2014 were volatile driven in part by the nature of the instruments but also the contested policy domain which underlies the creation of some certificates. In particular the REC market faced challenges as a result of the Warburton Review and associated media commentary. Nonetheless, trading in the voluntary sector and through compliance carbon instruments offered opportunities well-captured by the company. Environmental trading represents a very dynamic space and the Board retains a close oversight of all trading activities with a preparedness to respond to changes quickly.

### **Aquaculture**

Our aquaculture business Seafarms Group Limited (Seafarms) has had a company-defining year having undertaken significant acquisitions, commenced farming operations, continued to advance its major greenfield project and been awarded a major R&D grant. Seafarms reported a loss for the period but with farming operations producing a small start-up year profit and with an earnings growth outlook expects to be able to fund the final planning of Project Sea Dragon over the next year.

#### *Farming Operations*

Seafarms commenced its first prawn farming operations this year after successfully acquiring two farm assets in North Queensland and combining them into a single operation. The two acquisitions comprising a hatchery in Innisfail, two growout farms and a processing plant in Cardwell as well as another growout farm in Ingham has given Seafarms a large-scale integrated hatchery-growout-processing hub which is now Australia's largest producer of farmed prawns.

Due to the timing of the acquisitions, the growout production was only operated for about half of this financial year and produced around 600 tonnes of fresh and cooked prawns sold into Australian and some export markets.

Seafarms produces two types of prawns: bananas and black tigers sold under the unique Crystal Bay™ Prawns brand which are available in supermarkets, seafood markets and wholesalers and can be found on the menus at many fine restaurants across Australia.

Having established a major prawn farming operation in Queensland, Seafarms has continued to look for other strategic opportunities to grow and make the business more efficient.

#### *Project Sea Dragon*

Seafarms has continued to develop its plans to leverage from our Queensland farming operations platform into a world-class greenfield development in northern Australia via the company's Project Sea Dragon. Project Sea Dragon, a 100,000 tonne per annum prawn farming operation has continued to progress through feasibility studies and the company is well advanced in securing land tenure arrangements in several preferred locations in northern Australia. Upon securing land on one of more of these sites, Seafarms is targeting to receive planning & environmental permits in the 2014-15 year with an outlook to commencing operations in 2017-18.

**Review of operations (continued)**

***Aquaculture (continued)***

*Research & Development*

Also significant this year and an integral step to advancement of both our Queensland operations and Project Sea Dragon was the Australian Research Councils' award of a prestigious funding grant to a research consortium that will map the genome of the Black Tiger Prawn, in which Seafarms is the industry partner.

This \$5M *Industrial Transformation Research Hub* program - led by Townsville's James Cook University and involving CSIRO, the Australian Genome Research Facility, Sydney University and the Vlaams Instituut voor Biotechnologie in Belgium - will for the first time link the genetics of the black tiger prawn to the selection of superior breeds. Seafarms' hub of aquaculture assets situated in the Ingham-Cardwell region will be the industry research laboratories for the project that will lead to the most advanced selective breeding program in the world, transforming the productivity of Australian prawn farming operations for this important aquaculture species globally.

Seafarms' Exmouth operations site continues to be upgraded and following receipt of permits from the Western Australian government will be used to quarantine, hold and test wild-caught prawn broodstock for translocation and introduction into Seafarms breeding programs, genomic research and founder population development for Project Sea Dragon.

**Significant changes in the state of affairs**

Contributed equity increased by \$10,063,346 (from \$44,288,480 to \$54,351,826) as the result of a rights issue. Details of the changes in contributed equity are disclosed in note 30 to the financial statements.

**Matters subsequent to the end of the financial year**

Since 30 September 2014 Commodities Group Limited has acquired the assets and business of Coral Seafarms Pty Ltd, a prawn farm 45 km from Seafarm Queensland Pty Ltd for cash consideration of \$4,200,000. The vendor has provided \$3,800,000 finance repayable over 3 years.

The fair value of the net identifiable assets of the Company at the date of acquisition has been provisionally determined to be \$4,200,000 and accordingly there is no purchased goodwill.

Except for the new acquisition discussed above, no other matter or circumstance has arisen since 30 September 2014 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

**Likely developments and expected results of operations**

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

## Information on directors

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

### **Experience and expertise**

Mr Trahar has a resource and finance background. He is a director and significant shareholder of Avatar Industries Pty Ltd, an unlisted public company. Ian is a member of the Australian Institute of Company Directors.

### **Other current directorships**

None.

### **Former directorships in last 3 years**

None.

### **Special responsibilities**

Chair of the board.

Member of the audit committee.

Member of remuneration committee.

### **Interests in shares and options**

329,706,461 shares in Commodities Group Limited.

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

### **Experience and expertise**

Mr Whitcombe has had many years' commercial and finance experience, providing company secretarial services to publicly listed companies. He is a member of the Australian Institute of Company Directors.

### **Other current directorships**

None.

### **Former directorships in last 3 years**

None.

### **Special responsibilities**

Chief Financial Officer of Commodities Group Limited & Company Secretary.

### **Interests in shares and options**

12,013,259 ordinary shares in Commodities Group Limited.

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

### **Experience and expertise**

Dr Mitchell has a PhD in biology from the University of Melbourne, is a graduate of the Australian Institute of Company Directors and has a 20 year involvement in Australian and international climate change research. He is an Adjunct Professor at the School of Environmental Science Murdoch University. Prior to joining the Group full time Dr Mitchell was Foundation Director of the Centre for Australian Weather and Climate Research, a partnership between CSIRO and the Bureau of Meteorology, and was CEO of the Cooperative Research Centre for Greenhouse Accounting. He chaired the Victorian Climate Change Minister's Reference Council on Climate Change Adaptation and is on the CSIRO's Environment and Natural Resources Sector Advisory Committee.



**Information on directors (continued)**

**Other current directorships**

None.

**Former directorships in last 3 years**

None.

**Special responsibilities**

Member of the audit committee.

Member of remuneration committee.

**Interests in shares and options**

1,903,050 ordinary shares in Commodities Group Limited.

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

**Experience and expertise**

Mr Favretto was previously Managing Director of Avatar Industries Limited. Before that Mr Favretto worked for 20 years in the financial services industry holding senior management positions with Citibank Limited (1976 to 1985) and Bankers Trust Australia Limited (1986 to 1994).

**Other current directorships**

None.

**Former directorships in last 3 years**

None.

**Special responsibilities**

Chairman of remuneration committee.

Chairman of audit committee.

**Interests in shares and options**

30,000,000 ordinary shares in Commodities Group Limited.

**Company secretary**

The Company secretary is Mr Harley Ronald Whitcombe B.Bus, CPA. Mr Whitcombe was appointed to the position of Company secretary on 12 November 2001. Mr Whitcombe has had many years' commercial and finance experience, providing company secretarial services to publicly listed companies. He is a member of the Australian Institute of Company Directors.

**Meetings of directors**

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 September 2014, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees			
	A	B	Audit		Remuneration	
	A	B	A	B	A	B
Ian Norman Trahar	12	14	2	2	1	1
Harley Ronald Whitcombe	14	14	-	-	-	-
Andrew William Thorold Grant	4	5	-	-	-	-
Dr Christopher David Mitchell	14	14	2	2	-	1
Paul John Favretto	14	14	2	2	1	1

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

## **Retirement, election and continuation in office of directors**

### **Remuneration report (audited)**

The Directors are pleased to present your Company's 2014 remuneration report which sets out remuneration information for Commodities Group Limited's non-executive Directors, executive Directors and other key management personnel.

#### ***Non-executive director remuneration policy***

The shareholders of Commodities Group Limited on 24 February 2012 approved, for the purposes of the ASX Listing Rules and Commodities Group's Constitution, an increase in the maximum aggregate directors' fees to \$400,000, with such fees to be allocated to the directors as the board of directors may determine.

The Board determines the remuneration payable to the non-executive directors. The remuneration covers the non-executive directors for both their work as a director and as a member of any committees.

The Remuneration Committee determines the remuneration of all non-executive directors, none of whom have service contracts with the company.

#### ***Executive remuneration policy and framework***

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitive and reasonable, enabling the company to attract and retain key talent;
- aligned to the company's strategic and business objectives and the creation of shareholder value;
- performance linkage / alignment of executive compensation;
- transparent; and
- acceptable to shareholders.

Alignment to shareholders' interests:

- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience; and
- provides recognition for contribution.

The board has established a remuneration committee which makes recommendations to the board on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non executive directors. The Corporate Governance Statement provides further information on the role of this committee.

The executive remuneration and reward framework has three components:

- base pay and benefits, including superannuation
- short-term performance incentives, and
- long-term incentives through participation in the CO2 Employee Option Plan.

The combination of these comprises an executive's total remuneration. The Group intends to conduct a review of the incentive plans during the year ending 30 September 2015 to ensure continued alignment with financial and strategic objectives.

#### ***Base pay and benefits***

Executives receive their base pay and benefits structured as a total employment cost (TEC) package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

**Remuneration report (audited) (continued)**

***Executive remuneration policy and framework (continued)***

*Base pay and benefits (continued)*

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

*Short-term incentives*

If the Group achieves a pre-determined profit target set by the remuneration committee, a short-term incentive (STI) pool is available to executives and other eligible participants. Cash incentives (bonuses) are payable on 15 November each year. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. The distribution of the STI pool is at the discretion of the Executive Chairman.

*Long-term incentives*

Long-term incentives are provided to certain employees via the Commodities Group Limited Employee Incentive Plan which was approved by shareholders at the 2010 annual general meeting.

The Commodities Group Limited Employee Incentive Plan is designed to provide long-term incentives ("LTI") for executives to deliver long-term shareholder returns. Under the plan, participants are granted Performance Rights which only vest if certain performance conditions are met and the employees are still employed by the Group at the end of the vesting period. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

There are three tranches of Performance Rights each with a different vesting condition. The first tranche was dependent upon the employee still being employed by the Group on 30 September 2012. The second tranche vested on 1 February 2013 as the audited results for the prior financial year produce an average ROCE of 25% or greater. The ROCE calculation is modified to exclude bank balances and deferred income from the average capital employed, and interest income and profit on sale of fixed assets from EBIT. The final tranche of Performance Rights did not vest on 1 February 2014 because the average ROCE for the 24 month period to 30 September 2013 was not 25% or greater.

***(a) Voting and comments made at the company's 2013 Annual General Meeting***

Commodities Group Limited received more than 98% of "yes" votes on its remuneration report for the 2013 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

***(b) Details of remuneration***

*Amounts of remuneration*

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) of Commodities Group Limited and the Group are set out in the following tables.

The key management personnel of Commodities Group Limited includes the directors as listed below:

- Ian Norman Trahar (Chairman and Executive Director)
- Andrew William Thorold Grant (Chief Executive Officer and Executive Director until his resignation on 21 January 2014)
- Harley Ronald Whitcombe (Executive Director and Company Secretary)
- Dr Christopher David Mitchell (Executive Director)
- Dr Malcolm Brian Hemmerling (Non-executive Director until his resignation 26 July 2013)
- Paul John Favretto (Non-executive Director)

In addition to the directors the following executives that report directly to the Board are key management personnel:

**Remuneration report (audited) (continued)**

**(b) Details of remuneration (continued)**

*Amounts of remuneration (continued)*

- Aaron Soanes (Director and General Manager of Operations, CO2 Australia Limited)
- Dr James Bulinski (Director, CO2 Australia Limited)
- Dallas Donovan (Chief Operating Officer, Seafarms Group Limited)
- Paul Thomas (Sales Director, CO2 Australia Limited, until 31 July 2013)

The following tables show details of the remuneration received by the Directors and the key management personnel of the Group for the current and previous financial year.

2014	Short-term employee benefits		Post-em	Long-	Share-based payments			Total
	Cash salary and fees	Cash bonus*	Non-monetary benefits	employment benefits	term benefits	Termination benefits	Performance rights	
Name	\$	\$	\$	Super-annuation	Long service leave	\$	\$	\$
Non-executive Directors								
P Favretto	35,200	-	-	24,922	-	-	-	60,122
<b>Sub-total non-executive directors</b>	<b>35,200</b>	<b>-</b>	<b>-</b>	<b>24,922</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,122</b>
Executive Directors								
I Trahar	240,450	-	-	23,529	4,388	-	-	268,367
H Whitcombe	291,641	-	-	27,172	4,942	-	-	323,755
A Grant (until 21 January 2014)	136,075	-	20,881	44,389	-	563,771	-	765,116
C Mitchell	244,398	-	19,779	22,760	4,460	-	-	291,397
Other key management personnel (Group)								
A Soanes	201,983	-	-	18,796	3,285	-	-	224,064
J Bulinski	182,160	-	15,888	16,964	3,324	-	-	218,336
D Donovan (from 1 October 2013)	241,500	15,000	-	23,877	4,407	-	-	284,784
<b>Total key management personnel compensation (Group)</b>	<b>1,573,407</b>	<b>15,000</b>	<b>56,548</b>	<b>202,409</b>	<b>24,806</b>	<b>563,771</b>	<b>-</b>	<b>2,435,941</b>

\* The cash bonus was paid to D Donovan on 23 December 2013 for successfully negotiating the purchase of the business and assets of Seafarm Pty Ltd (refer to note 36).

