Seafarms Group Limited ABN 50 009 317 846

Financial statements - 30 June 2016

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

Registered postal address is:

PO Box 7312
Cloisters Square WA 6850

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

Its registered office is:

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

Its principal place of business is:

Seafarms Group Limited
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 2, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 29 August 2016. The Directors have the power to amend and reissue the financial statements.

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

For queries in relation to our reporting please call 08 9321 4111 or e mail *questions@co2australia.com.au.*

	Notes	**Consolidated**	
		9 months to 30 June 2016	Year to 30 September 2015
		$	$
Revenue from continuing operations	5	**23,529,286**	26,215,415
Other gains/(losses)	6	**449,814**	(35,158)
Fair value adjustment of biological assets		**(623,668)**	(417,909)
Cost of Goods Sold	7	**(20,211,159)**	(20,760,873)
Plantation costs		**(1,621,273)**	(982,863)
Employee benefits expense	7	**(4,436,370)**	(5,367,324)
Consulting expense		**(4,469,263)**	(2,458,308)
Travel		**(1,223,014)**	(751,555)
Rent	7	**(314,034)**	(646,439)
Legal fees		**(287,430)**	(272,732)
Other expenses		**(1,203,524)**	(2,190,976)
Depreciation and amortisation expense	7	**(1,412,484)**	(1,808,126)
Marketing		**(109,604)**	(27,800)
Insurance		**(200,633)**	(232,916)
Impairment of property, plant & equipment	20	**(905,461)**	(311,088)
Impairment of intangible assets	22	**(267,886)**	(392,037)
Research and development	7	**(4,981,817)**	(2,818,737)
Loss on disposal of subsidiary	37	**-**	(2,344,580)
Finance costs	7	**(470,768)**	(644,359)
Share of profit from associates	37	**23,765**	(86,347)
Loss before income tax		**(18,735,523)**	(16,334,712)
Income tax benefit	8	**375,204**	374,743
Loss for the period		**(18,360,319)**	(15,959,969)
		Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share	40	**(2.04)**	(2.31)
Diluted loss per share	40	**(2.04)**	(2.31)

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

Seafarms Group Limited
Consolidated statement of comprehensive income
For the 9 months ended 30 June 2016

	Consolidated	
	9 months to 30 June 2016 $	Year to 30 September 2015 $
Loss for the period	**(18,360,319)**	(15,959,969)
Other comprehensive income		
Other comprehensive (loss)/income for the period, net of tax	**-**	-
Total comprehensive loss for the period is attributable to:		
Owners of Seafarms Group Limited	**(18,360,319)**	(15,959,969)

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

	Notes	**Consolidated 30 June 2016 $**	30 September 2015 $
ASSETS			
Current assets			
Cash and cash equivalents	9	**8,283,532**	12,031,225
Trade and other receivables	10	**1,558,373**	2,490,434
Inventories	11	**6,366,517**	8,596,683
Current tax receivables	12	**15,786**	12,210
Other current assets	13	**540,715**	735,479
Accrued income	14	**791,890**	75,288
Biological assets	15	**3,325,639**	3,522,950
Other current financial assets	16	**186,829**	216,498
Total current assets		**21,069,281**	27,680,767
Non-current assets classified as held for sale	17	**-**	1,280,000
Total current assets		**21,069,281**	28,960,767
Non-current assets			
Inventories	18	**184,923**	184,923
Other financial assets	19	**-**	9,354
Investments accounted for using the equity method	37	**499,109**	401,153
Property, plant and equipment	20	**18,266,194**	19,374,038
Deferred tax assets	21	**6,269,297**	5,897,667
Intangible assets	22	**3,401,019**	3,725,093
Total non-current assets		**28,620,542**	29,592,228
Total assets		**49,689,823**	58,552,995
LIABILITIES			
Current liabilities			
Trade and other payables	23	**6,984,506**	4,011,179
Borrowings	24	**1,271,668**	3,379,667
Provisions	25	**1,339,549**	1,057,978
Deferred revenue	26	**1,072,912**	1,322,656
Total current liabilities		**10,668,635**	9,771,480
Non-current liabilities			
Borrowings	27	**8,821,666**	9,771,667
Provisions	28	**196,914**	68,155
Total non-current liabilities		**9,018,580**	9,839,822
Total liabilities		**19,687,215**	19,611,302
Net assets		**30,002,608**	38,941,693
EQUITY			
Contributed equity	29	**79,021,152**	69,599,918
Other reserves	30(a)	**5,252,773**	5,252,773
Retained earnings		**(54,271,317)**	(35,910,998)
Total equity		**30,002,608**	38,941,693

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

Consolidated	Notes	Issued capital $	Options premium reserve $	Financial assets revaluation reserve $	Share-based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 October 2014		54,351,826	1,670,705	(24,740)	3,606,808	(19,951,029)	39,653,570
Loss for the year as reported in the 2015 financial statements		-	-	-	-	(15,959,969)	(15,959,969)
Total comprehensive loss for the period		**-**	**-**	**-**	**-**	**(15,959,969)**	**(15,959,969)**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	29	15,248,092	-	-	-	-	15,248,092
Balance at 30 September 2015		**69,599,918**	**1,670,705**	**(24,740)**	**3,606,808**	**(35,910,998)**	**38,941,693**
Balance at 1 October 2015		69,599,918	1,670,705	(24,740)	3,606,808	(35,910,998)	38,941,693
Loss for the period as reported in the 2016 financial statements		-	-	-	-	(18,360,319)	(18,360,319)
Total comprehensive loss for the period		**-**	**-**	**-**	**-**	**(18,360,319)**	**(18,360,319)**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	29	9,421,234	-	-	-	-	9,421,234
Balance at 30 June 2016		**79,021,152**	**1,670,705**	**(24,740)**	**3,606,808**	**(54,271,317)**	**30,002,608**

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

	Notes	Consolidated **9 months to 30 June 2016** **$**	 Year to 30 September 2015 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**24,941,098**	27,262,116
Payments to suppliers and employees (inclusive of goods and services tax)		**(34,654,732)**	(39,450,121)
		(9,713,634)	(12,188,005)
Interest paid		**(470,768)**	(644,359)
Income taxes refunded		**-**	5,566,704
Net cash outflow from operating activities	39	**(10,184,402)**	(7,265,660)
Cash flows from investing activities			
Payments for property, plant and equipment	20	**(1,153,848)**	(1,691,612)
Payments for intangible assets	22	**-**	(6,788)
Payments for other financial assets		**(53,442)**	(9,526)
Loans to related parties		**(74,190)**	(96,584)
Proceeds from sale of non-current assets held for sale		**1,280,000**	-
Proceeds from sale of property, plant and equipment		**-**	8,692
Proceeds from sale of available-for-sale financial assets		**2,067**	-
Interest received		**72,888**	494,264
Net cash (outflow)/inflow on acquisition of business		**-**	(400,000)
Net cash inflow/(outflow) from investing activities		**73,475**	(1,701,554)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**9,421,234**	15,248,090
Proceeds from borrowings	27	**-**	5,600,000
Repayment of borrowings		**(3,058,000)**	(3,374,667)
Net cash inflow from financing activities		**6,363,234**	17,473,423
Net increase/(decrease) in cash and cash equivalents		**(3,747,693)**	8,506,209
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	9	**8,283,532**	12,031,225

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 period 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*. Seafarms Group Limited is a for-profit entity for the purpose of preparing the financial statements.

