



Our Ref: SFG ASX Announce Appendix 4D Half Year Report 2016 (464)

631 May 2015

ANNOUNCEMENT 464

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

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

Dear Sir

Seafarms Group Report for the Half-Year Ended 31 March 2016

Enclosed is Seafarms Group's Report for the half-year ended 31 March 2016 including ASX Appendix 4D.

Please telephone Harley Whitcombe on (08) 9321 4111 with any queries on the Company's 2016 Half-Year Report.

Yours faithfully
Seafarms Group Limited

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

Harley Whitcombe
Company Secretary

ENC

Seafarms Group Limited
ABN 50 009 317 846

Level 11, 225 St Georges Terrace
Perth WA 6000 Australia
PO Box 7312 Cloisters Square
Perth WA 6850 Australia

P +61 8 9321 4111
F +61 8 9321 4411
E info@seafarms.com.au
W seafarms.com.au

Seafarms Group Limited

ABN 50 009 317 846

Interim report for the half-year 31 March 2016

Seafarms Group Limited

Appendix 4D

Half-year 31 March 2016

Name of entity
Seafarms Group Limited

ABN or equivalent company
reference

ABN 50 009 317 846

Half-year

31 March 2016
(Previous corresponding period: 31
March 2015)

Results for announcement to the market

				\$
Revenue from ordinary activities	Up	4.8%	to	21,156,539
Net profit/(loss) for the period attributable to members	Down	222.9%	to	(11,154,013)
Profit/(Loss) from ordinary activities after tax attributable to members	Down	222.9%	to	(11,154,013)

Dividends / distributions	Amount per security	Franked amount per security
Final dividend (per share)	-	-
Interim dividend	-	-
	31 March 2016	31 March 2015
Net tangible asset backing (per share)	0.03	0.07

Seafarms Group Limited ABN 50 009 317 846

Interim report - 31 March 2016

Contents

	Page
Corporate directory	3
Directors' report	4
Auditor's Independence Declaration	7
Interim financial statements	
Condensed consolidated statement of profit or loss	8
Condensed consolidated statement of profit or loss and other comprehensive loss	9
Condensed consolidated statement of financial position	10
Condensed consolidated statement of changes in equity	11
Condensed consolidated statement of cash flows	12
Notes to the condensed consolidated financial statements	13
Directors' declaration	18
Independent auditor's review report to the members	19

These Financial Statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2015 and any public announcements made by Seafarms Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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

Its registered office is:

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

Its principal place of business is:

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

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

The financial report was authorised for issue by the Directors on 31 May 2016. The Company has the power to amend and reissue the financial report.

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

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

Directors' report

The Directors present their report on the consolidated entity consisting of Seafarms Group Limited and the entities it controlled at the end of, or during, the half-year 31 March 2016.

Directors

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

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

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

Principal activities

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

Company financial performance

The overall financial performance during the first half of the 2016 financial year reflects the investment being made by the Group in pursuing its expansion in aquaculture operations, ongoing forestry planting and carbon sink management.

	Consolidated	
	Half-year	
	31 March	31 March
	2016	2015
	\$	\$
Total Revenue	21,156,539	20,185,069
Other (losses)/gains	478,086	(51,278)
EBIT	(10,799,118)	(4,648,447)
Net loss after tax	(11,154,013)	(3,454,050)
Cash and cash equivalents	5,184,404	2,685,888

The directors do not believe that they are able to provide any further comment or predictions on the Group's future financial performance other than what is included in the Group's ASX releases.

Review of operations

Operating results

The Group's half-year net loss after tax was \$11,154,013 (PCP: \$3,454,050). Loss before interest and tax was \$10,799,120 (PCP: \$4,648,448 loss). Revenue for the six months was up 7% to \$21,156,539 (PCP: \$20,185,069). Basic loss per share was 1.26 cents (PCP: 0.53 cents loss). No dividend was declared for the period.