**Remuneration report (audited) (continued)**

**(b) Details of remuneration (continued)**

2013	Short-term employee benefits		Post-em	Long-term	Share-based payments		Total
	Cash salary and fees	Non-monetary benefits	ployment Super-annuation	benefits Long service leave	Termination benefits	Performance rights	
Name	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive Directors</b>							
M B Hemmerling (retired 26 July 2013)	41,711	-	7,929	-	-	-	49,640
P Favretto	33,383	-	26,601	-	-	-	59,984
<b>Sub-total non-executive directors</b>	<b>75,094</b>	<b>-</b>	<b>34,530</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109,624</b>
<b>Executive Directors</b>							
I Trahar	239,156	-	23,529	4,378	-	-	267,063
H Whitcombe	295,184	-	33,756	4,931	-	-	333,871
A Grant (until 21 January 2014)	406,028	33,900	36,798	7,433	-	74,522	558,681
C Mitchell	240,322	11,011	27,014	4,450	-	37,261	320,058
<b>Other key management personnel (Group)</b>							
A Soanes	233,450	-	21,156	5,135	-	18,630	278,371
J Bulinski	182,700	15,041	16,557	4,018	-	18,630	236,946
P Thomas (until 31 July 2013)	186,957	-	17,519	-	32,138	-	204,476
<b>Total key management personnel compensation (Group)</b>	<b>1,858,891</b>	<b>59,952</b>	<b>210,859</b>	<b>30,345</b>	<b>32,138</b>	<b>149,043</b>	<b>2,309,090</b>

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

**Consolidated**

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2014	2013	2014	2013	2014	2013
	%	%	%	%	%	%
<b>Executive Directors of Commodities Group Limited</b>						
I Trahar	100%	100%	-%	-%	-%	-%
H Whitcombe	100%	100%	-%	-%	-%	-%
A Grant	100%	87%	-%	-%	-%	13%
C Mitchell	100%	88%	-%	-%	-%	12%
<b>Other key management personnel of the group</b>						
A Soanes	100%	93%	-%	-%	-%	7%
J Bulinski	100%	92%	-%	-%	-%	8%
D Donovan	100%	-%	-%	-%	-%	-%
P Thomas (until 31 July 2013)	-%	100%	-%	-%	-%	-%

**(c) Service agreements**

Remuneration has been determined after the Remuneration Committee, for executive directors, and the Board, for group executives, has investigated current market terms and conditions.

The Remuneration Committee will continue to revise the remuneration practices and develop policy for future appointments and determine performance-based salary increases and bonuses, bearing in mind the size of the Group and the need to ensure quality staff are employed and retained.

**Remuneration report (audited) (continued)**

**(c) Service agreements (continued)**

I Trahar, H Whitcombe, Executive Directors:

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer may terminate employment on giving twelve months notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to 100% of base salary for the unexpired period of notice. The employee may terminate on giving three months notice.

A Grant Chief Executive Officer of Commodities Group Limited and Managing Director of subsidiary CO2 Australia Limited (until 21 January 2014) and C Mitchell, Executive Director and Managing Director of CO2 Australia Limited (from 21 January 2014):

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer may terminate employment on giving six months notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to six months of base salary for the unexpired period of notice;
- In the event of redundancy, six months base salary is to be paid plus payment equivalent to three weeks of base salary for each completed year of service;
- Salary-packaged motor vehicle is included.

A Soanes Director and Manager of Operations, CO2 Australia Limited:

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer or employee may terminate employment on giving one months notice;
- In the event of redundancy, three months base salary is to be paid plus payment equivalent to two weeks of base salary for each completed year of service;

J Bulinski Director, CO2 Australia Limited

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer or employee may terminate employment on giving one months notice;

D Donovan Chief Operating Officer, Seafarms Group Limited

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer or employee may terminate employment on giving one months notice;

**(d) Share-based compensation**

No options over ordinary shares in the company were provided to any director or key management personnel of the parent entity or the Group during the year (2013: Nil). Additionally, the final tranche of Performance Rights did not vest during the year as the performance conditions were not achieved. There are currently no option or share schemes that may affect remuneration in future reporting periods.

*Shares provided on exercise of options*

No shares were provided to any Director of Commodities Group Limited or other Key Management Personnel on exercise of options during the financial year.

**Remuneration report (audited) (continued)**

**(d) Share-based compensation (continued)**

*Shares provided on exercise of options (continued)*

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the last five financial periods:

	Year ended 30 September 2014		Year ended 30 September 2013		Year ended 30 September 2012		Year ended 30 September 2011		15 months period ended 30 September 2010	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	23,692,492	45,339,991	64,263,790	35,424,605	27,714,064					
Net profit/(loss) before tax	(8,045,200)	(10,735,144)	7,045,442	2,206,062	(4,701,603)					
Net profit/(loss) after tax	(6,649,228)	(6,779,523)	4,912,698	1,549,727	(345,464)					

	30 September 2014	30 September 2013	30 September 2012	30 September 2011	30 September 2010
Share price at start of year	6c	10c	16c	20c	34c
Share price at end of year	6c	6c	10c	16c	20c
Dividend	-	-	-	-	-
Basic earnings/(loss) per share	(1.36)c	(1.50)c	1.19cps	0.52cps	(1.20)cps
Diluted earnings/(loss) per share	(1.36)c	(1.50)c	1.12cps	0.42cps	(1.20)cps

Changes in the wealth of the business prior to the 2012 financial year bore no relationship to the remuneration of key management personnel. On 31 August 2011, shareholders approved the Commodities Group Limited Employee Incentive Plan. Under the Plan, eligible participants were granted Performance Rights to acquire ordinary shares in Commodities Group Limited, subject to satisfying any vesting conditions. The Plan commenced on 30 September 2011, and terminated 1 February 2014.

**(e) Equity instrument disclosures relating to key management personnel**

*(i) Option holdings*

The numbers of options over ordinary shares in the Company and rights to deferred shares granted under the executive short-term incentive scheme that were held during the financial year by each Director of Commodities Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. No options were held or issued at any time to Directors of Commodities Group Limited and other key management personnel during the year ended 30 September 2014.

Consolidated 2013 Name	Balance at start of the year	Granted as compensation		Other changes	Balance at end of the year	Vested and exercisable	Unvested
		Exercised					
<b>Directors of Commodities Group Limited</b>							
I N Trahar	-	-	-	-	-	-	-
H R Whitcombe	-	-	-	-	-	-	-
A W T Grant	-	-	-	-	-	-	-
M B Hemmerling*	1,500,000	-	(1,500,000)	-	-	-	-
C D Mitchell	3,000,000	-	(3,000,000)	-	-	-	-
P J Favretto	-	-	-	-	-	-	-
<b>Other key management personnel of the Group</b>							
A J Soanes	500,000	-	(500,000)	-	-	-	-
J Bulinski	400,000	-	(400,000)	-	-	-	-
P Thomas (until 31 July 2013)	-	-	-	-	-	-	-

\*Resigned 26 July 2013

**Remuneration report (audited) (continued)**

**(e) Equity instrument disclosures relating to key management personnel (continued)**

*Share holdings*

The numbers of shares in the Company held during the financial year by each Director of Commodities Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

<b>Consolidated 2014</b>	<b>Balance at the start of the year</b>	<b>Received during the year on the exercise of options</b>	<b>Received on vesting of rights to deferred shares</b>	<b>Other changes during the year</b>	<b>Balance at end of the year</b>
<b>Name</b>					
<b>Directors of Commodities Group Limited</b>					
<b>Ordinary shares</b>					
I N Trahar	214,673,321	-	-	115,033,140	329,706,461
H R Whitcombe	12,013,259	-	-	-	12,013,259
A W T Grant (until 21 January 2014)	6,985,032	-	-	-	6,985,032
C D Mitchell	1,903,050	-	-	-	1,903,050
P J Favretto	20,730,720	-	-	9,269,280	30,000,000
<b>Other key management personnel of the Group</b>					
<b>Ordinary shares</b>					
A J Soanes	1,931,525	-	-	-	1,931,525
J Bulinski	931,525	-	-	-	931,525
D Donovan (from 1 October 2013)	-	-	-	-	-

<b>Consolidated 2013</b>	<b>Balance at the start of the year</b>	<b>Received during the year on the exercise of options</b>	<b>Received on vesting of rights to deferred shares</b>	<b>Other changes during the year</b>	<b>Balance at end of the year</b>
<b>Name</b>					
<b>Directors of Commodities Group Limited</b>					
<b>Ordinary shares</b>					
I N Trahar	214,673,321	-	-	-	214,673,321
H R Whitcombe	12,013,259	-	-	-	12,013,259
A W T Grant (until 21 January 2014)	5,121,982	-	-	1,863,050	6,985,032
M B Hemmerling*	575,625	-	-	-	575,625
C D Mitchell	971,525	-	-	931,525	1,903,050
P J Favretto	20,730,720	-	-	-	20,730,720
<b>Other key management personnel of the Group</b>					
<b>Ordinary shares</b>					
A J Soanes	1,465,763	-	-	465,762	1,931,525
J Bulinski	465,763	-	-	465,762	931,525
P Thomas (until 31 July 2013)	-	-	-	-	-

\*Resigned 26 July 2013

**Loans to key management personnel**

There are no loans made to directors of Commodities Group Limited and other key management personnel.

**Shares under option**

There are no unissued ordinary shares of Commodities Group Limited under option at the date of this report.



**Shares under option (continued)**

The company has in issue 30,150,190 convertible preference shares that have not been exercised. For further information relating to the convertible preference shares, please refer to note 30(d).

**Shares issued on achievement of performance hurdles**

The Group did not issue any ordinary shares in the financial year as performance hurdles were not achieved.

The following ordinary shares of Commodities Group Limited were issued during the year ended 30 September 2013 on the achievement of hurdles set by the Commodities Group Limited Employee Incentive Plan, as detailed earlier in this Remuneration Report. No further shares have been issued since that date.

<b>Date Rights vested</b>	<b>Issue price of shares</b>	<b>Number of shares issued</b>
<b>1 February 2013</b>	\$0.11	4,571,861
		4,571,861

Of the 4,571,861 ordinary shares referred to above, 845,762 were issued to employees other than Key Management Personnel.

**Insurance of officers**

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Mr H R Whitcombe, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

**Non-audit services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined at note 33 to the financial statements.

**Dividends - Commodities Group Limited**

The Directors of Commodities Group Limited do not recommend the payment of a dividend for the year ending 30 September 2014 (2013: Nil).

**Auditor's independence declaration**

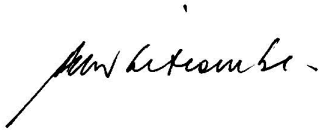
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 16.

**Rounding of amounts**

**Auditor**

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2) of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'Harley Ronald Whitcombe', with a long horizontal stroke extending to the left.

Harley Ronald Whitcombe  
Melbourne  
4 December 2014

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

4 December 2014

Dear Board Members

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

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

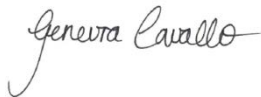
As lead audit partner for the audit of the financial statements of Commodities Group Limited for the financial year ended 30 September 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



Genevra Cavallo  
Partner  
Chartered Accountants

## **Corporate Governance Statement**

Commodities Group Limited (the Company) and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

As has been noted in previous financial reports and on the Company's web site the board acknowledges the Principles of Good Corporate Governance and Best Practice Recommendations set by the Australian Stock Exchange ("ASX") Corporate Governance Council. The board, since the last full year Financial Report, has continued to monitor those areas of the Best Practice Recommendations which had not been adopted. The board continues to hold the view that with the company's current size and extent and nature of operations that full adoption of the best practice recommendations is currently not practical. The board will continue to work towards full adoption of the recommendations in line with the growth and development of the company in the years ahead. The board does actively monitor the ASX corporate governance recommendations as the company changes in profile and size. They comply with the ASX Corporate Governance Principles and Recommendations.

The relationship between the board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

### **Responsibilities**

The responsibilities of the board include:

- providing strategic guidance to the Group including contributing to the development of and approving the corporate strategy
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives
- overseeing and monitoring:
  - organisational performance and the achievement of the Group's strategic goals and objectives
  - compliance with the company's Code of conduct (see page 20)
  - progress in relation to the company's diversity objectives and compliance with its diversity policy
- monitoring financial performance including approval of the annual and half-year financial statements and liaison with the company's auditors
- appointment, performance assessment and, if necessary, removal of the Chief Executive Officer
- enhancing and protecting the reputation of the organisation
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders

### **The Roles of the Board and Management**

The company is currently managed by the executive directors and as a consequence there has been no separation of duties.

The board operates in accordance with the broad principles set out in its charter which is available from the corporate governance section of the company website at [www.co2australia.com.au](http://www.co2australia.com.au). The charter details the board's composition and responsibilities.

### **Board composition**

- The board shall comprise at least three and not more than ten directors. The size of the board will take account of the desired mix of skills and experience levels required to discharge its responsibilities.