At the Annual General Meeting of the Company held in February 2016 the members voted to change the accounting date to 30 June. Accordingly, these financial statements comprise the 9 month period to 30 June 2016. The comparative period is the year to 30 September 2015.

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) 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 9 months.

New and revised Standards and amendments thereof and Interpretations effective for the current period 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.

(iii) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

1 Summary of significant accounting policies (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards - Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2014-3 'Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-6 'Amendments to Australian Accounting Standards - Agriculture: Bearer Plants'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', AASB 2015-10 'Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2018	30 June 2019
AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-5 'Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017
AASB 2016-1 'Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2016	30 June 2017
AASB 2016-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107'	1 January 2016	30 June 2017

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

1 Summary of significant accounting policies (continued)

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

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

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

Key requirements of AASB 9:

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

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

1 Summary of significant accounting policies (continued)

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

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

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

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

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

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

AASB 15 applies to annual periods beginning on or after 1 January 2018. The directors of the Company anticipate that the application of AASB 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 15 until the Group performs a detailed review.

(iii) AASB 16 'Leases'

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

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

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

(iv) AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'

The amendments to AASB 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in AASB 3 'Business Combinations'. Specifically, the amendments state that the relevant principles on accounting for business combinations in AASB 3 and other standards (e.g. AASB 112 'Income Taxes' regarding the recognition of deferred taxes at the time of acquisition and AASB 136 'Impairment of Assets' regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if, and only if, an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by AASB 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in AASB 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to AASB 11 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

1 Summary of significant accounting policies (continued)

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

(v) AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'

The amendments to AASB 116 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to AASB 138 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- when the intangible asset is expressed as a measure of revenue; or
- when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to AASB 116 and AASB 138 will have a material impact on the Group's consolidated financial statements.

(vi) AASB 2014-6 'Amendments to Australian Accounting Standards − Agriculture: Bearer Plants'

The amendments to AASB 116 and AASB 141 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with AASB 116, instead of AASB 141. The produce growing on bearer plants continues to be accounted for in accordance with AASB 141.

The amendments apply for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to AASB 116 and AASB 141 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

(vii) AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'

The amendments to AASB 127 allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The amendments apply for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to AASB 127 will have a material impact on the parent entity financial information as the Company does not intend to change its accounting policy.

(viii) AASB 2014-10 'Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' and AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'

The amendments to AASB 10 and AASB 128 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments apply to transactions occurring in annual periods beginning on or after 1 January 2018. The directors of the Company anticipate that the application of these amendments to AASB 10 and AASB 128 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

1 Summary of significant accounting policies (continued)

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

(ix) AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'

The Annual Improvements to Australian Accounting Standards 2012-2014 Cycle include a number of amendments to various AASB's, which are summarised below.

The amendments to AASB 5 introduce specific guidance in AASB 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in AASB 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held for distribution accounting is discontinued.

The amendments to AASB 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to AASB 119 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The amendments apply to annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

(x) AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'

The amendments to AASB 10, AASB 12 and AASB 128 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with AASB 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The directors of the Company do not anticipate that the application of these amendments to AASB 10, AASB 12 and AASB 128 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

(xi) AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'

Amends AASB 112 'Income Taxes' to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

The amendments apply to annual periods beginning on or after 1 January 2017. The directors of the Company do not anticipate that the application of these amendments to will have a material impact on the Group's consolidated financial statements.

(xii) AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'

Amends AASB 107 'Statement of Cashflows' to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments apply to annual periods beginning on or after 1 January 2017. The directors of the Company do not anticipate that the application of these amendments to will have a material impact on the Group's consolidated financial statements.

1 Summary of significant accounting policies (continued)

(iv) 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.

(v) 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 Seafarms Group Limited ('Company' or 'Parent entity') as at 30 June 2016 and the results of all subsidiaries for the 9 months then ended. Seafarms Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

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

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

(ii) Associates

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

1 Summary of significant accounting policies (continued)

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) Equity method

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

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

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

(iv) Changes in ownership interests

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

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

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

(v) Joint ventures

Jointly controlled assets
The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 37.

Joint venture entities
The interest in a joint venture partnership is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the partnership is recognised in profit or loss, and the share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. Details relating to the partnership are set out in note 37.

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

1 Summary of significant accounting policies (continued)

(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 Seafarms Group Limited's functional and presentation currency.

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

(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) Project development fees and carbon sink project management fees

Carbon sink project revenue is recognised in proportion to the work performed in relation to the product development and the various stages of completion of the carbon sinks. Work performed that has not been invoiced is recognised as revenue 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.

(ii) Sale of environmental credits

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

(iii) Fee for services

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

- Installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and

1 Summary of significant accounting policies (continued)

- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

(iv) Sale of Goods Revenue

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

(v) 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.

(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 only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

(i) Tax consolidation legislation

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

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

1 Summary of significant accounting policies (continued)

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

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

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 20). 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 33). 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.

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.

1 Summary of significant accounting policies (continued)

(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.

(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.

1 Summary of significant accounting policies (continued)

(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.

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.

1 Summary of significant accounting policies (continued)

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.

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.

1 Summary of significant accounting policies (continued)

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.

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.

1 Summary of significant accounting policies (continued)

(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.

(u) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1 Summary of significant accounting policies (continued)

(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 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, Seafarms Group Limited, disclosed in note 42 has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

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

(ii) Tax consolidation legislation

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

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

(iii) Financial guarantees

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

2 Financial risk management

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

	Consolidated	
	30 June 2016 $	30 September 2015 $
Financial assets		
Cash and cash equivalents	**8,283,532**	12,031,225
Loans and receivables	**1,593,879**	2,529,617
Fair value through profit or loss	**356,660**	267,535
Other	**-**	9,354
	10,234,071	14,837,731
Financial liabilities		
Amortised cost	**17,077,840**	17,162,513
	17,077,840	17,162,513

(a) Market risk

(i) Foreign exchange risk

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

Consolidated	**30 June 2016 NZD $**	30 September 2015 NZD $
Fair value through profit or loss	**186,829**	216,498

2 Financial risk management (continued)

Amounts recognised in profit or loss and other comprehensive income

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

	Consolidated	
	9 months to 30 June 2016 $	Year to 30 September 2015 $
Amounts recognised in profit or loss		
Net foreign exchange gain/(loss) included in other income/other expenses	**24,031**	14,069
Total net foreign exchange gains recognised in profit before income tax for the period	**24,031**	14,069
Net gain/(loss) recognised in other comprehensive income (note 30(a))		
	24,031	14,069

(ii) Price risk

Exposure

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

(iii) Cash flow and fair value interest rate risk

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

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

Consolidated	**30 June 2016**		30 September 2015	
	Weighted average interest rate %	**Balance $**	Weighted average interest rate %	Balance $
Deposits at call	**2.1%**	**307,987**	2.1%	6,368,617
Net exposure to cash flow interest rate risk		**307,987**		6,368,617

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. At 30 June 2016, 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 $2,874 higher / $4,105 lower (2015 changes of +70 / -100 bps: $17,607 higher / $25,088 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.