The Group has now restructured its environmental services business and continues to service long term contracts to its customers. In addition the environmental services business has extended its offering to include revegetation services to key clients.

Review of operations (continued)

Operations

The Group has two principal operating activities, aquaculture and carbon services:

- An aquaculture development business that is developing Project Sea Dragon - an integrated prawn production enterprise that will operate across northern Australia, and Seafarm Queensland Pty Ltd which operates 160 hectares of prawn production in far north Queensland where it produces circa 1,500 metric tonnes of black tiger and banana prawns which are distributed to Australian retailers and the domestic food service industry;
- An environmental services business with service lines in carbon, advisory, environmental off-setting, revegetation and carbon sink management.

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

The Crystal Bay Prawns and Crystal Bay Tigers brand identities continue to be a strong marketing asset and the company continues to increase ranging and improve its offering to the domestic consumer.

Aquaculture

Queensland Operations

The Group has consolidated and streamlined operations across a number of sites establishing a Cardwell production hub.

The Group continued to upgrade facilities within these operations, notably improving through-put at its processing plant enabling the company to deliver orders to customers with its increased production at times of peak demand. Advances in husbandry have been made that enable the company to optimise production across its two species.

Project Sea Dragon

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

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

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

PSD has secured major project status from the Northern Territory, Western Australian and Commonwealth Governments. As previously outlined to the market the license to operate pathways are progressing and we expect to complete the majority of these by the end of quarter four this year.

Review of operations (continued)

Carbon services

CO2 Australia ("CO2A") has four operating activities, being:

- Contract management of in excess of 26,000 ha of forest carbon sinks on behalf of major Australian and International companies over long term extending to 33 years;
- CO2A operates advisory activities in the area of EIS, and environmental offsets. The Advisory Team offers unique expertise in the field of biodiversity offsets, Geographic Information System (GIS) and spatial analysis, environmental survey and planning, and environmental management. These services and skill sets have been delivered to many private sector and government clients and are being brought to bear by the company in PSD;
- CO2A has been able to extend its service offering through securing contracts to revegetate landscapes in key areas of Australia;
- CO2 Asia controls a portfolio of clean projects located in Asia and represents a free Option of 650t per annum for 20 years.

Change of financial year end

The Group's shareholders passed a resolution at the Annual General Meeting of the Company held on 1 February 2015 to change the Company's financial year end from 30 September to 30 June. Accordingly, the current financial year commencing on 1 October 2015 will end on 30 June 2016.

Matters subsequent to the end of the financial year

Except for an increased funding facility disclosed in note 5(a), no other matter or circumstance has arisen since 31 March 2016 that has significantly affected, or may significantly affect:

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

Auditor's independence declaration

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

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

On behalf of the Directors.



Harley Ronald Whitcombe
Executive Director
Perth
31 May 2016

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

31 May 2016

Dear Board Members

Auditor's Independence Declaration to Seafarms Group Limited

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

As lead audit partner for the review of the financial statements of Seafarms Group Limited for the half-year ended 31 March 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Geneva Cavallo
Partner
Chartered Accountants

Seafarms Group Limited
Condensed consolidated statement of profit or loss
For the half-year 31 March 2016

	Consolidated	
	Half-year	
	31 March	31 March
	2016	2015
	\$	\$
Revenue from continuing operations	21,156,539	20,185,069
Other gains/(losses)	478,086	(51,278)
Fair value adjustment of biological assets	(520,532)	(152,901)
Cost of goods sold	(18,934,199)	(16,770,147)
Loss on disposal of subsidiary	-	(300,496)
Employee benefits expense	(2,801,719)	(2,491,738)
Depreciation and amortisation expense	(923,040)	(966,107)
Consulting expense	(2,303,314)	(842,745)
Legal fees	(199,704)	(68,716)
Travel	(765,103)	(254,266)
Insurance	(148,337)	(112,007)
Rent	(204,890)	(362,529)
Research and development	(3,769,685)	(571,866)
Other expenses	(692,897)	(1,098,995)
Marketing	(74,754)	(8,196)
Plantation costs	(876,051)	(389,492)
Impairment of intangible assets	-	(392,037)
Finance costs	(298,314)	(277,096)
Share of profit/(loss) from associates	(219,518)	-
Loss before income tax	(11,097,432)	(4,925,543)
Income tax (expense)/benefit	(56,581)	1,471,493
Loss for the period	(11,154,013)	(3,454,050)
	Cents	Cents
Loss per share		
Basic loss per share	(1.26)	(0.53)
Diluted loss per share	(1.26)	(0.53)