### **Board composition (continued)**

- The current board has the broad experience and expertise of three executive directors and one non-executive director. The composition of the board is not consistent with recommendation 2.1 of the ASX Corporate Governance Council ("CGC") in that a majority of the board does not comprise independent directors. The size of the company, its specialised non-complementary businesses and its geographic markets places a demand for a skills, knowledge and experience combination which is difficult to match without incurring unreasonable cost. The board holds the view that expanding the board to comply with the form of recommendation 2.1 would not necessarily add value and that in the short-term, the cost outweighs the benefits.
- The Chairman is elected by the full board. As the current Chairman is an executive director, the company's practice is not consistent with recommendation 2.2 of CGC. The Chairman was appointed a director of the company and Chairman in 2001. He has been instrumental in changing the strategic direction of the company and has in-depth knowledge of the Group's business. For a company of this size, it would be difficult to attract an independent Chairman of this calibre and experience.

The board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective.
- the size of the board is conducive to effective discussion and efficient decision-making.

### **Directors' independence**

The board has adopted specific principles in relation to directors' independence. These state that when determining independence, a director must be a non-executive and the board should consider whether the director:

- not be a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- within the last three years, not have been employed in an executive capacity by the company or any other Group member, or been a director after ceasing to hold any such employment
- within the last three years not have been a principal of a material professional adviser or a material consultant to the company or any other Group member, or an employee materially associated with the service provided
- not be a material supplier or customer of the company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- must have no material contractual relationship with the company or a controlled entity other than as a director of the Group
- not have been on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the company or Group or 5% of the individual directors' net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

### **Term of office**

The company's Constitution specifies that, apart from a Managing Director, one third of the board and/or any directors who have been in office for three or more years must retire from office at each annual general meeting ("AGM") and may seek re-election. Directors can hold office for a term of three years or up to the third AGM before having to retire and seek re-election.

### **Executive Chairman**

The Chair is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the company's senior executives. In accepting the position, the Chair has acknowledged that it will require a significant time commitment and has confirmed that other positions will not hinder his effective performance in the role of Chair.

### **Commitment**

The board held fourteen board meetings during the year.

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 September 2014, and the number of meetings attended by each director is disclosed on page 6.

The commitments of non-executive directors are considered by the nomination committee prior to the directors' appointment to the board of the company and are reviewed each year as part of the annual performance assessment.

### **Independent professional advice**

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense. Prior written approval of the Chair is required, but this will not be unreasonably withheld.

### **Performance assessment**

The Chairman reviews the performance of the board and the performance of individual directors. The board intends to implement a formal process for the review and appraisal of the overall performance of the board and individual directors.

### **Board committees**

The board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the board are the remuneration and audit committees. The committee structure and membership is reviewed on an annual basis. A policy of rotation of committee members applies.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available on the company website. All matters determined by committees are submitted to the full board as recommendations for board decisions.

### **Nomination committee**

The company does not have a nomination committee. Given the size of the current board, the board does not consider it necessary to maintain a formal nomination committee. This is not consistent with recommendation 2.4 of CGC which is not considered practical as the board can properly address this function without the need to delegate to a committee.

The membership of the board is reviewed by the existing board on a continuous basis.

The board as a whole is responsible for establishing criteria for board membership, reviewing board membership and nominating directors.

The main criteria for the appointment of directors are expertise, experience and qualifications which will contribute to the competent and efficient operation of the board.

The appointment and retirement of non-executive directors is reviewed by the board on a continuous basis.

### **Remuneration committee**

The board appointed a Remuneration Committee on 15 December 2005. The current members of the Committee are:

Mr P Favretto (Chairman) - Non-executive director.  
Mr I Trahar - Executive director  
Dr C Mitchell - Executive director

Details of these directors' attendance at remuneration committee meetings are set out in the directors' report on page 6.

The remuneration committee operates in accordance with its charter which is available on the company website. The remuneration committee advises the board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, and other senior executives.

The full board has retained full responsibility for determining the remuneration of non-executive directors. The full board elected to approve the issue of unlisted options to the two non-executive directors appointed in July 2005. The issue of the options was approved by shareholders at the general meeting after their appointment.

The issue of options to non-executive directors is not consistent with the guidelines to recommendation 9.3 of CGC, however the board considered the issue of options in the circumstances to be in the best interests of shareholders in lieu of more substantial cash fees.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading "Remuneration report". In accordance with group policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements. Details of this policy can be found on the company's website.

### **Code of conduct**

The company has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The purchase and sale of company securities by directors and employees is not permitted during the periods between year and half-year end and the release of the half-yearly and annual financial results to the market. At all times, any transactions undertaken must be notified to the Company Secretary in advance.

The directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

A copy of the Code and the trading policy are available on the company's website.

### **Safeguard integrity in financial reporting**

The board appointed an Audit Committee on 15 December 2005. The current members of the Committee are:

Mr P Favretto (Chairman) - Non-executive director  
Mr I Trahar - Executive director  
Dr C Mitchell - Executive director

### **Safeguard integrity in financial reporting (continued)**

The structure of the audit committee is not consistent with recommendation 4.3 of the CGC in that it is not comprised solely of non-executive directors. The Company only has one non-executive director, and the size of the full board is four members. As the independent director and Dr Mitchell are not financial professionals, the board considered that the Chairman, who is also an executive director, should also be a member to ensure the Committee is balanced and has the desired technical expertise and industry knowledge.

The audit committee operates in accordance with a charter that is available on the company website. The main responsibilities of the committee are to:

- Ensure that an effective internal control framework exists within the company;
- Review the annual and half-year reports, financial statements and other information distributed externally;
- Review audit reports and letters to the Board from the external auditors;
- Liaise with external auditors ensuring that the annual audit and half-year review are conducted in an effective manner;
- Nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual audit and half-year review; and
- Monitor compliance with the Corporations Act 2001, ASX Listing Rules, and other matters outstanding with other regulatory and financial authorities.

### **External auditors**

The company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Deloitte Touche Tohmatsu is the external auditor of the Group.

An analysis of fees paid to the external auditors is provided in note 33 to the financial statements.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

### **Continuous disclosure and shareholder communication**

The company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the company's securities. These policies and procedures also include the arrangements the company has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is available on the company's website.

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

All shareholders receive a copy of the company's annual and half yearly reports, either via mail or by electronic means if they so wish. In addition, the company seeks to provide further opportunities for shareholders to participate through electronic means. Initiatives to facilitate this include making all company announcements, media briefings, details of company meetings, press releases for the last three years and financial reports for the last five years available on the company's website.



### **Recognise and manage risk**

The board, through the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the company website. In summary, the company policies are designed to ensure strategic, operational, legal, reputational, and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct (see page 20) is required at all times and the board actively promotes a culture of quality and integrity.

### **Corporate reporting**

The Executive Chairman and Chief Financial Officer have made the following certifications to the board:

- that the company's financial statements are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

# Commodities Group Limited ABN 50 009 317 846

## Annual report - 30 September 2014

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

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

Its registered office is:

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

Its principal place of business is:

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

Registered postal address is:

PO Box 7312  
Cloisters Square WA 6850

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 4 December 2014. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: [www.co2australia.com.au](http://www.co2australia.com.au)

For queries in relation to our reporting please call 08 9321 4111 or e mail [questions@co2australia.com.au](mailto:questions@co2australia.com.au).

**Commodities Group Limited**  
**Consolidated statement of profit or loss**  
**For the year ended 30 September 2014**

		<b>Consolidated</b>	
		<b>Year to</b>	
		<b>30 September</b>	<b>30 September</b>
	Notes	<b>2014</b>	<b>2013</b>
		\$	\$
<b>Revenue from continuing operations</b>	5	<b>23,692,492</b>	45,339,991
Other income	6	<b>586,260</b>	836,486
Fair value adjustment of biological assets		<b>713,343</b>	-
Cost of Goods Sold		<b>(15,389,800)</b>	(37,275,039)
Plantation costs		<b>(1,077,869)</b>	(3,220,117)
Employee benefits expense	7	<b>(6,728,963)</b>	(7,686,991)
Consulting expense		<b>(879,062)</b>	(870,252)
Travel		<b>(629,842)</b>	(1,115,290)
Rent	7	<b>(860,830)</b>	(823,968)
Legal fees		<b>(293,634)</b>	(341,334)
Other expenses		<b>(3,045,243)</b>	(1,401,328)
Depreciation and amortisation expense	7	<b>(1,403,266)</b>	(750,685)
Marketing		<b>(56,182)</b>	(267,786)
Insurance		<b>(381,112)</b>	(287,783)
Aquaculture concept		<b>(867,851)</b>	(2,272,514)
Impairment of goodwill	20	<b>(191,264)</b>	-
Research and development	7	<b>(686,703)</b>	(398,349)
Loss on disposal of subsidiary		<b>(217,916)</b>	-
Finance costs	7	<b>(327,758)</b>	(1,796)
Share of loss from associates		-	(198,389)
<b>Loss before income tax</b>		<b>(8,045,200)</b>	(10,735,144)
Income tax benefit	8	<b>1,395,972</b>	3,955,621
<b>Loss for the year</b>		<b>(6,649,228)</b>	(6,779,523)
		<b>Cents</b>	<b>Cents</b>
<b>Loss per share for loss attributable to the ordinary equity holders of the Company:</b>			
Basic loss per share	41	<b>(1.36)</b>	(1.50)
Diluted loss per share	41	<b>(1.36)</b>	(1.50)

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

**Commodities Group Limited**  
**Consolidated statement of comprehensive income**  
**For the year ended 30 September 2014**

	<b>Consolidated</b>	
	<b>Year to</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
Notes	\$	\$
<b>Loss for the year</b>	<b>(6,649,228)</b>	(6,779,523)
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	31(a) <u>(8,562)</u>	7,262
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<u>(8,562)</u>	7,262
<b>Total comprehensive loss for the year</b>	<u>(6,657,790)</u>	(6,772,261)
Total comprehensive loss for the year is attributable to:		
Owners of Commodities Group Limited	<u>(6,657,790)</u>	(6,772,261)

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

**Commodities Group Limited**  
**Consolidated statement of financial position**  
**As at 30 September 2014**

		<b>Consolidated</b>	<b>30 September</b>	<b>30 September</b>
	Notes	<b>2014</b>	<b>2013</b>	
		<b>\$</b>	<b>\$</b>	
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	9	3,525,016	14,228,258	
Trade and other receivables	10	2,811,046	1,616,028	
Inventories	11	5,854,772	2,175,282	
Current tax receivables	12	13,999	-	
Other current assets	13	513,964	535,106	
Accrued income	14	187,120	765,620	
Biological assets	15	3,425,165	-	
Other current financial assets	16	365,423	-	
<b>Total current assets</b>		<b>16,696,505</b>	<b>19,320,294</b>	
<b>Non-current assets</b>				
Other financial assets	17	9,354	9,354	
Property, plant and equipment	18	18,338,240	7,508,111	
Deferred tax assets	19	11,087,839	9,570,739	
Intangible assets	20	4,513,380	4,959,014	
Non-current assets held for sale	21	1,280,000	-	
Exploration and evaluation, development and mine properties	22	-	98,832	
<b>Total non-current assets</b>		<b>35,228,813</b>	<b>22,146,050</b>	
<b>Total assets</b>		<b>51,925,318</b>	<b>41,466,344</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	23	3,469,733	3,023,699	
Borrowings	24	2,113,000	-	
Current tax liabilities	26	-	40,367	
Provisions	25	1,053,138	785,637	
Deferred income	27	594,006	1,294,597	
<b>Total current liabilities</b>		<b>7,229,877</b>	<b>5,144,300</b>	
<b>Non-current liabilities</b>				
Borrowings	28	5,013,000	-	
Provisions	29	28,871	74,030	
<b>Total non-current liabilities</b>		<b>5,041,871</b>	<b>74,030</b>	
<b>Total liabilities</b>		<b>12,271,748</b>	<b>5,218,330</b>	
<b>Net assets</b>		<b>39,653,570</b>	<b>36,248,014</b>	
<b>EQUITY</b>				
Contributed equity	30	54,351,826	44,288,480	
Other reserves	31(a)	5,252,773	5,261,335	
Retained earnings		(19,951,029)	(13,301,801)	
<b>Total equity</b>		<b>39,653,570</b>	<b>36,248,014</b>	

