



Our Ref: SFG ASX Announce Appendix 4E Financial Report 2018 (578)

31 August 2018

ANNOUNCEMENT 578

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

By ASX Online
Number of pages: 90
(including this page)

Dear Sir

Seafarms Group Limited Year Ended 30 June 2018
Appendix 4E and Annual Financial Report 2018

Enclosed is Seafarms Group's Annual Financial Report for the financial year ended 30 June 2018 and Appendix 4E.

Seafarms Group (**Seafarms** or the **Company**) will not be providing a market update following release of the Financial Report.

There have been numerous announcements to market over the past 8 weeks informing the market about the Company, Project Sea Dragon, the Nissui Transaction and the demerger of CO2 Australia as well as the market update for the General Meeting held on 16 July 2018. We refer shareholders to the Director's Report in the Financial Report for an overview of the year past. All announcements to the ASX can be found on the Company's web site www.seafarms.com.au.

The Company will provide a comprehensive overview at the Annual General Meeting to be held later this year.

Please telephone Harley Whitcombe on (08) 9216 5200 with any queries.

Yours faithfully

Seafarms Group Limited

Harley Whitcombe
Company Secretary

ENC

Seafarms Group Limited
ABN 50 009 317 846

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

T +61 8 9216 5200
F +61 8 9216 5199
E info@seafarms.com.au
W seafarms.com.au

About Seafarms Group

Seafarms Group Limited (ASX: SFG) is an ASX listed holding company with separate subsidiary aquaculture companies. Seafarm Operations Pty Ltd – an Australian agri-food company – operates aquaculture assets in eastern Australia producing high value seafood. Seafarms is currently the largest producer of farmed prawns – growing, processing and distributing the well-known Crystal Bay Prawns™ premium brand.

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

Project Sea Dragon

Project Sea Dragon Pty Ltd is developing Australia's largest integrated, land based prawn aquaculture project in northern Australia designed to produce high-quality, year-round reliable volumes for export markets.

For further information refer: www.seafarms.com.au/about-project-sea-dragon/



Seafarms Group Limited

ABN 50 009 317 846

Annual Report for the year ended 30 June 2018

Seafarms Group Limited ABN 50 009 317 846
Financial Report - 30 June 2018

Lodged with the ASX under Listing Rule 4.3A.
This information should be read in conjunction with the
Financial Report

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Seafarms Group Limited

Appendix 4E

Financial Report

Year ended 30 June 2018

Name of entity
Seafarms Group Limited

ABN or equivalent company
reference

ABN 50 009 317 846

12 months ended

30 June 2018
(Previous corresponding period: 12
months ended 30 June 2017)

Results for announcement to the market

				\$
Revenue from ordinary activities	Down	1.9%	to	35,051,906
Earnings before interest and taxation (EBIT)	Down	51.0%	to	(18,866,541)
Net loss after tax (from ordinary activities) for the period attributable to members	Up	.9%	to	(19,947,283)

Distributions

	Amount per security	Franked amount per security
Interim dividend (per share)	-	-
Final dividend (per share)	-	-
Franking	-	-
	30 June 2018	30 June 2017
	\$	\$
Net tangible asset backing (per share)	0.01	0.02

Explanation of results

For commentary on the results please refer to the announcement relating to the release of Seafarms Group Limited results in conjunction with the accompanying financial statements, which forms part of the Appendix 4E.

Audit

This report is based on accounts that have been audited.

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

Harley Ronald Whitcombe
Director & Company Secretary
Perth
31 August 2018

Seafarms Group Limited
ABN 50 009 317 846
Annual Report - 30 June 2018

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Seafarms Group Limited
Corporate directory

Directors

Ian Norman Trahar B.Ec, MBA
Executive Chairman

Harley Ronald Whitcombe B.Bus, CPA
Executive Director

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

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

Hisami Sakai (appointed 7 August 2018)
Non-executive Director

Secretary

Harley Ronald Whitcombe B.Bus, CPA

Principal registered office in Australia

Level 11, 225 St Georges Terrace
Perth, Western Australia 6000
Telephone No: (08) 9216 5200
Facsimile No: (08) 9216 5199

Share registry

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

Auditor

Deloitte Touche Tohmatsu
Chartered Accountants
123 St Georges Terrace
Perth WA 6000

Bankers

HSBC Bank Australia Limited
190 St Georges Terrace
Perth, Western Australia 6000

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

Stock exchange listing

Seafarms Group Limited shares are listed on the
Australian Securities Exchange. Home Exchange -
Perth.