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

Seafarms Group Limited
Condensed consolidated statement of profit or loss and other comprehensive loss
For the half-year 31 March 2016

	Consolidated	
	Half-year	
	31 March	31 March
	2016	2015
	\$	\$
Loss for the period	(11,154,013)	(3,454,050)
Other comprehensive (loss)/income		
<i>Items that may be reclassified to profit or loss</i>		
Other comprehensive (loss)/income for the period, net of tax	-	-
Total comprehensive loss for the period	(11,154,013)	(3,454,050)
Total comprehensive loss for the period is attributable to:		
Owners of Seafarms Group Limited	(11,154,013)	(3,454,050)

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

Seafarms Group Limited
Condensed consolidated statement of financial position
As at 31 March 2016

	Consolidated	
	31 March	30 September
	2016	2015
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	5,184,404	12,031,225
Trade and other receivables	2,123,315	2,490,434
Inventories	2,361,200	8,596,683
Current tax receivables	14,791	12,210
Other current assets	810,885	735,479
Accrued income	747,061	75,288
Biological assets	3,762,001	3,522,950
Other current financial assets	176,556	216,498
Assets classified as held for sale	-	1,280,000
Total current assets	15,180,213	28,960,767
Non-current assets		
Inventories	184,923	184,923
Other financial assets	9,354	9,354
Investments accounted for using the equity method	181,635	401,153
Property, plant and equipment	19,053,432	19,374,038
Deferred tax assets	5,838,504	5,897,667
Intangible assets	3,687,594	3,725,093
Total non-current assets	28,955,442	29,592,228
Total assets	44,135,655	58,552,995
LIABILITIES		
Current liabilities		
Trade and other payables	4,146,018	4,011,179
Borrowings	1,271,668	3,379,667
Provisions	1,137,150	1,057,978
Deferred revenue	504,867	1,322,656
Total current liabilities	7,059,703	9,771,480
Non-current liabilities		
Borrowings	9,138,333	9,771,667
Provisions	149,939	68,155
Total non-current liabilities	9,288,272	9,839,822
Total liabilities	16,347,975	19,611,302
Net assets	27,787,680	38,941,693
EQUITY		
Contributed equity	69,599,918	69,599,918
Other reserves	5,252,773	5,252,773
Accumulated losses	(47,065,011)	(35,910,998)
Total equity	27,787,680	38,941,693

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

Seafarms Group Limited
Condensed consolidated statement of changes in equity
For the half-year 31 March 2016

Consolidated	Issued capital \$	Share-based payments reserve \$	Option premium \$	Financial assets revaluation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 October 2014	54,351,826	3,606,808	1,670,704	(24,740)	(19,951,030)	39,653,570
Loss for the half- year	-	-	-	-	(3,454,050)	(3,454,050)
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,454,050)</u>	<u>(3,454,050)</u>
Balance at 31 March 2015	54,351,826	3,606,808	1,670,704	(24,740)	(23,405,080)	36,199,520
Balance at 1 October 2015	69,599,918	3,606,808	1,670,705	(24,740)	(35,910,998)	38,941,693
Loss for the half- year	-	-	-	-	(11,154,013)	(11,154,013)
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,154,013)</u>	<u>(11,154,013)</u>
Balance at 31 March 2016	69,599,918	3,606,808	1,670,705	(24,740)	(47,065,011)	27,787,680