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

**Commodities Group Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 30 September 2014**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Foreign currency translation reserve \$</b>	<b>Options premium reserve \$</b>	<b>Financial assets revaluation reserve \$</b>	<b>Share- based payments reserve \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
<b>Balance at 1 October 2012</b>	43,785,575	1,300	1,670,705	(24,740)	3,926,837	(6,522,278)	42,837,399
Loss for the year as reported in the 2013 financial statements	-	-	-	-	-	(6,779,523)	(6,779,523)
Exchange differences on translation of foreign operations	-	7,262	-	-	-	-	7,262
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>7,262</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,779,523)</b>	<b>(6,772,261)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Performance rights issued to employees	502,905	-	-	-	(502,905)	-	-
Recognition of share based payments	-	-	-	-	182,876	-	182,876
	502,905	-	-	-	(320,029)	-	182,876
<b>Balance at 30 September 2013</b>	<b>44,288,480</b>	<b>8,562</b>	<b>1,670,705</b>	<b>(24,740)</b>	<b>3,606,808</b>	<b>(13,301,801)</b>	<b>36,248,014</b>
<b>Balance at 1 October 2013</b>	44,288,480	8,562	1,670,705	(24,740)	3,606,808	(13,301,801)	36,248,014
Loss for the year as reported in the 2014 financial statements	-	-	-	-	-	(6,649,228)	(6,649,228)
Exchange differences on translation of foreign operations	-	(8,562)	-	-	-	-	(8,562)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(8,562)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,649,228)</b>	<b>(6,657,790)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Contributions of equity	10,063,346	-	-	-	-	-	10,063,346
<b>Balance at 30 September 2014</b>	<b>54,351,826</b>	<b>-</b>	<b>1,670,705</b>	<b>(24,740)</b>	<b>3,606,808</b>	<b>(19,951,029)</b>	<b>39,653,570</b>

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

**Commodities Group Limited**  
**Consolidated statement of cash flows**  
**For the year ended 30 September 2014**

	<b>Consolidated</b>	
	<b>Year to</b>	
	<b>30 September</b>	<b>30 September</b>
Notes	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	23,826,382	46,642,379
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(39,325,237)</u>	<u>(59,544,424)</u>
	<b>(15,498,855)</b>	<b>(12,902,045)</b>
Interest paid	<b>(327,758)</b>	<b>(1,796)</b>
Income taxes paid	-	<b>(596,861)</b>
<b>Net cash outflow from operating activities</b>	<b>40 (15,826,613)</b>	<b>(13,500,702)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	18 <b>(1,551,097)</b>	<b>(132,086)</b>
Payments for intangible assets	20 <b>(2,418)</b>	<b>(401,014)</b>
Payments of development costs	20 -	<b>(948,241)</b>
Loans to related parties	<b>(106,140)</b>	-
Proceeds from sale of property, plant and equipment	<b>17,850</b>	-
Interest received	<b>186,402</b>	<b>772,249</b>
Net cash (outflow)/inflow on acquisition of business	36(e) <b>(7,000,000)</b>	<b>469,709</b>
Proceeds from disposal of exploration and evaluation interests	<b>98,832</b>	-
Proceeds from sale of other financial assets	<b>516,596</b>	-
<b>Net cash outflow from investing activities</b>	<b>(7,839,975)</b>	<b>(239,383)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and other equity securities	<b>10,063,346</b>	-
Proceeds from/(repayment) of borrowings	28(a) <b>2,900,000</b>	<b>(16,081)</b>
<b>Net cash inflow/(outflow) from financing activities</b>	<b>12,963,346</b>	<b>(16,081)</b>
<b>Net decrease in cash and cash equivalents</b>		
	<b>(10,703,242)</b>	<b>(13,756,166)</b>
Cash and cash equivalents at the beginning of the financial year	<b>14,228,258</b>	<b>27,984,424</b>
<b>Cash and cash equivalents at end of year</b>	<b>9 3,525,016</b>	<b>14,228,258</b>

*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**

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

### **(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Commodities Group Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements comprise the consolidated financial statements of the Group.

#### *(i) Compliance with IFRS*

The financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ("IFRS").

#### *(ii) Early adoption of standards*

The Company has not elected to early adopt any Standards that are not required to be applied in this accounting period.

#### *(iii) Historical cost convention*

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

### **(b) Principles of consolidation**

#### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Commodities Group Limited ('Company' or 'Parent entity') as at 30 September 2014 and the results of all subsidiaries for the year then ended. Commodities 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 structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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(i)).

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 Commodities 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.

## **1 Summary of significant accounting policies (continued)**

### **(b) Principles of consolidation (continued)**

#### *(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 (iv) 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.

#### *(iii) Joint arrangements*

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Commodities Group Limited has both joint operations and joint ventures.

#### *Joint operations*

Commodities Group Limited Limited recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

#### *Joint ventures*

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated statement of financial position.

#### *(iv) 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.

#### *(v) 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 Commodities Group Limited.

## **1 Summary of significant accounting policies (continued)**

### **(b) Principles of consolidation (continued)**

When the Group ceases to have 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 are reclassified to profit or loss where appropriate.

### **(c) 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.

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.

### **(d) 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 Commodities 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).

### **(e) 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) 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.

## **1 Summary of significant accounting policies (continued)**

### **(e) Revenue recognition (continued)**

#### *(ii) Project revenue*

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 and the balance is held 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.

#### *(iii) Sale of prawns*

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.

#### *(iv) Interest income*

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

#### *(v) Dividends*

Dividends are recognised as revenue when the right to receive payment is established, refer note .

### **(f) 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.

### **(g) 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 for deductible temporary differences and unused tax losses 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.

## **1 Summary of significant accounting policies (continued)**

### **(g) Income tax (continued)**

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*

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

The head entity, Commodities 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, Commodities 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.

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.

### **(h) 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 34). 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.

### **(i) 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.

## **1 Summary of significant accounting policies (continued)**

### **(i) Business combinations (continued)**

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.

### **(j) 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.

### **(k) 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.

### **(l) 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.

## **1 Summary of significant accounting policies (continued)**

### **(m) 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.

### **(n) Biological assets**

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

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

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

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

### **(o) 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.

## **1 Summary of significant accounting policies (continued)**

### **(o) Investments and other financial assets (continued)**

#### *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.

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.

### **(p) 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.



## 1 Summary of significant accounting policies (continued)

### (p) Property, plant and equipment (continued)

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(j)).

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

### (q) 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(i). 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.

## **1 Summary of significant accounting policies (continued)**

### **(q) Intangible assets (continued)**

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.

### **(r) 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.

### **(s) 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.

### **(t) 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.

## **1 Summary of significant accounting policies (continued)**

### **(u) Employee benefits**

#### *(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's 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 liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

#### *(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 government 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.

### **(v) 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 consolidated 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.

### **(w) Parent entity financial information**

The financial information for the Parent entity, Commodities Group Limited, disclosed in note 43 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 Commodities 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*

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

## **1 Summary of significant accounting policies (continued)**

### **(w) Parent entity financial information (continued)**

The head entity, Commodities 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, Commodities 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 Commodities Group Limited for any current tax payable assumed and are compensated by Commodities Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Commodities 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 year. 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.

### **(x) New accounting standards and interpretations**

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

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

#### *(i) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*

This standard removes the individual key management personnel disclosure requirements in AASB 124 *Related Party Disclosures*. As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. In the current year, the individual key management personnel disclosure previously required by AASB 124 is now disclosed in the remuneration report due to an amendment to *Corporations Regulations 2001* issued in June 2013.

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

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

## **1 Summary of significant accounting policies (continued)**

### **(x) New accounting standards and interpretations (continued)**

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

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

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

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

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

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

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

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

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

## **1 Summary of significant accounting policies (continued)**

### **(x) New accounting standards and interpretations (continued)**

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

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

### **(y) New accounting standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2014 reporting periods and have not yet been applied in the financial statements. The impact of these new standards and interpretations has not yet been assessed.

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

Effective for annual reporting periods beginning on or after 1 January 2018 and expected to be initially applied in the financial year ending 30 September 2019.

#### *(ii) AASB 1031 'Materiality' (2013)*

Effective for annual reporting periods beginning on or after 1 January 2014 and expected to be initially applied in the financial year ending 30 September 2015.

#### *(iii) AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments*

Effective for annual reporting periods beginning on or after 1 January 2014 and expected to be initially applied in the financial year ending 30 September 2015.

#### *(iv) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).*

Effective for annual reporting periods beginning on or after 1 January 2016 and expected to be initially applied in the financial year ending 30 September 2017.

#### *(v) IFRS 15 Revenue from Contracts with Customers*

Effective for annual reporting periods beginning on or after 1 January 2017 and expected to be initially applied in the financial year ending 30 September 2018.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## **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.

## 2 Financial risk management (continued)

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group holds the following financial instruments:

	<b>Consolidated</b>	
	<b>30 September</b>	30 September
	<b>2014</b>	2013
	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>		
Cash and cash equivalents	3,525,016	14,228,258
Trade and other receivables	2,811,046	1,616,028
Current tax receivables	13,999	-
Other current assets	89,964	194,443
Other current financial assets	365,423	-
Other financial assets	9,354	9,354
	<b>6,814,802</b>	<b>16,048,083</b>
<b>Financial liabilities</b>		
Trade and other payables	3,469,733	3,023,699
Borrowings	7,126,000	-
Current tax liabilities	-	40,367
	<b>10,595,733</b>	<b>3,064,066</b>

### (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 dollar, was as follows:

	<b>30 September</b>	<b>30 September</b>
<b>Consolidated</b>	<b>2014</b>	2013
	<b>NZD</b>	<b>NZD</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	-	892,249
Trade payables	-	(270,500)
Forward exchange contracts		
Other current financial assets	<b>365,423</b>	-

#### Sensitivity

As shown in the table above, the group is primarily exposed to changes in NZ/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from NZ-dollar denominated financial instruments at fair value through profit and loss.

## 2 Financial risk management (continued)

### (a) Market risk (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:

	<b>Consolidated</b>	
	<b>Year to</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Amounts recognised in profit or loss</i>		
Net foreign exchange gain/(loss) included in other income/other expenses	<b>18,408</b>	-
Total net foreign exchange gains recognised in profit before income tax for the period	<b>18,408</b>	-
<i>Net gain/(loss) recognised in other comprehensive income (note 31(a))</i>		
Translation of foreign operations and net investment hedges	<b>(8,562)</b>	7,262
	<b>9,846</b>	7,262

### (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:

<b>Consolidated</b>	<b>30 September 2014</b>		<b>30 September 2013</b>	
	<b>Weighted average interest rate</b>	<b>Balance</b>	<b>Weighted average interest rate</b>	<b>Balance</b>
	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>
Deposits at call	3.3%	<b>367,423</b>	3.6%	12,441,792
Net exposure to cash flow interest rate risk		<b>367,423</b>		12,441,792

### *Sensitivity*

At 30 September 2014, if interest rates had increased by 70 or decreased by 100 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been \$2,572 higher / \$3,674 lower (2013 changes of +70 / -100 bps: \$80,466 higher / \$114,952 lower), mainly as a result of higher / lower interest income from cash and cash equivalents.



## 2 Financial risk management (continued)

### (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.

Trade accounts receivable consist mainly of a small number of large enterprises which have individual contracts for the supply of carbon sinks. With very few customers, of which all have significant financial standing, the Group is able to maintain very 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:

	<b>Consolidated</b>	
	<b>30 September 2014</b>	<b>30 September 2013</b>
	\$	\$
<b>Trade receivables</b>		
<i>Counterparties with external credit rating (Moody's)</i>	-	-
<i>Counterparties without external credit rating *</i>		
Group 1	-	-
Group 2	<b>2,309,151</b>	1,539,325
Group 3	-	-
	<b>2,309,151</b>	<b>1,539,325</b>
<b>Total trade receivables</b>	<b>2,309,151</b>	<b>1,539,325</b>

\* 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.(note 9)

#### (i) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

## 2 Financial risk management (continued)

### (c) Liquidity risk (continued)

**Consolidated**  
**Year to**  
**30 September 2014**    **30 September 2013**  
**\$**                      **\$**

#### Floating rate

Loan from Avatar Finance Pty Ltd (expiring beyond one year)	<b>2,100,000</b>	-
	<b>2,100,000</b>	-

#### (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.

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 September 2014	\$	\$	\$	\$	\$	\$	\$
<b>Non-derivatives</b>							
Trade payables	3,469,731	-	-	-	-	3,469,731	3,469,731
Borrowings - Fixed rate 7.5%	-	2,113,000	2,113,000	-	-	4,467,973	4,226,000
Borrowings - variable rate (weighted average 7.38%)	-	-	2,900,000	-	-	3,131,855	2,900,000
<b>Total non-derivatives</b>	<b>3,469,731</b>	<b>2,113,000</b>	<b>5,013,000</b>	<b>-</b>	<b>-</b>	<b>-11,069,559</b>	<b>10,595,731</b>
At 30 September 2013							
<b>Non-derivatives</b>							
Non-interest bearing	3,023,699	40,367	-	-	-	3,064,066	3,064,066
<b>Total non-derivatives</b>	<b>3,023,699</b>	<b>40,367</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 3,064,066</b>	<b>3,064,066</b>

### (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 are 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).

## 2 Financial risk management (continued)

### (d) Fair value measurements (continued)

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 September 2014:

<b>Consolidated - at 30 September 2014</b>	<b>Level 1</b> \$	<b>Level 2</b> \$	<b>Level 3</b> \$	<b>Total</b> \$
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Trading derivatives	455,387	-	-	455,387
Biological assets	-	-	3,425,164	3,425,164
<b>Total assets</b>	<b>455,387</b>	<b>-</b>	<b>3,425,164</b>	<b>3,880,551</b>
<b>Liabilities</b>				
Derivatives used for hedging	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Consolidated - at 30 September 2013</b>	<b>Level 1</b> \$	<b>Level 2</b> \$	<b>Level 3</b> \$	<b>Total</b> \$
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Trading derivatives	194,443	-	-	194,443
<b>Total assets</b>	<b>194,443</b>	<b>-</b>	<b>-</b>	<b>194,443</b>
<b>Liabilities</b>				
Derivatives used for hedging	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

## 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 and assumptions

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 year are discussed below.