(i) Risk management

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

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

	Consolidated	
	30 June 2016 $	30 September 2015 $
Trade receivables		
Counterparties with external credit rating (Moody's)		
	-	-
*Counterparties without external credit rating **		
Group 1	**-**	-
Group 2	**1,321,339**	2,250,315
Group 3	**-**	-
	1,321,339	2,250,315
Total trade receivables	**1,321,339**	2,250,315

* 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.

2 Financial risk management (continued)

(i) Financing arrangements

The Group does not have access to any undrawn borrowing facilities at the end of the reporting period (2015: Nil).

(ii) Maturities of financial liabilities

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

Contractual maturities of financial liabilities **At 30 June 2016**	**Less than 6 months** $	**6 - 12 months** $	**Between 1 and 2 years** $	**Between 2 and 5 years** $	**Over 5 years** $	**Total contrac-tual cash flows** $	**Carrying amount (assets)/ liabilities** $
Non-derivatives							
Trade payables	6,984,505	-	-	-	-	6,753,119	6,753,119
Borrowings - Fixed rate 7.5%	686,772	657,084	322,605	-	-	1,666,460	1,593,333
Borrowings - variable rate (weighted average 7.38%)	-	-	9,104,748	-	-	-	8,500,000
Total non-derivatives	7,671,277	657,084	9,427,353	-	-	8,419,579	16,846,452
At 30 September 2015							
Non-derivatives							
Trade payables	4,011,179	-	-	-	-	4,011,179	4,011,179
Borrowings - Fixed rate 7.5%	2,869,921	698,647	1,320,106	-	-	4,888,674	4,651,334
Borrowings - variable rate (weighted average 7.38%)	-	-	9,104,748	-	-	9,104,748	8,500,000
Total non-derivatives	6,881,100	698,647	10,424,854	-	-	18,004,601	17,162,513

(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).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2016:

2 Financial risk management (continued)

Consolidated - at 30 June 2016	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	**186,829**	**-**	**-**	**186,829**
Biological assets	**-**	**-**	**3,325,639**	**3,325,639**
Total assets	**186,829**	**-**	**3,325,639**	**3,512,468**
Liabilities				
Derivatives used for hedging - foreign exchange contracts	**-**	**-**	**-**	**-**
Trading derivatives	**-**	**-**	**-**	**-**
Total liabilities	**-**	**-**	**-**	**-**

Consolidated - at 30 September 2015	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Available-for-sale financial assets				
Trading derivatives	216,498	-	-	216,498
Biological assets	-	-	3,522,950	3,522,950
Total assets	216,498	-	3,522,950	3,739,448
Liabilities				
Derivatives used for hedging - foreign exchange contracts	-	-	-	-
Trading derivatives	-	-	-	-
Total liabilities	-	-	-	-

There have been no transfers between Level 1 and Level 2 in the period. The carrying value of other financial assets and financial liabilities approximates their fair value. For a reconciliation of the movement of level 3 disclosures, refer to note15.

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 period are discussed below.

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

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

3 Critical accounting estimates and judgements (continued)

The carrying amount of goodwill at 30 June 2016 was $1,207,187 (30 September 2015: $1,207,187). No impairment losses were assessed in 2016 or 2015.

The carrying amount of development costs at 30 June 2016 was $1,979,482 (30 September 2015: $2,274,995). An impairment loss of $267,886 was recognised during 2016 (2015:$392,037)

The carrying amount of carbon sinks at 30 June 2016 was $1,387,125 (30 September 2015: $2,451,215). An impairment loss of $905,461 was recognised during 2016 (2015:-).

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

(a) Revenue recognition

The Group's policy for recognising revenue from project development is based on management's estimation of the stage of completion for these projects by reference to costs incurred compared to total estimated costs at completion. As at 30 June 2016, the Group has recognised $791,890 (2015: $75,288) as accrued income and $1,069,527 (2015: $1,139,629) 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 June 2016, the Group has capitalised $1,979,482 (2015: $2,274,995) 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. Assumptions are made on the stage of life-cycle of the prawns, the amount of feed consumed and an estimate of future costs until harvest-ready. The model outputs a fair value adjustment market value gain/(loss) (see note Current assets - Biological assets).

(iv) Deferred tax

The deferred tax asset has not increased during the financial year due to current tax losses or research and development tax offsets. Management has evaluated the recoverability of the deferred tax assets with reference to budgets and forecasts that contain estimates and judgements, and assessed that the Group will recover the tax losses and research and development tax offsets in future periods. Management has assessed that it is not probable that the current year's tax losses and research and development tax offsets will be recovered, accordingly these have not been included in the deferred tax asset. At 30 June 2016, the tax losses included in the deferred tax asset total $2,099,734 (2015: $2,477,432) and the research and development tax offset included in the deferred tax asset was $3,851,100 (2015: $3,225,176) (note 21).

4 Segment information

(a) Description of segments

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

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

4 Segment information (continued)

(b) Segments

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

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

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 September 2015 is as follows:

Year to 30 September 2015	Aquaculture	Carbon services	Other	Consolidated
	$	$	$	$
Segment revenue				
Sales and external customers	18,350,214	6,419,678	942,655	25,712,547
Total sales revenue	18,350,214	6,419,678	942,655	25,712,547
Other revenue	6,618	-	496,250	502,868
Total segment revenue	18,356,832	6,419,678	1,438,905	26,215,415
Consolidated revenue				26,215,415
Segment profit/(loss)				
Segment profit/(loss)	(11,281,087)	(250,929)	702,433	(10,829,583)
Central administration and directors' salaries				(5,505,128)
Loss before income tax				(16,334,711)
Income tax benefit				374,743
Loss for the year				(15,959,968)
Segment assets				
Segment assets	31,812,986	13,634,584	72,231	45,519,801
Unallocated assets				13,033,194
Total assets				58,552,995

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.