ASX Code - SFG

Website

www.seafarms.com.au

Directors' report

The Directors present their report together with the financial statements of Seafarms Group Limited (referred to hereafter as Seafarms or the Group) consisting of Seafarms Group Limited and the entities it controlled at the end of or during the year ended 30 June 2018.

Directors

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

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

On 7 August 2018 Mr Hisami Sakai was appointed as a Non-Executive Director of Seafarms Group Limited as Nippon Suisan Kaisha Limited's representative.

Principal activities

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

Review of operations

The Group has reported a loss for the year after taxation of \$19,947,283 (2017: loss \$19,775,463).

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

	Segment revenues		Segment results	
	2018	2017	2018	2017
Consolidated	\$	\$	\$	\$
Aquaculture	26,973,529	29,296,388	(14,262,502)	(10,937,644)
Carbon services	6,593,791	5,379,148	(1,338,530)	(277,238)
Other	1,484,586	1,063,715	566,308	294,594
Total segment revenue/result	35,051,906	35,739,251	(15,034,724)	(10,920,288)

Review of operations (continued)

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

Aquaculture

Production at Seafarms' operations in North Queensland was lower than expected due to the previously reported YHV7 outbreak, which negatively affected the Christmas crop. As a result a number of additional biosecurity measures have been implemented along with a number of changes to pond production systems. These changes have provided a positive impact with second half results showing significant improvement on a year on year basis.

As a result of the research and development into stocking rates and scheduling that was reported last year, the company continues to be self-sufficient for Post-Larvae for pond-stocking. Seafarms' high QA/QC standards for its Post-Larvae also contributed to improved performance in grow-out in the second half of the year.

Seafarms continues to produce both Black Tiger and Banana prawns which are sold through supermarkets, seafood markets and wholesalers. The company's unique Crystal Bay® brand strengthened its presence in supermarkets and restaurants. The in-store sales were supported through social media and web expansion.

The Queensland operations are primarily intended to demonstrate the fundamental operating concepts for Project Sea Dragon and provide the platform for the core of the workforce required for the much larger greenfield project.

Project Sea Dragon, Seafarms' world-class integrated aquaculture initiative achieved a series of major milestones in its development during the year.

In order to assist the development of Project Sea Dragon, Seafarms secured a material investment in the Project via an equity placement in Seafarms Group Ltd. The investor is Nippon Suisan Kaisha (Nissui) one of the world's leading seafood companies. Nissui, which is listed on the Tokyo Stock Exchange and a member of the Nikkei 225 Index, is one of the world's largest producers of seafood and has expertise in fisheries, aquaculture, marine research and development, processing, logistics and marketing. This investment which represents a 14.99% shareholding interest in the company, also includes off-take agreements and an agreement to distribute Seafarms existing product as well as produce from Project Sea Dragon, through its half-owned business Sealord. Nissui's investment in Seafarms followed an exhaustive due diligence process that examined all facets of Project Sea Dragon and Queensland operations.

A Project Development Agreement with the Northern Territory Government was signed in September 2017. This Agreement provides the strategic pathway for the full 10,000 Ha development and commits both Parties to fully realise the economic opportunities arising from the Project. The Territory Government will support the project through investments in public infrastructure and will ensure robust land tenure for all Northern Territory project sites.

At its Exmouth Founder Stock Centre, Project Sea Dragon produced its first generations of specific pathogen free Black Tiger Prawns. Development of a domesticated population of specific pathogen free animals is a core strategy to reduce biosecurity risk in Project Sea Dragon.