#### (i) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has 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.

### **3 Critical accounting estimates and judgements (continued)**

#### **(a) Critical accounting estimates and assumptions (continued)**

The carrying amount of goodwill at 30 September 2014 was \$1,207,187 (30 September 2013: \$1,398,451) after an impairment loss of \$191,264 was recognised during 2014 (2013: nil). Details of the impairment loss calculation are set out in note 24.

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

##### *(i) Revenue recognition*

The Group's policy for recognising revenue from Carbon Sequestration Plantation Services 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 September 2014, the Group has recognised \$174,950 (2013: \$420,558 ) as accrued income and \$499,192 (2013: \$420,336) as deferred income as a result of the application of this policy.

##### *(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 September 2014, the Group has capitalised \$2,685,518 (2013: \$2,859,668) as development costs as a result of following this policy.

##### *(iii) Biological assets*

The fair value of biological assets is estimated using market-observable data to the extent that it is available. Where Level 1 inputs are not available, management uses Level 3 inputs based on unobservable inputs and discounted cash flow analysis.

##### *(iv) Deferred tax*

The deferred tax asset has increased during the financial year due to tax losses. Management has evaluated the recoverability of the losses with reference to budgets and forecasts that contain estimates and judgements, and assessed that the Group will recover the tax losses in future periods. At 30 September 2014, the tax losses included in the deferred tax asset total \$2,477,432 (note 19).

### **4 Segment information**

#### **(a) Description of segments**

##### **Business Segments**

The Group operates wholly within three reportable 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 Group Limited, and prawn aquaculture operations in North Queensland, acquired 6 January 2014.

##### *Other*

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

In the previous financial year there was an additional operating segment "environmental offsets". During the financial year the steering committee required this segment to be merged with the "Carbon sink establishment" segment. All matters relating to carbon and environmental credits are reported to the board by the Managing Director of CO2 Australia Limited, Christopher Mitchell, as "Carbon Services".

#### 4 Segment information (continued)

##### (b) Segments

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 September 2014 is as follows:

Year to 30 September 2014	Carbon services	Aquaculture	Other	Consolidated
	\$	\$	\$	\$
<b>Segment revenue</b>				
Sales and external customers	17,297,099	4,944,453	1,191,079	23,432,631
Total sales revenue	17,297,099	4,944,453	1,191,079	23,432,631
Other revenue	85,256	34,958	139,648	259,862
<b>Total segment revenue</b>	17,382,355	4,979,411	1,330,727	23,692,493
<b>Consolidated revenue</b>				23,692,493
<b>Segment profit/(loss)</b>				
Segment profit/(loss)	1,440,089	(4,005,648)	35,029	(2,530,530)
Central administration and directors' salaries				(5,514,670)
Loss before income tax				(8,045,200)
Income tax benefit				1,395,972
<b>Loss for the year</b>				(6,649,228)
<b>Segment assets</b>				
Segment assets	13,367,460	23,657,258	69,826	37,094,544
Unallocated assets				14,830,774
<b>Total assets</b>				51,925,318

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 September 2013 is as follows:

Year to 30 September 2013	Carbon services	Aquaculture	Other	Consolidated
	\$	\$	\$	\$
<b>Segment revenue</b>				
Sales and external customers	43,745,896	-	782,583	44,528,479
Total sales revenue	43,745,896	-	782,583	44,528,479
Other revenue	-	5,593	805,919	811,512
<b>Total segment revenue</b>	43,745,896	5,593	1,588,502	45,339,991
<b>Consolidated revenue</b>				45,339,991
<b>Segment profit/(loss)</b>				
Segment profit/(loss)	579,072	(5,588,886)	804,179	(4,205,635)
Central administration and directors' salaries				(6,529,509)
Loss before income tax				(10,735,144)
Income tax benefit				3,955,621
<b>Loss for the year</b>				(6,779,523)
<b>Segment assets</b>				
Segment assets	15,064,158	1,793,331	321,484	17,178,973
Unallocated assets				24,287,371
<b>Total assets</b>				41,466,344

#### 4 Segment information (continued)

##### (b) Segments (continued)

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

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profit of associates, investment revenue, 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.

#### 5 Revenue

	<b>Consolidated</b>	
	<b>Year to</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>From continuing operations</b>		
<i>Sales revenue</i>		
Project development fees	<b>2,319,745</b>	4,356,061
Sale of environmental credits	<b>11,445,939</b>	37,286,906
Carbon sink project management fees	<b>3,527,613</b>	2,061,167
Fee for services	<b>1,191,079</b>	824,344
Sale of Goods Revenue	<b>4,979,406</b>	5,593
	<b>23,463,782</b>	44,534,071
<i>Other revenue</i>		
Interest from financial assets not at fair value through profit or loss	<b>139,653</b>	742,561
Office services	-	21,597
Crop share and agistment	<b>89,057</b>	41,762
	<b>228,710</b>	805,920
	<b>23,692,492</b>	45,339,991

#### 6 Other income

	<b>Consolidated</b>	
	<b>Year to</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Net gain on disposal of property, plant and equipment	<b>17,509</b>	-
Net gains on financial assets	<b>953,773</b>	-
Foreign exchange gains (net)	<b>18,408</b>	-
Gain/(loss) on environmental credits FVTPL	<b>(403,430)</b>	642,449
Discount on acquisition	-	194,037
	<b>586,260</b>	836,486

## 7 Expenses

	<b>30 September 2014</b>	<b>30 September 2013</b>
	<b>\$</b>	<b>\$</b>
<b><i>Profit before income tax includes the following specific expenses:</i></b>		
<i>Depreciation</i>		
Buildings	<b>41,769</b>	2,104
Ponds	<b>151,193</b>	-
Plant and equipment	<b>549,200</b>	98,207
Leasehold improvements	<b>55,349</b>	70,776
Plant and equipment under finance leases	<b>5,833</b>	11,738
Carbon sinks	<b>517,283</b>	498,543
Total depreciation	<b>1,320,627</b>	681,368
<i>Amortisation</i>		
NGAC	<b>20,869</b>	19,983
Software	<b>61,770</b>	49,334
Total amortisation	<b>82,639</b>	69,317
Total depreciation and amortisation	<b>1,403,266</b>	750,685
<i>Research and development</i>		
Research and development	<b>686,703</b>	714,140
Research and development costs paid and expensed	<b>686,703</b>	714,140
<i>Finance costs</i>		
Interest and finance charges	<b>327,758</b>	1,796
Finance costs expensed	<b>327,758</b>	1,796
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<b>860,830</b>	823,968
Total rental expense relating to operating leases	<b>860,830</b>	823,968
<i>Employee benefits expense</i>		
Equity settled share based payments	-	182,876
Superannuation	<b>400,276</b>	545,472
Other employee benefits	<b>6,328,687</b>	6,958,642
	<b>6,728,963</b>	7,686,990

## 8 Income tax expense

### (a) Income tax expense/(benefit)

	<b>Consolidated</b>	
	<b>Year to</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Current tax	<b>(4,860)</b>	41,985
Deferred tax	<b>(1,648,686)</b>	(3,716,565)
Adjustments for current tax of prior periods	<b>257,574</b>	(297,524)
Adjustments for deferred tax of prior periods	<b>-</b>	16,483
	<b>(1,395,972)</b>	<b>(3,955,621)</b>

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

	<b>Consolidated</b>	
	<b>Year to</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Loss from continuing operations before income tax expense	<b>(8,045,200)</b>	(10,735,144)
Tax at the Australian tax rate of 30.0% (2013 - 30.0%)	<b>(2,413,560)</b>	(3,220,543)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	<b>887,809</b>	244,657
Effect of tax concessions (research and development)	<b>540,000</b>	1,785,000
Research and Development tax offset	<b>(720,000)</b>	(2,380,000)
Sundry items	<b>39,627</b>	(123,714)
	<b>(1,666,124)</b>	(3,694,600)
Difference in overseas tax rates	<b>12,579</b>	20,020
Under provision of income tax in previous year	<b>257,573</b>	(281,041)
Income tax benefit	<b>(1,395,972)</b>	<b>(3,955,621)</b>

### (c) Tax consolidation legislation

Commodities 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(g).

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, Commodities Group Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Commodities Group Limited for any current tax payable assumed and are compensated by Commodities Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Commodities 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

	<b>Consolidated</b>	
	<b>Year to</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Franking account balance (tax paid basis)	<b>7,937,590</b>	7,937,590
Impact on franking account balance of dividends not recognised	-	-
	<b>7,937,590</b>	<b>7,937,590</b>

## 9 Current assets - Cash and cash equivalents

	<b>Consolidated</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	<b>3,156,272</b>	1,737,968
Deposits at call	<b>367,423</b>	12,441,792
Other cash and cash equivalents	<b>1,321</b>	48,498
	<b>3,525,016</b>	<b>14,228,258</b>

### (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, \$222,155 (2013: \$996,785) is non-interest bearing, and \$2,934,117 (2013: \$741,183) is in accounts that earn interest.

### (c) Cash not available for use

Included in deposits at call is an amount of \$315,589 (2013: \$275,487) which is held as security for bank facilities and lease guarantees (note 28).

### (d) Deposits at call

Deposits at call are interest bearing.

**10 Current assets - Trade and other receivables**

	<b>Consolidated</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	2,203,011	1,539,325
Loans to employees	-	76,703
Goods and services tax (GST) receivable	<b>501,895</b>	-
	<b>2,704,906</b>	1,616,028
Loans to related parties	<b>106,140</b>	-
	<b>2,811,046</b>	1,616,028

**(a) Past due but not impaired**

As of 30 September 2014, trade receivables of \$223,283 (2013: \$110,351) were past due but not impaired.

	<b>Consolidated</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Up to 3 months	156,849	19,436
3 to 6 months	66,434	90,915
	<b>223,283</b>	110,351

**(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.

**(c) 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**

	<b>Consolidated</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Work in progress	-	22,801
Finished goods	4,185,166	-
Seed - at cost	184,923	184,923
Carbon sinks under development - at cost	-	1,967,558
Feed and consumables	<b>1,484,683</b>	-
	<b>5,854,772</b>	2,175,282

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

**11 Current assets - Inventories (continued)**

Seed inventories of \$165,000 (2013: \$158,000) are expected to be recovered after more than twelve months. During the financial year, the Group's biodiversity plantings did not use any Oil Mallee seed.

Carbon sinks under development relates to costs incurred on plantings for carbon sinks on behalf of customers. During the financial year the sink was sold. For further details, refer to note 21.

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

**12 Current assets - Current tax receivables**

	<b>Consolidated</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Current tax receivables	<b>13,999</b>	-
	<b>13,999</b>	-

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

**13 Current assets - Other current assets**

	<b>Consolidated</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Prepayments	<b>292,911</b>	252,387
Accrued interest	<b>6,728</b>	54,977
Deposits paid	<b>8,883</b>	33,299
Environmental credits at FVTPL	<b>89,964</b>	194,443
Other aquaculture assets	<b>115,478</b>	-
	<b>513,964</b>	535,106

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**

	<b>Consolidated</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Carbon sink development	<b>174,950</b>	420,558
Accrued income from Kansai plantations	-	13,579
Accrued income from trading and environmental credits	<b>12,170</b>	331,483
	<b>187,120</b>	765,620

At 30 September 2014, the Group held contracts to buy \$1,131,000 (2013: \$6,910,497) and sell \$1,148,200 (2013: \$4,352,150) Renewable Energy Credits.

**15 Current assets - Biological assets**

	<b>Consolidated</b>	
	<b>30 September</b>	30 September
	<b>2014</b>	2013
	\$	\$
In-pond livestock - at cost	<b>2,960,762</b>	-
In-pond livestock - market value gain/(loss)	<b>464,403</b>	-
	<b>3,425,165</b>	-

Biological assets of \$3,425,164 (2013: \$Nil) are valued using a discounted cash flow model which includes 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*.