(c) Other profit and loss disclosures

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

2015	Individually significant items	Depreciation and amortisation
	$	$
Carbon Services	(392,037)	(424,756)
Aquaculture	(311,088)	(1,330,035)
Other	-	(33,321)
Unallocated	(2,344,580)	(20,014)
Total	(3,047,705)	(1,808,126)

The individually significant items for 2016 includes an impairment charge of $267,886 (2015 $392,037) in the carbon services segment relating to capitalised development costs on projects that management has assessed to no longer be viable. There is also another impairment charge for this segment of $905,461 (2015: -) relating to carbon plantations.

The individually significant items for the aquaculture segment in 2015 is an impairment of plant and equipment caused by cyclone damage at the Project Sea Dragon Broodstock facility in Exmouth, West Australia.

The unallocated significant item in 2015 is the deemed loss on disposal of a subsidiary (note 37(b)).

5 Revenue

	Consolidated	
	9 months to 30 June 2016 $	Year to 30 September 2015 $
From continuing operations		
Sales revenue		
Project development fees	**2,168,162**	989,564
Sale of environmental credits	**-**	2,293,531
Carbon sink project management fees	**1,580,488**	3,033,467
Fee for services	**444,388**	942,654
Sale of Goods Revenue	**19,220,281**	18,350,214
	23,413,319	25,609,430
Other revenue		
Interest from financial assets not at fair value through profit or loss	**62,030**	496,418
Crop share and agistment	**53,937**	109,567
	115,967	605,985
	23,529,286	26,215,415

6 Other gains/(losses)

	Consolidated	
	9 months to 30 June 2016 $	Year to 30 September 2015 $
Net gain on disposal of property, plant and equipment	**-**	8,692
Net gains on financial assets	**(64,878)**	(240,341)
Insurance recovery	**-**	105,000
Net foreign exchange gains	**24,031**	14,069
Gain/(loss) on environmental credits FVTPL	**(25,520)**	77,422
Contract termination fee	**516,181**	-
	449,814	(35,158)

7 Expenses

Profit before income tax includes the following specific expenses:

Depreciation		
Buildings	**57,559**	64,710
Plant and equipment	**876,270**	1,002,105
Ponds	**254,317**	327,377
Carbon sinks	**158,629**	314,029
Leasehold improvements	**9,453**	13,456
Total depreciation	**1,356,228**	1,721,677

7 Expenses (continued)

	9 months to 30 June 2016 $	Year to 30 September 2015 $
Amortisation		
NGAC	**15,648**	19,063
Software	**12,913**	48,899
Research & development	**27,695**	18,487
Total amortisation	**56,256**	86,449
Total depreciation and amortisation	**1,412,484**	1,808,126
Research and development		
Carbon projects	**190,611**	528,022
Project Sea Dragon	**4,791,206**	2,290,715
Research and development costs paid and expensed	**4,981,817**	2,818,737
Employee benefits expense		
Superannuation	**138,052**	262,601
Other employee benefits	**4,298,318**	5,104,723
Total employee benefits expense	**4,436,370**	5,367,324
Cost of goods sold		
Variable Selling Expenses	**1,513,853**	1,724,568
Cost of environmental credits sold	**13,350**	2,241,139
Cost of goods sold - prawns	**18,683,956**	16,795,166
Total cost of goods sold	**20,211,159**	20,760,873

8 Income tax expense

(a) Income tax expense/(benefit)

	Consolidated	
	9 months to 30 June 2016 $	Year to 30 September 2015 $
Current tax	**(3,574)**	1,790
Deferred tax	**(297,221)**	(268,189)
Adjustments for current tax of prior periods	**-**	47,482
Adjustments for deferred tax of prior periods	**(74,409)**	(155,826)
	(375,204)	(374,743)

8 Income tax expense (continued)

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

	Consolidated	
	9 months to 30 June 2016	Year to 30 September 2015
	$	$
Loss from continuing operations before income tax expense	**(18,735,523)**	(16,334,713)
Tax at the Australian tax rate of 30.0% (2015 - 30.0%)	**(5,620,657)**	(4,900,414)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	**2,693,076**	1,499,709
Research and Development tax offset not recognised	**(2,009,056)**	-
Sundry items	**(272,773)**	(385,267)
	(5,209,410)	(3,785,972)
Difference in overseas tax rates	**9,255**	(4,631)
Under/(over) provision of income tax in previous year	**(74,409)**	(155,826)
Write off prior year deferred tax assets	**-**	47,482
Current year tax losses not recognised	**4,899,360**	3,524,204
Income tax benefit	**(375,204)**	(374,743)

(c) Tax consolidation legislation

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

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

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

(d) Franking account

	Consolidated	
	9 months to 30 June 2016	Year to 30 September 2015
	$	$
Franking account balance (tax paid basis)	**741,264**	741,264
Impact on franking account balance of dividends not recognised	**-**	-
	741,264	741,264

9 Current assets - Cash and cash equivalents

	Consolidated	
	30 June 2016	30 September 2015
	$	$
Cash at bank and in hand	**7,974,224**	5,661,287
Deposits at call	**307,987**	6,368,617
Other cash and cash equivalents	**1,321**	1,321
	8,283,532	12,031,225

(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, $319,305 (2015: $999,669) is non-interest bearing, and $7,964,226 (2015: $4,661,618) is in accounts that earn interest.

(c) Cash not available for use

$307,987 (2015: $337,317) is held as security for bank facilities and lease guarantees (note 27).

(d) Deposits at call

Deposits at call are interest bearing.

10 Current assets - Trade and other receivables

	Consolidated	
	30 June 2016	30 September 2015
	$	$
Trade receivables	**1,321,357**	2,250,315
Loans to employees	**21,299**	20,816
Goods and services tax (GST) receivable	**215,717**	18,113
	1,558,373	2,289,244
Loans to related parties	**-**	201,190
	1,558,373	2,490,434

(a) Past due but not impaired

As of 30 June 2016, trade receivables of $703,679 (2015: $383,680) were past due but not impaired.

	Consolidated	
	30 June 2016	30 September 2015
	$	$
Up to 3 months	**672,663**	310,981
3 to 6 months	**4,474**	72,699
More than 6 months	**26,542**	-
	703,679	383,680

10 Current Assets Trade and other receivables (continued)

(b) Interest rate risk

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

(iii) Fair value and credit risk

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

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

11 Current assets - Inventories

	Consolidated	
	30 June 2016	30 September 2015
	$	$
Finished goods	**5,121,160**	7,266,505
Feed and consumables	**1,245,357**	1,330,178
	6,366,517	8,596,683

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

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

12 Current assets - Current tax receivables

	Consolidated	
	30 June 2016	30 September 2015
	$	$
Current tax receivables	**15,786**	12,210
	15,786	12,210

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

13 Current assets - Other current assets

	Consolidated	
	30 June 2016	30 September 2015
	$	$
Prepayments	**292,168**	456,897
Accrued interest	**-**	8,882
Deposits paid	**19,720**	18,091
Environmental credits at FVTPL	**169,831**	51,037
Other aquaculture assets	**58,996**	200,572
	540,715	735,479

13 Current assets - Other current assets (continued)

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

14 Current assets - Accrued income

	Consolidated	
	30 June 2016	30 September 2015
	$	$
Carbon sink development	**-**	75,288
Accrued income from carbon sink management	**791,890**	-
	791,890	75,288

15 Current assets - Biological assets

	30 June 2016	30 September 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	**(623,668)**	(417,909)
Increases due to purchases	**3,949,307**	3,940,859
Transferred to inventories	**(3,522,950)**	(3,425,164)
Closing Balance	**3,325,639**	3,522,950

The discounted cash flow model is underpinned by a number of inputs, each having an impact on the final valuation. The key inputs to the model include survival rates, average growth rates, feed costs, feed conversion ratio and power costs. Each of these inputs are updated to align with the average recent performance.