Major approvals for the breeding facility site at Bynoe Harbour and for the Grow-out Centre at Legune were obtained.

At Bynoe Harbour the approvals that were obtained include the development approval with approval to clear vegetation, a waste discharge licence, an Aboriginal Areas Protection Authority Certificate and the aquaculture licence.

The company successfully negotiated an Indigenous Land Use Agreement (ILUA) for Legune Station. The ILUA was formally authorised on 31 August 2017 and all parties signed the Agreement on 1 November 2017. An Aboriginal Areas Protection Authority Certificate accompanied this ILUA. The use of the land for aquaculture was granted through a Non-Pastoral Use Permit together with a Vegetation Clearing Permit which under the relevant Act is also the development permit.

Review of operations (continued)

Aquaculture (continued)

Seafarms extended its option to purchase Legune Station in order to finalise and then complete formal agreements between itself and the proposed purchaser of Legune which is AAM Investment Group. Securing a land partner is an important part of the strategy for Project Sea Dragon as it establishes a sound management base for the complementary pastoral enterprise that will co-exist with Project Sea Dragon's aquaculture operations. The ability for Seafarms to sub-lease the required parts of the property significantly reduces the initial capital costs of the project.

The company also identified a suitable site for a commercial hatchery at Gunn Point near Darwin. Development consent for the hatchery was obtained in February 2018. The Northern Territory Government committed to upgrading road infrastructure to Gunn Point.

The technical work for the Feasibility Study underwent an exhaustive vendor due diligence process that confirmed all technical assumptions associated with the project. The company refined the construction approach in order to bring forward the stocking and production of prawns. The construction strategy is designed to enable production upon completion of the first farm at Legune.

Seafarms support of the Australian Research Council's Industrial Transformation Research Hub for Advanced Prawn Breeding has yielded a unique set of data from which to launch advanced breeding programs. The Centre published the transcriptome of the black tiger prawn which is the 'library' of active genes making proteins in the prawn. This is the most comprehensive transcriptome for any crustacean and includes 9 different types of tissue from the adult and 8 larval stages. Scientists and staff working on the project have sampled 67,237 prawns and made 447,000 phenotypic measurements. More than 25,000 genetic markers have been identified.

Environmental / Carbon services

CO2 Australia continued to deliver advisory, land management and carbon services. Performance was as expected during the year with earnings from the company contributing positively to the group.

CO2 Australia successfully bid into the Emissions Reduction Fund (ERF) securing long-term Carbon Abatement Contracts (CACs) with the Australian Government in relation to a series of eligible ERF projects from a diverse range of emissions management activities. This builds on an existing set of CACs, as well as multi-decade carbon service contracts with large clients, providing long-term revenue certainty for the company.

CO2 Australia continued to secure clients in the land management sector, with multi-year contracts secured through the Australian Government's 20 million trees program and with the NSW Office of Environment and Heritage.

The company led the advisory component of Project Sea Dragon's environmental impact assessments and successfully brought together the work required for two Environmental Impact Statements to achieve environmental approval under the *Environmental Protection and Biodiversity Conservation Act*. This has significantly strengthened CO2 Australia's capabilities and is generating valuable IP that can be applied in other projects.

Other

CO2 Australia's team of environmental professionals continues to extend its range of service offerings, with a substantive expansion in the variety of engagements secured within the environmental services sector. The company continues to secure repeat business from its blue-chip client base and to attract new customers for its service offering.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial period were as follows.

Contributed equity increased by \$2,161,705 (2017: \$22,491,474) as the result of a debt equity swap with Avatar Finance Pty Ltd to assist with the continuing development of Project Sea Dragon as disclosed in note 26 to the financial statements.

Matters subsequent to the end of the financial year

On 23 May 2018 the Group announced an agreement with Nippon Suisan Kaisha (Nissui) that included a \$24.99 million equity investment in Seafarms. This investment will assist with the development of the Company's world class Project Sea Dragon. One of the conditions of this agreement was that the Group would divest its existing carbon sequestration, trading and environmental services business.