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

Seafarms Group Limited
Condensed consolidated statement of cash flows
For the half-year 31 March 2016

	Consolidated	
	Half-year	
	31 March	31 March
	2016	2015
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	21,071,113	17,684,668
Payments to suppliers and employees (inclusive of goods and services tax)	(25,563,983)	(22,304,449)
	(4,492,870)	(4,619,781)
Interest paid	(298,314)	(277,096)
Income taxes refunded	-	5,678,059
Net cash (outflow)/inflow from operating activities	(4,791,184)	781,182
Cash flows from investing activities		
Payments for property, plant and equipment	(564,936)	(1,285,660)
Payments for other financial assets	(12,333)	(31,862)
Proceeds from sale of non-current assets held for sale	1,280,000	-
Proceeds from sale of property, plant and equipment	-	5,510
Interest received	61,444	474,524
Payments for business acquisition	-	(400,000)
Payments for intangible assets	-	(2,198,847)
Net cash (outflow)/inflow from investing activities	764,175	(3,436,335)
Cash flows from financing activities		
Proceeds from borrowings	-	4,600,000
Repayment of borrowings	(2,741,333)	(2,741,333)
Loans to related parties	(78,479)	(42,642)
Net cash (outflow)/inflow from financing activities	(2,819,812)	1,816,025
Net decrease in cash and cash equivalents	(6,846,821)	(839,128)
Cash and cash equivalents at the beginning of the financial year	12,031,225	3,525,016
Cash and cash equivalents at end of period	5,184,404	2,685,888

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

1 Summary of significant accounting policies

(a) Statement of compliance

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

(b) Basis of preparation of half-year report

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2015 annual financial report for the financial year ended 30 September 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(i) New and amended standards adopted by the Group

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

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

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

Impact of the application of AASB 2015-3

Completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations.

The adoption of amending Standards does not have any impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

(c) Going concern

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

At 31 March 2016, the Group had net current assets of \$8,120,509, including \$5,184,404 cash and cash equivalents. For the half-year ended 31 March 2016, the Group incurred an operating cash outflow of \$4,791,184 and a net loss for the period of \$11,154,013.

Having regard to these results and forecasted cashflows out to May 2017, which contemplate the funding requirements to progress Project Sea Dragon, the Directors have considered the following sources of funding available to the Group:

- It is anticipated that an equity raising will be undertaken within the next 12 months to fund the Group's working capital needs and Project Sea Dragon;
- The drawdown facility available from Avatar Finance Pty Ltd has been increased to \$16.5 million (refer to note 5(a)); and
- The progress of Project Sea Dragon will be made commensurate with the funding sources available.

1 Summary of significant accounting policies (continued)

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

2 Segment information

(a) Description of segments

Business segments

Aquaculture

Development of a large scale land-based aquaculture project in Northern Australia by Project Sea Dragon Pty Ltd, and prawn aquaculture operations in North Queensland, acquired 6 January 2014 and 31 October 2014.

Carbon Services

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

Other

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

(b) Primary reporting format - business segments

Half-year 31 March 2016	Aquaculture \$	Carbon services \$	Other \$	Consolidated \$
Segment revenue				
Sales to external customers	18,564,094	2,265,875	274,423	21,104,392
Total sales revenue	18,564,094	2,265,875	274,423	21,104,392
Other revenue	9,930	-	42,217	52,147
Total segment revenue	18,574,024	2,265,875	316,640	21,156,539
Consolidated revenue				21,156,539
Segment profit/(loss)				
Segment profit/(loss)	(10,457,574)	648,171	(22,213)	(9,831,616)
Central administration and directors' salaries				(1,265,816)
Loss before income tax				(11,097,432)
Income tax expense				(56,581)
Loss for the half-year				(11,154,013)
Segment assets at 31 March 2016				
Segment assets	25,155,024	7,942,414	517	33,097,955
Unallocated assets				11,037,700
Total assets				44,135,655