16 Current assets - Other current financial assets

	Consolidated	
	30 June 2016	30 September 2015
	$	$
New Zealand energy futures at FVTPL	**186,829**	216,498
	186,829	216,498

17 Current assets - available for sale

	Consolidated	
	30 June 2016	30 September 2015
	$	$
Non-current assets classified as held for sale	**-**	1,280,000
	-	1,280,000

18 Non-current assets - Inventories

	Consolidated	
	30 June 2016	30 September 2015
	$	$
Other inventories	**184,923**	184,923
	184,923	184,923

19 Non-current assets - Other financial assets - investments

	Consolidated	
	30 June 2016	30 September 2015
	$	$
Available-for-sale investments	**-**	9,354
	-	9,354

20 Non-current assets - Property, plant and equipment

Consolidated	Freehold land $	Freehold buildings $	Ponds $	Plant and equipment $	Leasehold improvements $	Leased plant and equipment $	Carbon sinks $	Total $
At 1 October 2014								
Cost or fair value	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
Year ended 30 September 2015								
Opening net book amount	2,459,799	888,182	4,203,855	5,116,161	81,948	-	5,588,295	18,338,240
Acquisition of subsidiary	260,000	269,236	2,395,631	1,275,133	-	-	-	4,200,000
Additions	-	471,191	30,704	1,189,720	-	-	-	1,691,615
Depreciation charge	-	(64,710)	(327,377)	(1,002,105)	(13,456)	-	(314,029)	(1,721,677)
Impairment loss	-	(228,686)	-	(82,402)	-	-	-	(311,088)
Disposals	-	-	-	-	-	-	(2,823,052)	(2,823,052)
Closing net book amount	2,719,799	1,335,213	6,302,813	6,496,507	68,492	-	2,451,214	19,374,038
At 30 September 2015								
Cost or fair value	2,719,799	1,410,750	6,781,774	8,546,364	406,607	60,181	4,201,540	24,127,015
Accumulated depreciation	-	(75,537)	(478,961)	(2,049,857)	(338,115)	(60,181)	(1,750,326)	(4,752,977)
Net book amount	2,719,799	1,335,213	6,302,813	6,496,507	68,492	-	2,451,214	19,374,038

20 Non-current assets – Property, plant and equipment (continue)

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

21 Non-current assets - Deferred tax assets

	Consolidated	
	30 June 2016 $	30 September 2015 $
The balance comprises temporary differences attributable to:		
Tax losses	**2,099,734**	2,099,734
Provisions	**414,806**	326,307
Accruals	**248,718**	89,409
Intangible assets	**111,403**	111,403
Depreciable assets	**32,145**	191,814
Accrued interest	**98,470**	(96,368)
Research & development	**(587,079)**	(675,732)
R&D tax offset	**3,851,100**	3,851,100
	6,269,297	5,897,667
Net deferred tax assets	**6,269,297**	5,897,667

	Consolidated	
Movements:		
Opening balance at 1 October 2014 and 2015	**5,897,667**	11,087,839
Charged/credited:		
- to profit or loss	**297,221**	268,189
- directly to equity	**-**	111,355
Realisation of prior year deferred tax assets	**-**	(5,725,542)
Under (over) provision of deferred tax in previous year	**74,409**	155,826
Closing balance at 30 June	**6,269,297**	5,897,667

21 Non-current assets - Deferred tax assets (continued)

Movements	Tax losses	Provisions	Intangibles & Rights Issue expenses	Accruals	Accrued income & available-for-sale investment	Carbon sinks & depreciable assets	R&D Tax offset	Total
		$	$	$	$	$	$	$
At 1 October 2014	2,477,434	334,421	(798,840)	47,822	(248,576)	6,050,402	3,225,176	11,087,839
(Charged)/credited								
- to profit or loss	-	(4,225)	123,157	54,187	123,897	(28,827)	-	268,189
Under (over) provision of deferred tax in previous year	(482,585)	(3,890)	-	(12,599)	28,310	666	625,924	155,826
Realisation of prior year deferred tax assets	104,885	-	-	-	-	(5,830,427)	-	(5,725,542)
- directly to equity	-	-	111,355	-	-	-	-	111,355
At 30 September 2015	2,099,734	326,306	(564,329)	89,410	(96,369)	191,815	3,851,100	5,897,667
(Charged)/credited								
- to profit or loss	-	88,499	88,654	76,936	190,357	(147,225)	-	297,221
Under (over) provision of deferred tax in previous year	-	-	-	82,374	4,480	(12,445)	-	74,409
At 30 June 2016	**2,099,734**	**414,805**	**(475,675)**	**248,720**	**98,468**	**32,145**	**3,851,100**	**6,269,297**

22 Non-current assets - Intangible assets

Consolidated	**Development costs $**	**Goodwill $**	**Patents, trademarks and other rights $**	**Computer software $**	**Other intangible assets $**	**NGAC accreditation $**	**Total $**
At 1 October 2014							
Cost	2,948,415	1,207,187	3,072	185,966	1,106,755	408,380	5,859,775
Accumulated amortisation and impairment	(262,896)	-	(3,072)	(126,665)	(790,166)	(163,596)	(1,346,395)
Net book amount	2,685,519	1,207,187	-	59,301	316,589	244,784	4,513,380
Year ended 30 September 2015							
Opening net book amount	2,685,519	1,207,187	-	59,301	316,589	244,784	4,513,380
Additions	-	-	-	6,788	-	-	6,788
Other charge	-	-	-	-	(316,589)	-	(316,589)
Amortisation charge	(18,487)	-	-	(48,899)	-	(19,063)	(86,449)
Impairment charge	(392,037)	-	-	-	-	-	(392,037)
Closing net book amount	2,274,995	1,207,187	-	17,190	-	225,721	3,725,093
Cost	2,948,415	1,207,187	3,072	192,754	790,166	408,380	5,549,974
Accumulated amortisation and impairment	(673,420)	-	(3,072)	(175,564)	(790,166)	(182,659)	(1,824,881)
Net book amount	2,274,995	1,207,187	-	17,190	-	225,721	3,725,093