On 15 June 2018, the Group sent out a Notice of Extraordinary General Meeting of shareholders to be held on 16 July 2018. This meeting was primarily being held to seek approval for the demerger of the CO2 Australia Group from the Seafarms Group.

On 16 July 2018, at the extraordinary general meeting, the Group received shareholder approval for the demerger, which was completed on 23 July 2018.

On 7 August 2018 Nippon Suisan Kaisha Limited's equity investment in Seafarms shares at 10 cents per share was completed. This resulted in an equity raising of \$24.99 million.

No matter or circumstance has occurred subsequent to 30 June 2018 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.

Likely developments and expected results of operations

Project Sea Dragon continues to be the major focus of development activities. With the achievement of major milestones, as outlined in this report or nearing completion, the next period will see more attention paid to financing and to the final design of Stage 1 of the Project. Construction for Stage 1 is planned to take place across two Dry Seasons as previously outlined.

Queensland operations continue to be de-risked through initiatives to improve operational practices that include water treatment prior to use in grow-out ponds, changes in husbandry such as the use of nursery ponds and continued trials of feed.

Information on directors

Ian Norman Trahar B.Ec, MBA. *Executive Chairman (since 13 November 2001)*

Experience and expertise

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

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Chair of the board.

Member of the audit committee.

Member of remuneration committee.

Interests in shares and options

453,391,227 shares in Seafarms Group Limited.

Harley Ronald Whitcombe B.Bus, CPA. *Executive Director. (since 13 November 2001)*

Experience and expertise

Mr Whitcombe has had many years' commercial and finance experience, providing company secretarial services to publicly listed companies.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Chief Financial Officer & Company Secretary of Seafarms Group Limited.

Interests in shares and options

18,048,259 ordinary shares in Seafarms Group Limited.

Information on directors (continued)

Dr Christopher David Mitchell PhD, BSc (Hons), GAICD. *Executive Director. (since 27 July 2005)*

Experience and expertise

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

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Member of the audit committee.

Member of remuneration committee.

Interests in shares and options

10,993,936 ordinary shares in Seafarms Group Limited.

Paul John Favretto LL.B. *Independent Non-executive Director. (since 18 December 2007)*

Experience and expertise

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

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Chairman of remuneration committee.

Chairman of audit committee.

Interests in shares and options

37,750,000 ordinary shares in Seafarms Group Limited.

Information on directors (continued)

Hisami Sakai *Non-executive Director (since 7 August 2018)*

Experience and expertise

Mr Sakai has had nearly 40 years commercial experience with Nippon Suisan Kaisha Limited (Nissui), one of the biggest global seafood companies in Japan. He is currently an Executive Officer of Nissui. His responsibilities include Business Supervisor in Europe and Oceania, in charge of the Supply Chain Management and Marine Business Strategy Departments.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

None

Interests in shares and options

None

Company secretary

The Company secretary is Mr Harley Ronald Whitcombe B.Bus, CPA. Mr Whitcombe was appointed to the position of Company secretary on 13 November 2001.

Meetings of directors

The numbers of meetings of the Company's board of Directors and of each board committee held during the 12 months ended 30 June 2018, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees			
			Audit		Remuneration	
	A	B	A	B	A	B
Ian Norman Trahar	11	12	2	2	3	3
Harley Ronald Whitcombe	14	14	-	-	-	-
Hisami Sakai	14	14	2	2	3	3
Dr Christopher David Mitchell	14	14	2	2	3	3

A = Number of meetings attended

B = Number of meetings held during the time the Director held office, was invited to attend or was a member of the committee during the 12 months

Remuneration report (audited)

The Directors are pleased to present your Company's 2018 remuneration report which sets out remuneration information for Seafarms Group Limited's non-executive Directors, executive Directors and other key management personnel.

Non-executive director remuneration policy

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

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

Executive remuneration policy and framework

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

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

Alignment to shareholders' interests:

- attracts and retains high calibre executives.