**16 Current assets - Other current financial assets**

	<b>Consolidated</b>	
	<b>30 September</b>	30 September
	<b>2014</b>	2013
	\$	\$
New Zealand energy futures at FVTPL	<b>365,423</b>	-
	<b>365,423</b>	-

**17 Non-current assets - Other financial assets - investments**

	<b>Consolidated</b>	
	<b>30 September</b>	30 September
	<b>2014</b>	2013
	\$	\$
Available-for-sale investments	<b>9,354</b>	9,354
	<b>9,354</b>	9,354

## 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 \$
<b>At 1 October 2012</b>								
Cost	709,799	-	-	666,993	327,896	168,090	4,201,540	6,074,318
Accumulated depreciation	-	-	-	(473,522)	(198,533)	(150,178)	(1,209,556)	(2,031,789)
Net book amount	709,799	-	-	193,471	129,363	17,912	2,991,984	4,042,529
<b>Year ended 30 September 2013</b>								
Opening net book amount	709,799	-	-	193,471	129,363	17,912	2,991,984	4,042,529
Acquisition of subsidiary	-	261,340	-	211,389	-	-	-	472,729
Additions	-	-	-	65,098	66,986	-	3,542,137	3,674,221
Depreciation charge	-	(2,104)	-	(98,207)	(70,776)	(11,738)	(498,543)	(681,368)
Closing net book amount	709,799	259,236	-	371,751	125,573	6,174	6,035,578	7,508,111
<b>At 30 September 2013</b>								
Cost	709,799	261,340	-	946,570	394,883	168,090	7,743,677	10,224,359
Accumulated depreciation	-	(2,104)	-	(574,819)	(269,310)	(161,916)	(1,708,099)	(2,716,248)
Net book amount	709,799	259,236	-	371,751	125,573	6,174	6,035,578	7,508,111
<b>Year ended 30 September 2014</b>								
Opening net book amount	709,799	259,236	-	371,751	125,573	6,174	6,035,578	7,508,111
Acquisition of subsidiary	1,750,000	498,000	4,027,000	4,325,000	-	-	-	10,600,000
Additions	-	172,715	328,048	968,610	11,724	-	70,000	1,551,097
Depreciation charge	-	(41,769)	(151,193)	(549,200)	(55,349)	(5,833)	(517,283)	(1,320,627)
Disposals	-	-	-	-	-	(341)	-	(341)
Closing net book amount	2,459,799	888,182	4,203,855	5,116,161	81,948	-	5,588,295	18,338,240
<b>At 30 September 2014</b>								
Cost	2,459,799	932,055	4,355,048	6,264,162	406,607	60,181	7,813,677	22,291,529
Accumulated depreciation	-	(43,873)	(151,193)	(1,148,001)	(324,659)	(60,181)	(2,225,382)	(3,953,289)
Net book amount	2,459,799	888,182	4,203,855	5,116,161	81,948	-	5,588,295	18,338,240

**19 Non-current assets - Deferred tax assets**

	<b>Consolidated</b>	
	<b>30 September</b>	30 September
	<b>2014</b>	2013
	<b>\$</b>	<b>\$</b>
<b>The balance comprises temporary differences attributable to:</b>		
Tax losses	2,477,432	1,748,511
Provisions	334,421	263,631
Accruals	47,822	76,284
Carbon sinks	5,031,415	5,031,415
Intangible assets	49	49
Depreciable assets	1,019,016	1,038,222
Accrued interest	(248,576)	(116,212)
Research & development	(798,916)	(851,161)
R&D tax offset	3,225,176	2,380,000
	<b>11,087,839</b>	<b>9,570,739</b>
 Net deferred tax assets	 <b>11,087,839</b>	 <b>9,570,739</b>
<b>Consolidated</b>		
<b>Movements:</b>		
Opening balance at 1 October 2012 and 2013	9,570,739	5,825,033
Charged/credited:		
- to profit or loss	1,648,686	3,716,566
Under (over) provision of deferred tax in previous year	(257,574)	(16,483)
Acquisition of subsidiary	125,988	45,623
Closing balance at 30 September	<b>11,087,839</b>	<b>9,570,739</b>

**19 Non-current assets - Deferred tax assets (continued)**

Movements	Tax Losses \$	Provisions \$	Intangibles & research & development \$	Accruals \$	Accrued income & available-for-sale investment \$	Carbon sinks & depreciable assets \$	R&D Tax offset \$	Total \$
<b>At 1 October 2012</b>	-	197,389	(566,690)	5,768	75,701	6,112,865	-	5,825,033
(Charged)/credited								
- to profit or loss	1,748,511	11,252	(284,471)	71,723	(167,530)	(42,919)	2,380,000	3,716,566
Acquisition of subsidiary	-	45,623	-	-	-	-	-	45,623
Under (over) provision of deferred tax in previous year	-	9,367	-	(1,207)	(24,383)	(260)	-	(16,483)
<b>At 30 September 2013</b>	<b>1,748,511</b>	<b>263,631</b>	<b>(851,161)</b>	<b>76,284</b>	<b>(116,212)</b>	<b>6,069,686</b>	<b>2,380,000</b>	<b>9,570,739</b>
(Charged)/credited								
- to profit or loss	1,113,162	(56,831)	52,245	(28,012)	(132,364)	(19,514)	720,000	1,648,686
Acquisition of subsidiary	-	125,988	-	-	-	-	-	125,988
Under (over) provision of deferred tax in previous year	(384,241)	1,633	-	(450)	-	309	125,175	(257,574)
<b>At 30 September 2014</b>	<b>2,477,432</b>	<b>334,421</b>	<b>(798,916)</b>	<b>47,822</b>	<b>(248,576)</b>	<b>6,050,481</b>	<b>3,225,175</b>	<b>11,087,839</b>

**20 Non-current assets - Intangible assets**

<b>Consolidated</b>	<b>Development costs</b>	<b>Goodwill</b>	<b>Patents, trademarks and other rights</b>	<b>Computer software</b>	<b>Other intangible assets</b>	<b>NGAC accreditation</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
<b>At 1 October 2012</b>							
Cost	2,005,605	1,559,543	3,072	99,124	790,166	408,380	4,865,890
Accumulation amortisation and impairment	(94,178)	-	(3,072)	(15,561)	(790,166)	(122,744)	(1,025,721)
Net book amount	<u>1,911,427</u>	<u>1,559,543</u>	<u>-</u>	<u>83,563</u>	<u>-</u>	<u>285,636</u>	<u>3,840,169</u>
<b>Year ended 30 September 2013</b>							
Opening net book amount	1,911,427	1,559,543	-	83,563	-	285,636	3,840,169
Development costs recognised as an asset	948,241	-	-	-	-	-	948,241
Additions	-	-	-	84,424	316,589	-	401,013
Acquisition through business combination	-	191,264	-	-	-	-	191,264
Other charge	-	(352,356)	-	-	-	-	(352,356)
Amortisation charge	-	-	-	(49,334)	-	(19,983)	(69,317)
Closing net book amount	<u>2,859,668</u>	<u>1,398,451</u>	<u>-</u>	<u>118,653</u>	<u>316,589</u>	<u>265,653</u>	<u>4,959,014</u>
Cost	2,953,846	1,398,451	3,072	183,548	1,106,755	408,380	6,054,052
Accumulation amortisation and impairment	(94,178)	-	(3,072)	(64,895)	(790,166)	(142,727)	(1,095,038)
Net book amount	<u>2,859,668</u>	<u>1,398,451</u>	<u>-</u>	<u>118,653</u>	<u>316,589</u>	<u>265,653</u>	<u>4,959,014</u>



**20 Non-current assets - Intangible assets (continued)**

<b>Consolidated</b>	<b>Development costs</b> \$	<b>Goodwill</b> \$	<b>Patents, trademarks and other rights</b> \$	<b>Computer software</b> \$	<b>Other intangible assets</b> \$	<b>NGAC accreditation</b> \$	<b>Total</b> \$
<b>Year ended 30 September 2014</b>							
Opening net book amount	2,859,668	1,398,451	-	118,653	316,589	265,653	4,959,014
Additions	-	-	-	2,418	-	-	2,418
Other charge	(5,431)	-	-	-	-	-	(5,431)
Amortisation charge	-	-	-	(61,770)	-	(20,869)	(82,639)
Impairment charge	(168,718)	(191,264)	-	-	-	-	(359,982)
Closing net book amount	<u>2,685,519</u>	<u>1,207,187</u>	<u>-</u>	<u>59,301</u>	<u>316,589</u>	<u>244,784</u>	<u>4,513,380</u>
<b>At 30 September 2014</b>							
Cost	2,948,415	1,207,187	3,072	185,966	1,106,755	408,380	5,859,775
Accumulated amortisation	(262,896)	-	(3,072)	(126,665)	(790,166)	(163,596)	(1,346,395)
Net book amount	<u>2,685,519</u>	<u>1,207,187</u>	<u>-</u>	<u>59,301</u>	<u>316,589</u>	<u>244,784</u>	<u>4,513,380</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

2014	Type 1 \$	Total \$
Carbon services	-	-
Aquaculture	1,207,187	1,207,187
Other	-	-
	1,207,187	1,207,187
Consolidated	Type 1	Total
2013	\$	\$
Carbon services	-	-
Aquaculture	1,207,187	1,207,187
Other	191,264	191,264
	1,398,451	1,398,451

### (b) 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 do not exceed the long-term average growth rates for 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		2014	2013	2014	2013
	2014	2013	2014	2013				
	%	%	%	%	%	%	%	%
Aquaculture / Type 1	21.0	21.0	5.3	5.3	-	-	20.0	20.0

\* Budgeted gross margin

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

### (c) Significant estimate: Impairment charge

The "Other" CGU includes the environmental advisory business and Australian Financial Services License ("AFSL") holder CO2 Group Financial Services Pty Ltd ("CO2GFS", formerly Ecofund Queensland Pty Ltd).

**20 Non-current assets - Intangible assets (continued)**

**(c) Significant estimate: Impairment charge (continued)**

The goodwill associated with CO2GFS arose when that business was acquired by the Group in 2013. The business has continued to operate on a satisfactory basis, but without achieving any significant increase in market share. During the year, there have been changes to project approval requirements outlined by the federal government as well as the States of Australia where the business was expected to grow. These changes have reduced some of the requirements for project approvals. The directors have consequently determined to write off the goodwill directly related to CO2GFS amounting to \$191,264. No other write-down of the assets of CO2GFS, which continues to hold an AFSL on behalf of the Group, is considered necessary.

**21 Non-current assets - Assets held for sale**

	<b>Consolidated</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Non-current assets held for sale	<b>1,280,000</b>	-
	<b>1,280,000</b>	-

The Group has entered into a contract to sell the carbon sink under development during the financial year for \$1,280,000. Settlement will be in December 2015.

**22 Non-current assets - Exploration and evaluation, development and mine properties**

	<b>Consolidated</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation, development and mine properties	-	98,832
	-	98,832

During the financial year, the Group disposed of its remaining interests in mining tenements in Western Australia. The 2013 balance represents pre-paid rents on the tenements. During the financial year the Department of Mines and Petroleum has refunded these rents.

**23 Current liabilities - Trade and other payables**

	<b>Consolidated</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Trade payables	<b>2,416,813</b>	767,507
Accrued expenses	<b>718,695</b>	1,871,668
PAYG payable	<b>154,291</b>	139,687
Goods and service tax (GST) payable	-	171,021
Other payables	<b>179,934</b>	73,816
	<b>3,469,733</b>	3,023,699

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

## 24 Current liabilities - Borrowings

	<b>Consolidated</b>	
Notes	<b>30 September 2014</b>	30 September 2013
	\$	\$
<b>Unsecured</b>		
Vendor finance	36(b) <b>2,113,000</b>	-
Total unsecured current borrowings	36(b) <b>2,113,000</b>	-
Total current borrowings	<b>2,113,000</b>	-

### (a) Risk exposures

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

## 25 Current liabilities - Provisions

	<b>Consolidated</b>	
	<b>30 September 2014</b>	30 September 2013
	\$	\$
Employee benefits	<b>1,053,138</b>	785,637
	<b>1,053,138</b>	785,637

## 26 Current liabilities - Current tax liabilities

	<b>Consolidated</b>	
	<b>30 September 2014</b>	30 September 2013
	\$	\$
Current tax liabilities	-	40,367
	-	40,367

## 27 Current liabilities - Deferred income

	<b>Consolidated</b>	
	<b>30 September 2014</b>	30 September 2013
	\$	\$
Government grants	-	293,408
Deferred income from carbon sink development	-	420,336
Deferred income on carbon sink management	<b>499,194</b>	513,230
Deferred advisory income	<b>94,812</b>	67,623
	<b>594,006</b>	1,294,597

## 28 Non-current liabilities - Borrowings

	<b>Consolidated</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
Notes	\$	\$
<b>Unsecured</b>		
Loans from related parties	35(d) <b>2,900,000</b>	-
Vendor Finance	36(b) <b>2,113,000</b>	-
Total unsecured non-current borrowings	<u><b>5,013,000</b></u>	<u>-</u>

### (a) Secured liabilities and assets pledged as security

The Group has a \$115,000 (2013: \$100,000) facility on its company credit cards and has been required to provide guarantee facilities of \$200,589 (2012: \$175,487) 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:

	<b>Consolidated</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
Notes	\$	\$
<b>Current</b>		
Deposits at call	9 <b>315,589</b>	275,487
Total current assets pledged as security	<u><b>315,589</b></u>	<u>275,487</u>

### (b) Risk exposures

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

## 29 Non-current liabilities - Provisions

	<b>Consolidated</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	\$	\$
Employee benefits - long service leave	<u><b>28,871</b></u>	<u>74,030</u>
	<u><b>28,871</b></u>	<u>74,030</u>

### 30 Issued capital

#### (a) Share capital

	Notes	30 September 2014 Shares	30 September 2013 Shares	30 September 2014 \$	30 September 2013 \$
Ordinary shares					
Ordinary shares - fully paid	30(b)	<b>654,117,497</b>	452,850,575	<b>54,351,525</b>	44,288,179
Convertible preference shares	30(c)	<b>30,150,190</b>	30,150,190	<b>301</b>	301
		<b>684,267,687</b>	483,000,765	<b>54,351,826</b>	44,288,480
<b>Total contributed equity</b>				<b>54,351,826</b>	44,288,480

#### (b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$
1 October 2012	Opening balance	448,278,714		43,785,273
11 February 2013	Performance rights	4,571,861		502,906
30 September 2013	Closing balance	452,850,575		44,288,179
	Opening balance	452,850,575		44,288,179
4 July 2014	Rights issue	140,428,334	\$0.05	7,021,417
15 July 2014	Rights issue	8,900,000	\$0.05	445,000
30 September 2014	Rights issue	51,938,588	\$0.05	2,596,929
	Closing balance	654,117,497		54,351,525

#### (c) Movements in convertible preference share capital

Date	Details	Number of shares	\$
30 September 2013	Closing balance	30,150,190	301
30 September 2014	Closing balance	<b>30,150,190</b>	<b>301</b>

#### (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.

#### (e) 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 year and options outstanding at the end of the financial year, is set out in note 42.