22 Non-current assets - Intangible assets (continued)

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

22 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	**$**	**Total**
2016		**$**
Carbon services	-	-
Aquaculture	1,207,187	1,207,187
Other	-	-
	1,207,187	1,207,187

Consolidated	$	Total
2015		$
Carbon services	-	-
Aquaculture	1,207,187	1,207,187
Other	-	-
	1,207,187	1,207,187

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

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

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

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

	Budget period				**Growth rate beyond budget period ****		**Discount rate**	
CGU	**Gross margin ***		**Growth rate**					
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	%	%	**%**	%	**%**	%	**%**	%
Aquaculture	**21.5**	21.5	**5.0**	4.3	**-**	-	**20.0**	20.0

* Budgeted gross margin

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

23 Current liabilities - Trade and other payables

	Consolidated	
	30 June 2016	30 September 2015
	$	$
Trade payables	**4,844,779**	2,784,793
Amounts due to associates	**229,410**	-
Accrued expenses	**1,317,709**	879,985
PAYG payable	**363,880**	177,747
Other payables	**228,728**	168,654
	6,984,506	4,011,179

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

	Notes	Consolidated	
		30 June 2016	30 September 2015
		$	$
Unsecured			
Vendor finance		**1,271,668**	3,379,667
Total unsecured current borrowings		**1,271,668**	3,379,667
Total current borrowings		**1,271,668**	3,379,667

(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

	Consolidated	
	30 June 2016	30 September 2015
	$	$
Employee benefits	**1,339,549**	1,057,978
	1,339,549	1,057,978

26 Current liabilities - Deferred revenue

	Consolidated	
	30 June 2016 $	30 September 2015 $
Government grants	**-**	104,250
Deferred income from project development	**979,616**	551,717
Deferred income on carbon sink management	**89,911**	587,913
Deferred advisory income	**3,385**	78,776
	1,072,912	1,322,656

27 Non-current liabilities - Borrowings

	Notes	Consolidated	
		30 June 2016 $	30 September 2015 $
Unsecured			
Loans from related parties	34(c)	**8,500,000**	8,500,000
Vendor Finance		**321,666**	1,271,667
Total unsecured non-current borrowings		**8,821,666**	9,771,667

(i) Secured liabilities and assets pledged as security

The Group has a $115,000 (2015: $115,000) facility on its company credit cards and has been required to provide guarantee facilities of $192,987 (2015: $173,130) 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:

	Notes	Consolidated	
		30 June 2016 $	30 September 2015 $
Current			
Deposits at call	9	**307,987**	337,317
Total current assets pledged as security		**307,987**	337,317

(ii) Risk exposures

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

28 Non-current liabilities - Provisions

	Consolidated	
	30 June 2016 $	30 September 2015 $
Employee benefits - long service leave	**43,137**	29,711
Other provisions	**153,777**	38,444
	196,914	68,155

29 Issued capital

	Notes	**30 June 2016 Shares**	30 September 2015 Shares	**30 June 2016 $**	30 September 2015 $
Ordinary shares					
Ordinary shares - fully paid	29(b)	**1,028,967,449**	886,107,449	**79,020,851**	69,599,617
Convertible preference shares	29(c)	**-**	30,150,190	**301**	301
		1,028,967,449	916,257,639	**79,021,152**	69,599,918

(ii) Movements in ordinary share capital

	Number of shares	$
Opening balance 1 October 2014	654,117,497	54,351,525
Rights issue	146,275,666	9,507,920
Placement	85,714,286	6,000,000
Less: Transaction costs arising on share issue	-	(371,183)
Deferred tax credit recognised directly in equity	-	111,355
Balance 30 September 2015	886,107,449	69,599,617
Opening balance 1 October 2015	886,107,449	69,599,617
Placement	142,860,000	10,000,201
	1,028,967,449	79,599,818
Less: Transaction costs arising on share issue	-	(578,967)
Balance 30 June 2016	1,028,967,449	79,020,851

(iii) Movements in convertible preference share capital

Details	Number of shares	$
Opening balance 1 October 2014	30,150,190	301
Balance 30 September 2015	30,150,190	301
Opening balance 1 October 2015	30,150,190	301
Balance 30 June 2016	30,150,190	301

(d) Convertible preference shares

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

29 Issued capital (continued)

(d) Convertible preference shares (continued)

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

(v) Options

Information relating to the Group's Employee Option Plan and options issued to employees and executives of the Group, including details of options issued, exercised and lapsed during the financial period and options outstanding at the end of the financial period, is set out in note 41.

30 Reserves

(a) Other reserves

	Consolidated	
	30 June 2016	30 September 2015
	$	$
Financial assets revaluation reserve	**(24,740)**	(24,740)
Share-based payments	**3,606,808**	3,606,808
Option premium reserve	**1,670,705**	1,670,705
	5,252,773	5,252,773

(b) Nature and purpose of other reserves

(i) Share-based payments

The share-based payments reserve is used to recognise:

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

(ii) Option premium

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

(iii) Financial assets revaluation reserve

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

31 Key management personnel disclosures

(a) Directors

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

(i) Chairman - executive

I N Trahar

(ii) Executive directors

H R Whitcombe
Dr C D Mitchell

31 Key management personnel disclosures (continued)

(a) Directors (continued)

(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:

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

(c) Key management personnel compensation

	Consolidated	
	9 months to 30 June 2016	Year to 30 September 2015
	$	$
Short-term employee benefits	**1,111,400**	1,471,668
Post-employment benefits	**116,132**	154,752
Long-term benefits	**17,067**	24,192
	1,244,599	1,650,612

Detailed remuneration disclosures are provided in the remuneration report on pages 6 to 12.

32 Remuneration of auditors

During the 9 months 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:

(a) Audit services

(i) Deloitte Touche Tohmatsu

	Consolidated	
	9 months to 30 June 2016	Year to 30 September 2015
	$	$
Audit and review of financial reports	**145,000**	135,000
Total auditors' remuneration	**145,000**	135,000

33 Commitments

(a) Lease commitments: Group as lessee

(a) Non-cancellable operating leases

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

The Group leases 11 motor vehicles under operating leases with a term of three years, with no option to purchase the vehicle at the expiry of the lease period.

	Consolidated	
	30 June 2016 $	30 September 2015 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**298,954**	176,678
Later than one year but not later than five years	**1,174,735**	1,000,849
Later than five years	**39,225**	73,842
	1,512,914	1,251,369

34 Related party transactions

(a) Parent entities

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 35.