Alignment to program participants' interests:

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

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

Remuneration report (audited) (continued)

Executive remuneration policy and framework (continued)

The executive remuneration and reward framework has several components:

- base pay and benefits, including superannuation;
- short-term performance incentives; and
- long-term incentives through participation in the "Seafarms Group's Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

The combination of these comprises an executive's total remuneration. The Group intends to conduct a review of the incentive plans during the year ending 30 June 2019 to ensure continued alignment with financial and strategic objectives.

(a) Elements of remuneration

Base pay and benefits

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

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

There are guaranteed base pay increases included in all of the executives' contracts.

Short-term incentives

If the Group achieves a pre-determined profit target set by the remuneration committee, a short-term incentive (STI) pool is available to executives and other eligible participants. Cash incentives (bonuses) were payable on 15 November each year, with the change of accounting date to 30 June this will be 15 August in future years. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. The distribution of the STI pool is at the discretion of the Executive Chairman.

Long-term incentives

Long-term incentives may be provided to directors and staff via the Seafarms Group Employee Incentive Plan as approved by shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

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

(b) Details of remuneration

Amounts of remuneration

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

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

- Ian Norman Trahar (Chairman and Executive Director)
- Harley Ronald Whitcombe (Executive Director and Company Secretary)
- Dr Christopher David Mitchell (Executive Director)
- Paul John Favretto (Non-executive Director)

Remuneration report (audited) (continued)

(b) Details of remuneration (continued)

Amounts of remuneration (continued)

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

- Dallas Donovan (Chief Operating Officer, Seafarms Operations Limited)
- Rodney Dyer (Project Director, Seafarms Group Limited, appointed 31 October 2017)
- Aaron Soanes (Director and General Manager of Operations, CO2 Australia Limited)
- Dr James Bulinski (Director, CO2 Australia Limited)

The following table shows details of the remuneration expense recognised for the Group's directors and executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

Remuneration report (audited) (continued)

(b) Details of remuneration (continued)

Name	Short-term employee benefits		Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus			Termination benefits	Performance rights / Share options**	
	\$	\$	\$	\$	\$	\$	\$
Non-executive Directors							
P Favretto	35,200	-	-	23,144	-	-	58,344
Sub-total non-executive directors	35,200	-	-	23,144	-	-	58,344
Executive Directors							
I Trahar	240,450	-	-	38,128	4,378	-	282,956
H Whitcombe	270,811	-	-	35,727	4,931	324,000	635,469
C Mitchell	294,398	-	17,817	37,968	5,360	486,000	841,543
Other key management personnel (Group)							
D Donovan	266,539	-	-	37,321	4,565	42,476	350,901
R Dyer (from 31 October 2017)	185,503	-	-	17,623	565	12,636	216,327
A Soanes	189,895	-	32,373	18,040	3,458	-	243,766
J Bulinski	216,500	-	16,462	24,068	4,006	-	261,036
Total key management personnel compensation (Group)	1,699,296	-	66,652	232,019	27,263	- 865,112	2,890,342

** The estimation of the fair value of share-based payment awards requires judgement concerning the appropriate valuation methodology. The choice of valuation methodology is determined by the structure of the awards, particularly the vesting conditions. A Black scholes valuation methodology was used to determine the value. Further details on the valuation assumptions and individual scheme awards are provided in note 38 of the financial statements.

Name	Short-term employee benefits		Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus*			Termination benefits	Performance rights	
	\$	\$	\$	\$	\$	\$	\$
Non-executive Directors							
P Favretto	35,200	-	-	25,025	-	-	60,225
Sub-total non-executive directors	35,200	-	-	25,025	-	-	60,225
Executive Directors							
I Trahar	240,450	-	-	42,050	4,378	-	286,878
H Whitcombe	270,811	-	-	38,227	4,931	-	313,969
C Mitchell	286,065	-	24,944	39,676	5,360	-	356,045
Other key management personnel (Group)							
D Donovan	241,846	20,000	-	37,635	3,043	-	302,524
A Soanes	185,804	-	26,387	17,651	3,390	-	233,232
J Bulinski	184,000	-	12,886	23,480	3,460	-	223,826
Total key management personnel compensation (Group)	1,444,176	20,000	64,217	223,744	24,562	-	1,776,699

* The cash bonus to D Donovan was paid on 15 March 2017 as recognition of the improved performance of the Cardwell operations.