## 31 Reserves

### (a) Other reserves

	<b>Consolidated</b>	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>	
	<b>\$</b>	<b>\$</b>	
Financial assets revaluation reserve	<b>(24,740)</b>	(24,740)	
Share-based payments	<b>3,606,808</b>	3,606,808	
Foreign currency translation	-	8,562	
Option premium reserve	<b>1,670,705</b>	1,670,705	
	<b>5,252,773</b>	5,261,335	

	<b>Consolidated</b>	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>	
	<b>\$</b>	<b>\$</b>	

#### Movements:

##### *Share-based payments*

Opening balance	<b>3,606,808</b>	3,926,837	
Equity settled share-based payment	-	182,876	
Issue of shares held by the CO2 Employee Share Trust to employees	-	(502,905)	
Balance 30 September	<b>3,606,808</b>	3,606,808	

##### *Foreign currency translation*

Opening balance	<b>8,562</b>	1,300	
Currency translation differences arising during the year	<b>(8,562)</b>	7,262	
Balance 30 September	-	8,562	

##### *Financial assets revaluation reserve*

Opening balance	<b>(24,740)</b>	(24,740)	
Balance 30 September	<b>(24,740)</b>	(24,740)	

### (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 CO2 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 Commodities Group Limited options issued as part consideration for the Ranger takeover bid in relation to unconditional acceptances received by the consolidated entity pursuant to the acceptances received under the Ranger takeover offer.

#### (iii) *Foreign currency translation*

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

### 31 Reserves (continued)

#### (b) Nature and purpose of other reserves (continued)

*(iv) 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.

### 32 Key management personnel disclosures

#### (a) Directors

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

*(i) Chairman - executive*

I N Trahar

*(ii) Executive directors*

H R Whitcombe

Dr C D Mitchell

A W T Grant (Chief Executive Officer until 21 January 2014)

*(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 Group Limited

#### (c) Key management personnel compensation

	<b>Consolidated</b>	
	<b>Year to</b>	
	<b>30 September</b>	30 September
	<b>2014</b>	2013
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	<b>1,644,955</b>	1,918,843
Post-employment benefits	<b>202,409</b>	210,859
Long-term benefits	<b>24,806</b>	30,345
Termination benefits	<b>563,771</b>	32,138
Share-based payments	<b>-</b>	149,043
	<b>2,435,941</b>	<b>2,341,228</b>

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

### 33 Remuneration of auditors

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



### 33 Remuneration of auditors (continued)

**(a) Audit services**

(i) *Deloitte Touche Tohmatsu*

	<b>Consolidated</b>	
	<b>Year to</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Audit and review of financial reports	125,177	142,010
Non-audit services	-	-
	-----	-----
<b>Total auditors' remuneration</b>	<b>125,177</b>	<b>142,010</b>

### 34 Commitments

**(a) Lease commitments: group as lessee**

(i) *Non-cancellable operating leases*

Operating leases relate to five office facilities, each with different terms: 8 years with 2 options to renew for a further 4 years; 3 years with an option to renew for a further 3 years; 5 years with no option to renew; 2 years with 2 options for a further 3 years; and 2 years 3 months with no option to renew. 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 also leases 10 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.

	<b>Consolidated</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	501,254	800,873
Later than one year but not later than five years	229,537	791,521
Later than five years	118,876	-
	-----	-----
	<b>849,667</b>	<b>1,592,394</b>

### 35 Related party transactions

**(a) Parent entities**

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

**(b) Subsidiaries**

Interests in subsidiaries are set out in note 37.

**(c) Key management personnel**

Disclosures relating to key management personnel are set out in note 32.

### 35 Related party transactions (continued)

#### (d) Loans to/from related parties

During the year the Group entered into a \$5 million credit facility with Avatar Finance Pty Ltd, a company owned by Mr Ian Trahar, Chairman of the Group. The 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:

	<b>Consolidated</b>		
	<b>30 September</b>	30 September	
	<b>2014</b>	2013	
	\$	\$	
<i>Loan from Avatar Finance Pty Ltd</i>			
Loans advanced	2,900,000	-	
Interest charged	94,746	-	
Interest paid	(94,746)	-	
End of year	2,900,000	-	
<i>Loans to other related parties</i>			
Loans advanced	106,140	-	
End of year	106,140	-	

#### (e) 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 October 2015. The average interest rate on the loan during the year was 7.38% (2013: 0%).

### 36 Business combination

#### (a) Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred
			(%)	\$
<b>2014</b>				
Seafarm Pty Ltd	Aquaculture	06-01-14	-	11,226,000
Total				11,226,000
<b>2013</b>				
Marine Farms Pty Ltd	Aquaculture	06-09-13	100	250,000
Ecofund Queensland Pty Ltd	Environmental advisory	04-03-13	100	250,000
Total				500,000

### 36 Business combination (continued)

#### (a) Subsidiaries acquired (continued)

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

#### (b) Consideration transferred

	Seafarm Pty Ltd	Ecofund Queensland Pty Ltd	Marine Farms Pty Ltd
	\$	\$	\$
<b>2014</b>			
Cash paid	7,000,000	-	-
Vendor finance	4,226,000	-	-
Total	<u>11,226,000</u>	-	-
<b>2013</b>			
Cash paid	-	250,000	250,000
Total	-	<u>250,000</u>	<u>250,000</u>

Interest on the vendor finance is fixed at 7.5% and is charged monthly. The principal is repayable in two equal instalments in January 2015 and January 2016.

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

	Seafarm Pty Ltd	Ecofund Queensland Pty Ltd	Marine Farms Pty Ltd	Total
<b>2014</b>	\$	\$	\$	\$
<b>Current assets</b>				
Inventories	926,000	-	-	926,000
<b>Non-current assets</b>				
Property, plant and equipment	10,600,000	-	-	10,600,000
<b>Current liabilities</b>				
Provision for employee benefits	(300,000)	-	-	(300,000)
<b>Net assets acquired</b>	<u>11,226,000</u>	-	-	<u>11,226,000</u>

### 36 Business combination (continued)

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

	Ecofund Queensland Pty Ltd	Marine Farms Pty Ltd	Total
<b>2013</b>	\$	\$	\$
<b>Current assets</b>			
Cash and cash equivalents	969,709	-	969,709
Trade and other receivables	149,095	5,810	154,905
Other current assets	64,435	-	64,435
Inventories	15,575	-	15,575
<b>Non-current assets</b>			
Property, plant and equipment	34,502	438,227	472,729
Deferred tax asset	45,624	-	45,624
<b>Current liabilities</b>			
Trade and other payables	(448,944)	-	(448,944)
<b>Non-current liabilities</b>			
Provision for employee benefits	(771,259)	-	(771,259)
<b>Net assets acquired</b>	<u>58,737</u>	<u>444,037</u>	<u>502,774</u>

The initial accounting for the acquisition of Seafarm Pty Ltd has only been provisionally determined at the end of the reporting period. For tax purposes, the tax values of Seafarms' 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 Marine Farms Pty Ltd and Ecofund Queensland Pty Ltd is no longer provisional, and no adjustment has been made to the assets acquired after finalisation of tax matters.

#### (d) Goodwill arising on acquisition

	Seafarm Pty Ltd	Ecofund Queensland Pty Ltd	Marine Farms Pty Ltd	Total
<b>2014</b>	\$	\$	\$	\$
Consideration transferred	11,226,000	-	-	11,226,000
Less: fair value of identifiable net assets acquired	(11,226,000)	-	-	(11,226,000)
Goodwill arising on acquisition	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>2013</b>				
Consideration transferred	-	250,000	250,000	500,000
Less: fair value of identifiable net assets acquired	-	(58,737)	(444,037)	(502,774)
Goodwill arising on acquisition	-	191,263	-	191,263
Discount on acquisition	<u>-</u>	<u>-</u>	<u>(194,037)</u>	<u>(194,037)</u>

### 36 Business combination (continued)

#### (e) Net cash flow on acquisition of subsidiaries

	<b>year ended 30 September 2014</b>	<b>year ended 30 September 2013</b>
	\$	\$
Consideration paid in cash	(7,000,000)	(500,000)
Cash and cash equivalent balances acquired	-	969,709
	(7,000,000)	469,709

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

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

Included in loss for the year is \$1,650,688 loss attributable to Seafarm Queensland Pty Ltd, and revenue for the year includes \$4,944,458 for that business.

Had the business combination been effected at 1 October 2013, the revenue of the Group from continuing operations would have been \$30,456,159 and the loss for the year from continuing operations would have been \$6,759,338. The directors of the Group consider these "pro-forma" numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

#### (g) Disposal of subsidiary

During the year, the Group disposed of its wholly-owned New Zealand entity, Carbon Sink Services New Zealand Limited for consideration of NZ\$2. As part of the sale agreement, the Group indemnified the purchaser for replant costs in the event of survival targets not being attained, capped at NZ\$250,000. These amounts are included in the loss on sale of subsidiary in the income statement.

### 37 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	
			2014 %	2013 %
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
Blue Leafed Mallee Limited *	Australia	Ordinary	100	100
Carbon Sinks Services Pty Ltd *	Australia	Ordinary	100	100
Carbon Sink Services New Zealand Limited	New Zealand	Ordinary	-	100
The Oil Mallee Company of Australia Limited *	Australia	Ordinary	100	100
Yonderr Pty Ltd *	Australia	Ordinary	100	100
Sea Farms Group Limited (formerly Western Australian Resources Limited) *	Australia	Ordinary	100	100
CO2 Group Financial Services Pty Ltd	Australia	Ordinary	100	100
Marine Farms Pty Ltd*	Australia	Ordinary	100	100
Sea Farm Queensland Pty Ltd*	Australia	Ordinary	100	-

### 37 Subsidiaries and transactions with non-controlling interests (continued)

- \* 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 38.

### 38 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 year ended 30 September 2014 of the Closed Group consisting of Commodities Group Limited, CO2 Australia Limited, Carbon Banc Limited, Carbon Estate Pty Ltd, CO2 New Zealand Limited, Mallee Land Company Pty Ltd, Mallee Carbon Limited, Blue Leafed Mallee Limited, Carbon Sinks Services Pty Ltd, The Oil Mallee Company of Australia Limited, Yonderr Pty Ltd, Sea Farms Group Limited (formerly Western Australian Resources Limited), Marine Farms Pty Ltd and Sea Farm Queensland Pty Ltd.

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

	30 September 2014 \$	30 September 2013 \$
<i>Consolidated statement of profit or loss</i>		
Revenue from continuing operations	23,664,913	43,386,564
Other income	587,530	836,486
Fair value adjustment of biological assets	713,343	-
Consulting expense	(822,209)	(729,627)
Legal fees	(293,634)	(309,344)
Travel	(621,344)	(1,043,731)
Insurance	(381,112)	(270,188)
Rent	(841,508)	(756,084)
Research & development	(686,703)	(398,349)
Marketing	(56,182)	(257,752)
Aquaculture concept	(867,851)	(2,272,514)
Plantation costs	(1,077,869)	(2,527,447)
Finance costs	(327,773)	(1,796)
Cost of environmental credits sold	(15,386,170)	(36,780,462)
Employee benefits expense	(6,720,058)	(7,210,624)
Depreciation and amortisation expense	(1,375,178)	(740,405)
Other expenses	(3,243,314)	(1,387,822)
Share of net loss of associates and joint venture partnership accounted for using the equity method	-	(198,389)
<b>Loss before income tax</b>	<b>(7,735,119)</b>	<b>(10,661,484)</b>
Income tax (expense) benefit	1,391,145	3,953,546
<b>Loss for the year</b>	<b>(6,343,974)</b>	<b>(6,707,938)</b>

### 38 Deed of cross guarantee (continued)

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

	30 September 2014	30 September 2013
	\$	\$
<i>Consolidated statement of comprehensive income</i>		
<b>Loss for the year</b>	<b>(6,343,974)</b>	<b>(6,707,938)</b>
<b>Total comprehensive loss for the year</b>	<b>(6,343,974)</b>	<b>(6,707,938)</b>

(b) Consolidated statement of financial position

Set out below is a consolidated balance sheet as at 30 September 2013 of the Closed Group consisting of Commodities Group Limited, CO2 Australia Limited, Carbon Banc Limited, Carbon Estate Pty Ltd, CO2 New Zealand Limited, Mallee Land Company Pty Ltd, Mallee Carbon Limited, Blue Leafed Mallee Limited, Carbon Sinks Services Pty Ltd, The Oil Mallee Company of Australia Limited, Yonderr Pty Ltd, Sea Farms Group Limited, Marine Farms Pty Ltd, and Sea Farm Queensland Pty Ltd.