(c) Loans to/from related parties

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

	Consolidated	
	30 June 2016 $	30 September 2015 $
Loan from Avatar Finance Pty Ltd		
Beginning of the year	**8,500,000**	2,900,000
Loans advanced	**-**	5,600,000
Interest charged	**306,183**	415,114
Interest paid	**(306,183)**	(415,114)
End of period	**8,500,000**	8,500,000

34 Related party transactions (continued)

	Consolidated	
	30 June 2016 $	30 September 2015 $
Loans to other related parties		
Beginning of the year	**218,178**	106,140
Loans advanced	**-**	112,038
Loans repayments made	**(66,389)**	-
End of period	**151,789**	218,178

(d) Terms and conditions

The facility from Avatar Finance Pty Ltd is provided on normal commercial terms and conditions and at market rates, and is to be repaid on 31 October 2017. The average interest rate on the loan during the 9 months was 7.38% (2015: 7.38%).

35 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	
			2016 %	2015 %
CO2 Australia Limited *	Australia	Ordinary	**100**	100
Carbon Banc Limited *	Australia	Ordinary	**100**	100
Carbon Estate Pty Ltd *	Australia	Ordinary	**100**	100
CO2 New Zealand Limited *	Australia	Ordinary	**100**	100
Mallee Land Company Pty Ltd *	Australia	Ordinary	**100**	100
Mallee Carbon Limited *	Australia	Ordinary	**100**	100
Carbon Sinks Services Pty Ltd *	Australia	Ordinary	**100**	100
The Oil Mallee Company of Australia Limited *	Australia	Ordinary	**100**	100
Yonderr Pty Ltd *	Australia	Ordinary	**100**	100
Seafarms Operations Pty Limited (formerly Seafarms Operations Limited) *	Australia	Ordinary	**100**	100
CO2 Group Financial Services Pty Ltd	Australia	Ordinary	**100**	100
Marine Harvest Australia Pty Ltd *	Australia	Ordinary	**100**	100
Seafarms Hinchinbrook Pty Ltd *	Australia	Ordinary	**100**	100
Project Sea Dragon Pty Ltd *	Australia	Ordinary	**100**	100
Marine Farms Pty Ltd*	Australia	Ordinary	**100**	100
Seafarm Queensland Pty Ltd*	Australia	Ordinary	**100**	100

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 36.

36 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.

36 Deed of cross guarantee (continued)

Set out below is a consolidated income statement for the 9 months ended 30 June 2016 of the Closed Group consisting of Seafarms Group Limited, CO2 Australia Limited, Carbon Banc Limited, Carbon Estate Pty Ltd, CO2 New Zealand Limited, Mallee Land Company Pty Ltd, Mallee Carbon Limited, Carbon Sinks Services Pty Ltd, The Oil Mallee Company of Australia Limited, Yonderr Pty Ltd, Seafarms Operations Limited, Marine Farms Pty Ltd, Marine Harvest Australia Pty Ltd, Seafarm Queensland Pty Ltd, Seafarm Hinchinbrook Pty Ltd, and Project Sea Dragon Pty Ltd.

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

	9 months to 30 June 2016 $	Year to 30 September 2015 $
Consolidated statement of profit or loss		
Revenue from continuing operations	**23,529,287**	26,174,755
Other income	**449,990**	(35,806)
Fair value adjustment of biological assets	**(623,668)**	(417,909)
Consulting expense	**(4,469,263)**	(2,458,308)
Legal fees	**(287,430)**	(272,732)
Travel	**(1,207,371)**	(748,751)
Insurance	**(200,633)**	(232,916)
Rent	**(314,034)**	(646,439)
Research & development	**(4,981,817)**	(2,818,737)
Marketing	**(109,604)**	(27,800)
Plantation costs	**(1,621,273)**	(982,863)
Finance costs	**(470,768)**	(644,359)
Loss on disposal of subsidiary	**-**	(2,344,580)
Cost of goods sold	**(20,211,159)**	(20,760,872)
Other expenses	**(2,331,176)**	(2,849,803)
Employee benefits expense	**(4,436,370)**	(5,367,325)
Depreciation and amortisation expense	**(1,398,986)**	(1,780,038)
Share of net profits of associates and joint venture partnership accounted for using the equity method	**23,766**	(86,347)
Loss before income tax	**(18,660,509)**	(16,300,830)
Income tax (expense) benefit	**313,729**	362,915
Loss for the period	**(18,346,780)**	(15,937,915)

	9 months to 30 June 2016 $	Year to 30 September 2015 $
Consolidated statement of comprehensive income		
Loss for the period	**(18,346,780)**	(15,937,915)
Total comprehensive loss for the period	**(18,346,780)**	(15,937,915)

36 Deed of cross guarantee (continued)

(a) Consolidated statement of financial position

Set out below is a consolidated balance sheet as at 30 June 2016 of the Closed Group consisting of Seafarms Group Limited, CO2 Australia Limited, Carbon Banc Limited, Carbon Estate Pty Ltd, CO2 New Zealand Limited, Mallee Land Company Pty Ltd, Mallee Carbon Limited, Carbon Sinks Services Pty Ltd, The Oil Mallee Company of Australia Limited, Yonderr Pty Ltd, Seafarms Operations Limited, Marine Farms Pty Ltd, Marine Harvest Australia Pty Ltd, Seafarm Queensland Pty Ltd, Seafarm Hinchinbrook Pty Ltd, and Project Sea Dragon Pty Ltd.

	30 June 2016 $	30 September 2015 $
Current assets		
Cash and cash equivalents	**8,015,549**	11,682,520
Trade and other receivables	**1,328,963**	2,490,435
Inventories	**6,551,440**	8,781,606
Other current assets	**656,865**	935,938
Accrued income	**791,890**	75,288
Biological assets	**3,325,639**	3,522,950
Other financial assets	**186,829**	216,498
Assets held for sale	**-**	1,280,000
Total current assets	**20,857,175**	28,985,235
Non-current assets		
Other financial assets - investments	**-**	9,354
Investments in associates and joint ventures	**499,109**	401,153
Property, plant and equipment	**18,229,568**	19,324,154
Deferred tax assets	**6,277,471**	5,900,620
Intangible assets	**3,400,915**	3,724,747
Total non-current assets	**28,407,063**	29,360,028
Total assets	**49,264,238**	58,345,263
Current liabilities		
Trade and other payables	**6,749,363**	4,010,703
Provisions	**1,339,549**	1,057,978
Other current liabilities	**4,603**	1,326
Deferred income	**1,072,912**	1,322,656
Borrowings	**1,271,668**	3,379,667
Total current liabilities	**10,438,095**	9,772,330
Non-current liabilities		
Borrowings	**8,821,666**	9,771,667
Provisions	**43,137**	29,711
Other provisions	**153,777**	38,444
Total non-current liabilities	**9,018,580**	9,839,822
Total liabilities	**19,456,675**	19,612,152
Net assets	**29,807,563**	38,733,111

36 Deed of cross guarantee (continued)

	30 June 2016 $	30 September 2015 $
Equity		
Issued capital	**75,219,453**	65,798,219
Reserves	**5,252,773**	5,252,773
Accumulated losses	**(50,664,663)**	(32,317,881)
Total equity	**29,807,563**	38,733,111

Interests in joint ventures

37 Interests in joint ventures

(a) Joint venture partnership

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

During 2015, the existing joint operation was terminated and the Group entered into a new joint venture arrangement (with a different third party). The new joint venture was structured through the sale of 40% of the Group's interest in BLM to the new joint venture party for $325,000, leaving the Group with a 60% interest in BLM.