Remuneration report (audited) (continued)

Details of the awards for each scheme, the status of those awards and share based payment expense for KMP's is provided in the table below.

Name / Scheme	Allocation date	Vesting date	Balance of unvested equity awards as at 1 July 2017	Granted	Vested / Exercised in FY18	Balance of unvested equity awards as at 30 June 2018	Fair value per security	Fair value at grant date	Share based payments expenses FY18
			Number of rights	Number of rights	Number of rights	Number of rights	Cents	\$	\$
H Whitcombe									
Performance rights	22 August 2017	22 August 2017	-	5,400,000	(5,400,000)	-	6.0	324,000	291,600
C Mitchell									
Performance rights	22 August 2017	22 August 2017	-	8,100,000	(8,100,000)	-	6.0	486,000	437,400
D Donovan									
Unlisted options 1	22 August 2017	22 August 2017	-	10,000,000	-	10,000,000	6.0	600,000	47,591
R Dyer									
Unlisted options 2	19 January 2018	19 January 2018	-	5,000,000	-	5,000,000	6.6	330,000	12,987
TOTAL			-	28,500,000	(13,500,000)	15,000,000		1,740,000	789,578

Details in relation to the KMP long term incentives are set out in note 38 to the financial statements.

Remuneration report (audited) (continued)

(c) Service agreements

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

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

I Trahar, H Whitcombe, Executive Directors:

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer may terminate employment on giving twelve months notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to 100% of base salary for the unexpired period of notice. The employee may terminate on giving three months notice.
- Eligible to participate in the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

C Mitchell, Managing Director, Project Sea Dragon:

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer may terminate employment on giving six months notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to six months of base salary for the unexpired period of notice;
- In the event of redundancy, six months base salary is to be paid plus payment equivalent to three weeks of base salary for each completed year of service;
- Salary-packaged motor vehicle is included.
- Eligible to participate in the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

D Donovan Chief Operating Officer, Seafarms Operations Limited

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer or employee may terminate employment on giving one months notice;
- Eligible to participate in the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

R Dyer Project Director, Seafarms Group Limited (appointed 31 October 2017)

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (any adjustment will be at the Company's discretion);
- Employer or employee may terminate employment on giving one months notice;
- Eligible to participate in the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

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

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

Remuneration report (audited) (continued)

(c) Service agreements (continued)

J Bulinski Managing Director, CO2 Australia Limited

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

(d) Additional statutory information

(i) Remuneration breakdown

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense on page 10 above:

Consolidated

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2018 %	2017 %	2018 %	2017 %	2018 %	2017 %
Executive Directors of Seafarms Group Limited						
I Trahar	100%	100%	-%	-%	-%	-%
H Whitcombe	100%	100%	-%	-%	-%	-%
C Mitchell	100%	100%	-%	-%	-%	-%
Other key management personnel of the group						
A Soanes	100%	100%	-%	-%	-%	-%
J Bulinski	100%	100%	-%	-%	-%	-%
R Dyer (from 31 October 2017)	100%	-%	-%	-%	-%	-%
D Donovan	100%	100%	-%	-%	-%	-%

Cash bonuses are at the discretion of the remuneration committee and do not form part of the remuneration breakdown shown above.

(ii) Share-based compensation

On 22 August 2017, 13,500,000 performance rights (exercise price \$0.00, expiry date 22 August 2019) and 30,000,000 unlisted options (exercise price \$0.10 per option, expiry date 22 August 2021) were issued to directors and staff. In addition on 18 January 2018, 5,000,000 unlisted options (exercise price \$0.10 per option, expiry date 31 October 2021) were issued to staff. All of these rights and options were issued pursuant to the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016 (2017: Nil).