	30 September 2014	30 September 2013
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	3,507,310	14,076,475
Trade and other receivables	2,811,045	790,470
Inventories	5,854,772	2,152,481
Other current assets	929,447	780,470
Accrued income	187,120	587,316
Biological assets	3,425,164	-
Other financial assets	365,423	-
<b>Total current assets</b>	<b>17,080,281</b>	<b>18,387,212</b>
<b>Non-current assets</b>		
Other financial assets - investments	9,354	9,354
Property, plant and equipment	18,260,686	7,402,885
Deferred tax assets	11,089,323	9,570,755
Intangible assets	4,196,029	4,449,983
Non-current assets held for sale	1,280,000	-
Exploration and evaluation	-	98,832
<b>Total non-current assets</b>	<b>34,835,392</b>	<b>21,531,809</b>
<b>Total assets</b>	<b>51,915,673</b>	<b>39,919,021</b>
<b>Current liabilities</b>		
Trade and other payables	3,469,684	2,052,268
Provisions	1,053,138	780,234
Deferred income	594,006	1,209,033
Borrowings	2,113,000	-
<b>Total current liabilities</b>	<b>7,229,828</b>	<b>4,041,535</b>

### 38 Deed of cross guarantee (continued)

#### (b) Consolidated statement of financial position (continued)

	30 September 2014 \$	30 September 2013 \$
<b>Non-current liabilities</b>		
Borrowings	5,013,000	-
Provisions	28,871	74,030
<b>Total non-current liabilities</b>	<b>5,041,871</b>	<b>74,030</b>
<b>Total liabilities</b>	<b>12,271,699</b>	<b>4,115,565</b>
<b>Net assets</b>	<b>39,643,974</b>	<b>35,803,456</b>
<b>Equity</b>		
Issued capital	50,770,526	40,707,180
Reserves	5,405,837	5,284,691
Accumulated losses	(16,532,389)	(10,188,415)
<b>Total equity</b>	<b>39,643,974</b>	<b>35,803,456</b>

### 39 Events occurring after the reporting period

#### (a) Acquisition of entity

On 31 October 2014 Commodities Group Limited, via its wholly-owned subsidiary Seafarms Group Limited, acquired the assets and business of Coral Seafarms Pty Ltd, a prawn farmer 45 km from Seafarm Queensland Pty Ltd, for consideration of \$4,200,000. The acquisition is expected to increase the Group's market share of the domestic prawn market and reduce costs through economies of scale.

##### (i) Purchase consideration

Details of the consideration transferred are:

	\$
Purchase consideration	
Cash paid	400,000
Vendor finance	3,800,000
<b>Total purchase consideration</b>	<b>4,200,000</b>

The vendor finance is repayable quarterly over 3 years.

The provisionally determined fair values of the assets and liabilities of Example Limited as at the date of acquisition are as follows:



### 39 Events occurring after the reporting period (continued)

#### (a) Acquisition of entity (continued)

	Fair value \$
Land	260,000
Buildings	269,236
Ponds	2,179,642
Property, plant and equipment	1,491,122
Net identifiable assets acquired	4,200,000
 Net assets acquired	 4,200,000

#### (ii) Acquisition-related costs

Acquisition-related costs of \$230,693 will be included in other expenses in profit or loss in the reporting period ending 30 September 2015.

### 40 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated Year to	
	30 September 2014	30 September 2013
	\$	\$
Loss for the year	(6,649,228)	(6,779,523)
Depreciation and amortisation	1,403,266	750,685
Impairment of goodwill	191,264	-
Write off of development costs	168,718	-
Net (gains)/losses on sale of non-current assets	(17,509)	-
Fair value (gains)/losses on financial assets at fair value through profit or loss	(550,344)	(642,449)
Share of losses/(profits) of joint venture partnership	-	198,389
Discount on acquisition	-	(194,037)
Net exchange differences	(18,408)	-
Equity settled share based payments	-	182,876
Interest income received	(139,653)	(772,249)
Net loss on disposal of subsidiary	217,916	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors and receivables	(1,088,878)	611,943
(Increase)/decrease in inventories	(3,679,490)	45,585
(Increase)/decrease in other current assets	21,142	94,196
(Increase)/decrease in biological assets	(3,425,164)	-
(Increase)/decrease in deferred tax assets	(1,517,100)	(3,745,706)
(Increase)/decrease in other operating assets	(701,500)	(602,630)
(Decrease)/increase in trade creditors	445,480	763,608
(Decrease)/increase in other operating liabilities	(700,260)	(2,783,895)
(Decrease)/increase in provision for income taxes payable	(54,366)	(829,197)
(Decrease)/increase in other provisions	267,501	201,702
Net cash outflow from operating activities	(15,826,613)	(13,500,702)

## 41 Earnings per share

### (a) Basic earnings per share

	<b>Consolidated Year to</b>	
	<b>30 September 2014</b>	30 September 2013
	<b>Cents</b>	Cents
Basic earnings per share	(1.36)	(1.50)
Total basic earnings per share attributable to the ordinary owners of the Company	(1.36)	(1.50)

### (b) Diluted earnings per share

	<b>Consolidated Year to</b>	
	<b>30 September 2014</b>	30 September 2013
	<b>Cents</b>	Cents
Diluted earnings per share	(1.36)	(1.50)
Total basic earnings per share attributable to the ordinary owners of the Company	(1.36)	(1.50)

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

	<b>Consolidated Year to</b>	
	<b>30 September 2014</b>	30 September 2013
	<b>\$</b>	\$
<i>Basic earnings per share</i>		
Loss from continuing operations	(6,649,227)	(6,779,523)
	(6,649,227)	(6,779,523)
<i>Diluted earnings per share</i>		
Loss from continuing operations	(6,649,227)	(6,779,523)
Loss from continuing operations attributable to the ordinary equity holders of the Company	(6,649,227)	(6,779,523)

### (d) Weighted average number of shares used as denominator

	<b>Consolidated Year to</b>	
	<b>30 September 2014</b>	30 September 2013
	<b>Number</b>	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	489,136,220	451,309,920

## 42 Share-based payments

### (a) Employee Incentive & Option Plan

The establishment of the Commodities Group Limited Employee Incentive Plan and the CO2 Employee Share Trust was approved by shareholders at the 2010 annual general meeting. The Employee Incentive Plan is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted performance rights which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The Group also has an employee option plan and 1,580,000 unlisted options have been granted under this plan. Additionally, the Group has granted listed and unlisted options to certain employees under their contracts of employment. All options lapsed unexercised during the financial year ending September 2013, and no further options have been granted.

Set out below are summaries of options granted under the plan:

#### *Options granted under the plan*

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2013								
20-11-08	30-11-12	\$0.49	1,580,000	-	-	(1,580,000)	-	-
20-11-08	02-12-12	\$0.52	4,500,000	-	-	(4,500,000)	-	-
			6,080,000	-	-	(6,080,000)	-	-

Weighted average exercise price \$0.12 - - -

6,080,000 unlisted share options expired during the periods covered by the above table.

#### *Performance Rights*

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2014								
30-09-11	01-02-14	-	4,571,862	-	-	(4,571,862)	-	-

## 42 Share-based payments (continued)

### (a) Employee Incentive & Option Plan (continued)

#### Performance Rights (continued)

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2013								
30-09-11	01-02-13	-	4,571,862	-	(4,571,861)	(1)	-	4,571,861
30-09-12	01-02-14	-	4,571,862	-	-	-	4,571,862	-
			9,143,724	-	(4,571,861)	(1)	4,571,862	4,571,861

### (b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated Year to	
	30 September 2014	30 September 2013
	\$	\$
Performance rights	-	182,876
	-	182,876

## 43 Parent entity financial information

### (a) Summary financial information

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

	30 September 2014	30 September 2013
	\$	\$
<b>Balance sheet</b>		
Current assets	43,563,565	34,867,776
Non-current assets	8,710,402	7,191,142
Total assets	<u>52,273,967</u>	<u>42,058,918</u>
Current liabilities	433,215	658,481
Non-current liabilities	2,900,000	25,628
Total liabilities	<u>3,333,215</u>	<u>684,109</u>
Net assets	<u>48,940,752</u>	<u>41,374,809</u>

### 43 Parent entity financial information (continued)

#### (a) Summary financial information (continued)

<i>Shareholders' equity</i>		
Issued capital	<b>54,351,826</b>	44,288,480
Reserves		
Reserves	<b>5,302,513</b>	5,302,513
Retained earnings	<b>(10,713,587)</b>	(8,216,184)
	<b>48,940,752</b>	41,374,809
<b>Loss for the year</b>	<b>(2,497,403)</b>	(1,716,317)
<b>Total comprehensive loss</b>	<b>(2,497,403)</b>	(1,716,317)

#### (b) Guarantees entered into by the parent entity

There are cross guarantees given by Commodities Group Limited and all its subsidiaries as described in note 38. 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 September 2014 or 30 September 2013. 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 September 2014, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

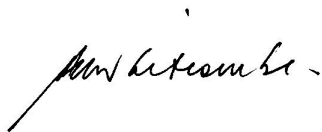
**Commodities Group Limited  
Directors' declaration  
30 September 2014**

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 23 to 82 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 September 2014 and of its performance for the year ended on that date, and
- (b) the financial statements and notes set out on pages 23 to 82 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 38 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 38.

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  
Melbourne  
4 December 2014

## **Independent Auditor's Report to the Members of Commodities Group Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of Commodities Group Limited, which comprises the balance sheet as at 30 September 2014, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the cash flow statement and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 23 to 83.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

## *Auditor's Independence Declaration*

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

## *Opinion*

In our opinion, the financial report of Commodities Group Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Act 2001*.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 7 to 14 of the directors' report for the year ended 30 September 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

In our opinion the Remuneration Report of Commodities Group Limited for the year ended 30 September 2014, complies with section 300A of the *Corporations Act 2001*.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Genevra Cavallo*

Genevra Cavallo  
Partner  
Chartered Accountants  
Melbourne, 4 December 2014



**Commodities Group Limited**  
**Shareholder information**  
**30 September 2014**

The Shareholder information set out below was applicable as at 31 October 2014.

**A. Distribution of equity securities**

Analysis of numbers of equity security holders by size of holding:

<b>Holding</b>	<b>Ordinary shares</b>
1 - 1000	203
1,001 - 5,000	545
5,001 - 10,000	324
10,001 - 100,000	729
100,001 and over	316
	2,117

**B. Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest holders of quoted equity securities are listed below:

<b>Name</b>	<b>Ordinary shares</b>	<b>Percentage of</b>
	<b>Number held</b>	<b>issued shares</b>
Gabor Holdings Pty Ltd (The Tricorp A/C)	160,583,402	24.55
Avatar Industries Pty Ltd (SRN)	129,942,248	19.87
Pinnacle Superannuation P/L <PJF S/F A/C>	30,000,000	4.59
Avatar Industries Pty Ltd (HIN)	20,027,222	3.06
JP Morgan Nominees Australia Limited	17,828,977	2.73
Gabor Holdings Pty Ltd	16,854,387	2.58
Crestpark Investments Pty Ltd	14,998,799	2.29
LBPC Investments Pty Ltd	10,000,000	1.53
Zero Nominees Pty Ltd	10,000,000	1.53
City Lane Pty Ltd (Whitcombe Family A/C)	9,365,462	1.43
Pershing Australia Nominees Pty Ltd (Argonaut)	8,910,003	1.36
Susan Wallwork	6,545,188	1.00
Susan Wallwork	5,200,000	0.79
Mr Harry Carter & Mrs Judith Carter	5,100,000	0.78
Andrew William Thorold Grant	4,714,433	0.72
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	4,526,305	0.69
CVC Limited <CVC Limited A/C>	4,229,478	0.65
Narrow Lane Pty Ltd <Super Fund>	4,129,375	0.63
Mrs GE Robertson & Mrs TM Salter <GKT Super Fund>	3,239,998	0.50
MRC Services Pty Ltd (Cooper Family Fund A/C)	3,104,601	0.47
	469,299,878	71.75

**C. Substantial holders**

Substantial holders in the company are set out below:

	<b>Number held</b>	<b>Percentage</b>
Gabor Holdings Pty Ltd (and associates)	329,706,461	50.40%