2 Segment information (continued)

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

Half-year 31 March 2015	Aquaculture	Carbon services	Other	Consolidated
	\$	\$	\$	\$
Segment revenue				
Sales to external customers	14,978,726	4,174,463	564,158	19,717,347
Total sales revenue	14,978,726	4,174,463	564,158	19,717,347
Other revenue	1,040	-	466,682	467,722
Total segment revenue	14,979,766	4,174,463	1,030,840	20,185,069
Consolidated revenue				20,185,069
Segment profit/(loss)				
Segment profit/(loss)	(2,619,430)	107,971	485,890	(2,025,569)
Central administration and directors' salaries				(2,899,974)
Loss before income tax				(4,925,543)
Income tax benefit				1,471,493
Loss for the half-year				(3,454,050)
Segment assets at 30 September 2015				
Segment assets	31,812,986	13,634,584	72,231	45,519,801
Unallocated assets				13,033,194
Total assets				58,552,995

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

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

3 Issuances, repurchases and repayments of equity securities

During the half-year reporting period, Seafarms Group Limited did not issue any ordinary shares (2015: Nil).

4 Fair value measurement

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

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

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

Trading derivatives of \$343,323 (30 September 2015 \$267,535) are valued using quoted prices in an active market, which are considered Level 1 in the fair value measurement hierarchy.

Biological assets of \$3,762,001 (30 September 2015 \$3,522,950) are valued utilising unobservable inputs including survival rates, average growth rates, feed costs, feed conversion ratio, power costs, the harvest weight of prawns, mortality rates, processing costs and the sale price of harvested prawns to customers. These are considered Level 3 inputs in the fair value measurement hierarchy set out in AASB13, *Fair Value Measurement*.

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

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

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

(c) Reconciliation of Level 3 fair value measurements

Biological assets	2016	2015
	\$	\$
Livestock at fair Value		
Opening Balance	3,522,950	3,425,164
Gain or Loss arising from changes in fair value less estimated point of sale costs	(520,532)	(417,909)
Increases due to purchases	4,282,533	3,940,859
Decreases due to harvest	(3,522,950)	(3,425,164)
Closing Balance	3,762,001	3,522,950

5 Related party transactions

(a) Loans to/from related parties

During the period, the Group had an \$8.5 million credit facility with Avatar Finance Pty Ltd, a company owned by Mr Ian Trahar, Chairman of the Group. On 30 May 2016, the facility was extended to \$16.5 million. The amounts advanced and interest charged are disclosed in the following table:

	Consolidated	
	31 March	30 September
	2016	2015
	\$	\$
<i>Loan from Avatar Finance Pty Ltd</i>		
Beginning of the year	8,500,000	2,900,000
Loans advanced	-	5,600,000
Interest charged	169,368	415,114
Interest paid	(169,368)	(415,114)
End of period	8,500,000	8,500,000

5 Related party transactions (continued)

(b) Terms and conditions

The facility is provided on normal commercial terms and conditions and at market rates, and is to be repaid on 31 October 2017. The average interest rate on the loan during the period was 7.38% (2015: 7.38%).

6 Events occurring after the reporting period

Other than the increased funding facility referred to in note 5(a), no other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

In the Directors' opinion:

- (a) the interim financial statements and notes set out on pages 8 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and of its performance for the half-year on that date, and
- (b) the interim financial statements and notes set out on pages 8 to 17 are also in accordance with the international financial reporting standards issued by the International Accounting Standard Board
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Harley Ronald Whitcombe
Executive Director
Perth

31 May 2016

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

We have reviewed the accompanying half-year financial report of Seafarms Group Limited which comprises the condensed consolidated statement of financial position as at 31 March 2016, and the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 18.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Seafarms Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Liability limited by a scheme approved under Professional Standards Legislation

Member of Deloitte Touche Tohmatsu Limited

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Genevra Cavallo

Genevra Cavallo
Partner
Chartered Accountants
Melbourne, 31 May 2016