Shares provided on exercise of options

On 23 May 2018, Seafarms Group announced that the performance criteria for the Performance Rights issued to directors, on 22 August 2017, had been achieved and consequently fully paid ordinary shares were issued to Dr Mitchell (8,100,000) and Mr Whitcombe (5,400,000). The shares issued rank equally with those currently on issue and will have the same dividend entitlements as existing shares on issue (2017: Nil).

All of the unlisted options issued during the year (35,000,000) remained unexercised as at 30 June 2018.

Remuneration report (audited) (continued)

(d) *Additional statutory information (continued)*

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

Shares provided on exercise of options (continued)

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

	Year ended 30 June 2018	Year ended 30 June 2017	9 months ended 30 June 2016	Year ended 30 September 2015	Year ended 30 September 2014
	\$	\$	\$	\$	\$
Revenue	35,051,906	35,739,152	23,529,287	26,215,415	23,477,385
Net (loss) before tax	(19,943,707)	(13,506,165)	(18,735,523)	(16,334,712)	(8,045,199)
Net (loss) after tax	(19,947,283)	(19,775,464)	(18,360,319)	(15,959,969)	(6,649,227)
	30 June 2018	30 June 2017	30 June 2016	30 September 2015	30 September 2014
Share price at start of year	6c	6c	6c	6c	6c
Share price at end of year	8c	6c	7c	6c	6c
Dividend	-	-	-	-	-
Basic (loss) per share	(1.42)c	(1.75)c	(2.03)c	(2.31)c	(1.36)c
Diluted (loss) per share	(1.42)c	(1.75)c	(2.03)c	(2.31)c	(1.36)c

On 31 August 2011, shareholders approved the Seafarms Group Limited Employee Incentive Plan. Under the Plan, eligible participants were granted Performance Rights to acquire ordinary shares in Seafarms Group Limited, subject to satisfying any vesting conditions. The Plan commenced on 30 September 2011, and terminated 1 February 2014.

At the 2015 Annual General Meeting of Seafarms Group Limited, held on 1 February 2016, and again at the 2016 Annual General meeting of shareholders of Seafarms Group Limited, held on 25 November 2016, shareholders approved the "Seafarms Group Employee Incentive Plan" under which the Board may grant equity securities (including performance rights and options) to eligible participants under the plan, which may, subject to the discretion of the Board, include executive directors or key management personnel. No equity securities have been granted to date by the Group pursuant to this plan.

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

Seafarms Group Limited received more than 98% of "yes" votes on its remuneration report for the 2017 financial period. The company did not receive any specific feedback at the AGM or throughout the period on its remuneration practices.

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

(i) *Share holdings*

The numbers of shares in the Company held during the financial period by each Director of Seafarms Group Limited and other key management personnel of the Group, including their personally related parties, are set out below.

Remuneration report (audited) (continued)

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

(i) *Share holdings (continued)*

Consolidated 2018	Balance at the start of the period	Received during the year on the exercise of options	Received on vesting of rights to deferred shares	Other changes during the period	Balance at end of the period
Name					
Directors of Seafarms Group Limited					
Ordinary shares					
I N Trahar	411,724,561	-	-	41,666,666	453,391,227
H R Whitcombe	12,648,259	-	-	5,400,000	18,048,259
C D Mitchell	2,893,936	-	-	8,100,000	10,993,936
P J Favretto	37,750,000	-	-	-	37,500,000
Other key management personnel of the Group					
Ordinary shares					
A Soanes	1,672,841	-	-	-	1,672,841
J Bulinski	931,525	-	-	-	931,525
R Dyer	-	-	-	-	-
D Donovan	-	-	-	-	-
Consolidated 2017	Balance at the start of the year	Received during the year on the exercise of options	Received on vesting of rights to deferred shares	Other changes during the year	Balance at end of the year
Name					
Directors of Seafarms Group Limited					
Ordinary shares					
I N Trahar	405,974,561	-	-	5,750,000	411,724,561
H R Whitcombe	12,013,259	-	-	635,000	12,648,259
C D Mitchell	2,393,936	-	-	500,000	2,893,936
P J Favretto	36,666,666	-	-	1,083,334	37,750,000
Other key management personnel of the Group					
Ordinary shares					
A Soanes	1,672,841	-	-	-	1,672,841
J Bulinski	931,525	-	-	-	931,525
R Dyer	-	-	-	-	-
D Donovan	-	-	-	-	-

Loans to key management personnel

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

Shares under option

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

The company has in issue 30,150,190 convertible preference shares that have not been exercised. For further information relating to the convertible preference shares, please refer to note 26(a).