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

The transaction was treated as a deemed disposal of a subsidiary and a subsequent acquisition of an interest in a joint venture.

(b) Deemed disposal of a subsidiary

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

	30 June 2016 $	30 September 2015 $
Investment retained in BLM at fair value at date control was lost*	**-**	487,500
Carrying value of BLM to the Group at date control was lost	**-**	(2,832,080)
Loss on deemed disposal	**-**	(2,344,580)

* The fair market value of the 60% interest retained in BLM has been calculated by reference to the transaction price of $325,000 for the sale of the remaining 40% to the third party.

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

(c) Equity accounted investment

As noted above the retained 60% interest of the Group is based on the fair market value evidenced through the transaction with the third party.

This fair value of $487,500 became the cost of the equity accounted investment, recognised as such in the statement of financial position at 30 September 2015. At 30 June 2016, the carrying value of the investment in the statement of financial position is $499,109.

37 Interests in joint ventures (continued)

During the current period an equity accounted profit of $97,956 has been recognised in profit or loss (2015: $86,347 loss).

38 Events occurring after the reporting period

On 23 August 2016, the Group announced an $11 million share placement to institutional and professional investors. The placement will take place over two tranches; the first tranche of approximately $7.1 million was received prior to payment of fees on 29 August 2016, the second tranche of $3.9 million is subject to shareholder approval at an Extraordinary General Meeting to be held late September 2016. The placement will be used to provide ongoing working capital for the development of Project Sea Dragon ("PSD"), complete the bankable feasibility study for PSD, and allow early capital works programs to be undertaken.

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

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

	Consolidated	
	30 June 2016 $	30 September 2015 $
Loss for the year	**(18,360,319)**	(15,959,969)
Depreciation and amortisation	**1,412,483**	1,808,126
Impairment of development costs	**267,886**	392,037
Impairment of property, plant & equipment	**905,461**	311,088
Net (gains)/losses on sale of non-current assets	**-**	(8,692)
Net (gain)/loss on sale of financial assets	**64,815**	-
Fair value (gains)/losses on financial assets at fair value through profit or loss	**25,520**	240,341
Share of losses/(profits) of joint venture	**(23,766)**	86,347
Net exchange differences	**-**	14,096
Interest income received	**(72,888)**	(496,418)
Net loss on disposal of subsidiary	**-**	2,344,580
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors and receivables	**932,061**	320,612
(Increase)/decrease in inventories	**2,230,166**	(2,926,834)
(Increase)/decrease in other current assets	**194,764**	(221,515)
(increase)/decrease in current tax receivables	**(3,576)**	1,789
(Increase)/decrease in biological assets	**197,311**	(97,785)
(Increase)/decrease in deferred tax assets	**(371,630)**	5,187,752
(Increase)/decrease in other operating assets	**(716,602)**	111,832
(Decrease)/increase in trade creditors	**2,973,326**	541,448
(Decrease)/increase in other operating liabilities	**(249,744)**	1,041,381
(Decrease)/increase in other provisions	**410,330**	44,124
Net cash outflow from operating activities	**(10,184,402)**	(7,265,660)

40 Earnings per share

(a) Basic earnings per share

	Consolidated	
	9 months to 30 June 2016 Cents	Year to 30 September 2015 Cents
Basic earnings per share	**(2.04)**	(2.31)
Total basic earnings per share attributable to the ordinary owners of the Company	**(2.04)**	(2.31)

(b) Diluted earnings per share

	Consolidated	
	9 months to 30 June 2016 Cents	Year to 30 September 2015 Cents
Diluted earnings per share	**(2.04)**	(2.31)
Total basic earnings per share attributable to the ordinary owners of the Company	**(2.04)**	(2.31)

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

	Consolidated	
	9 months to 30 June 2016 $	Year to 30 September 2015 $
Basic earnings per share		
Loss from continuing operations	**(18,360,319)**	(15,959,969)
	(18,360,319)	(15,959,969)
Diluted earnings per share		
Loss from continuing operations	**(18,360,319)**	(15,959,969)
Loss from continuing operations attributable to the ordinary equity holders of the Company	**(18,360,319)**	(15,959,969)

(d) Weighted average number of shares used as denominator

	Consolidated	
	9 months to 30 June 2016 Number	Year to 30 September 2015 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**901,528,844**	692,306,363

41 Share-based payments

(a) Employee Incentive & Option Plan

There is no current employee incentive & option plan.

Performance Rights
All remaining performance rights lapsed in the year ended 30 September 2015.

42 Parent entity financial information

(a) Summary financial information

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

	30 June 2016 $	30 September 2015 $
Balance sheet		
Current assets	**58,787,265**	58,417,905
Non-current assets	**9,927,695**	9,824,382
Total assets	**68,714,960**	68,242,287
Current liabilities	**342,999**	485,908
Non-current liabilities	**8,653,912**	8,538,444
Total liabilities	**8,996,910**	9,024,352
Net assets	**59,718,050**	59,217,935
Shareholders' equity		
Issued capital	**79,021,153**	69,599,919
Reserves		
Reserves	**5,302,513**	5,302,513
Retained earnings	**(24,605,616)**	(15,684,497)
	59,718,050	59,217,935
Loss for the period	**(8,921,119)**	(4,964,218)
Total comprehensive loss	**(8,921,119)**	(4,964,218)

(b) Guarantees entered into by the parent entity

There are cross guarantees given by Seafarms Group Limited and all its subsidiaries as described in note 36. No deficiencies of assets exist in any of these companies. The parent company has given no other guarantees.

(c) Contingent liabilities of the parent entity

The Parent entity did not have any contingent liabilities as at 30 June 2016 or 30 September 2015. For information about guarantees given by the Parent entity, please see above.

42 Parent entity financial information (continued)

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

As at 30 June 2016, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 21 to 80 are in accordance with the *Corporations Act 2001*, including:
  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the 9 months ended on that date, and

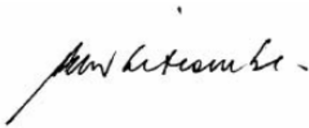
(b) the financial statements and notes set out on pages 21 to 80 are also in accordance with the international financial reporting standards issued by the International Accounting Standards Board

(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 36 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 36.

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
28 September 2016