Insurance of officers

(a) Insurance of officers

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

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

Non-audit services

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

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined at note 29 to the financial statements.

Dividends - Seafarms Group Limited

The Directors of Seafarms Group Limited do not recommend the payment of a dividend for the year ending 30 June 2018 (2017: Nil).

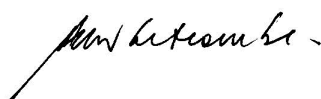
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

Auditor

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

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



Harley Ronald Whitcombe
Perth
31 August 2018

The Board of Directors
Seafarms Group Limited
Level 11, 225 St Georges Terrace
Perth, WA 6000

31 August 2018

Dear Board Members

Auditor's Independence Declaration to Seafarms Group Limited

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

As lead audit partner for the audit of the financial statements of Seafarms Group Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



Peter Rupp
Partner
Chartered Accountants

Corporate governance statement

Seafarms Group Limited (Company) and its controlled entities (together, the Group) are committed to achieving and demonstrating the highest standards of corporate governance. The Group has reviewed its corporate governance practices against the ASX Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council.

The Group's Corporate Governance Statement for the year ended 30 June 2018 was approved by the Board on 28 June 2018.

A description of the Group's current corporate governance practices is set out in the Group's current Corporate Governance Statement and the corporate governance policies adopted by the Board which can be viewed on the Company's website: (<http://seafarmsgroup.com.au/corporate-governance/>).

Seafarms Group Limited ABN 50 009 317 846

Financial statements - 30 June 2018

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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:

Level 11, 225 St Georges Terrace
Perth, Western Australia 6000

Its principal place of business is:

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

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

The financial statements were authorised for issue by the Directors on 31 August 2018.

For queries in relation to our reporting please call 08 9216 5200 or e-mail questions@seafarms.com.au.

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

Seafarms Group Limited
Consolidated statement of profit or loss
For the year ended 30 June 2018

		Consolidated	
		30 June	30 June
		2018	2017
	Notes	\$	\$
Revenue from continuing operations	5	35,051,906	35,739,152
Other gains/(losses)	6	318,115	(368,179)
Finance costs		(1,077,166)	(1,010,193)
Fair value adjustment of biological assets		593,507	944,497
Fair value adjustment of finished goods		(842,994)	430,617
Cost of Goods Sold	7	(26,503,732)	(26,681,625)
Plantation costs		(2,469,798)	(2,246,329)
Employee benefits expense	7	(7,523,661)	(6,111,125)
Consulting expense		(2,343,888)	(2,066,813)
Travel		(2,338,788)	(1,943,848)
Rent		(430,673)	(433,658)
Legal fees		(2,188,895)	(234,612)
Depreciation and amortisation expense	7	(1,948,524)	(1,816,029)
Marketing		(201,548)	(134,755)
Insurance		(256,170)	(256,875)
Impairment of intangible assets	19	(1,016,448)	-
Research and development	7	(4,919,002)	(5,485,259)
Other expenses		(1,906,508)	(1,719,257)
Share of profit/(loss) from associates	34	60,560	(111,875)
Loss before income tax		(19,943,707)	(13,506,166)
Income tax expense	8	(3,576)	(6,269,297)
Loss for the year		(19,947,283)	(19,775,463)
		Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share	37	(1.42)	(1.75)
Diluted loss per share	37	(1.42)	(1.75)

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

Seafarms Group Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2018

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Loss for the year	(19,947,283)	(19,775,463)
Other comprehensive income		
Total comprehensive loss for the year is attributable to:		
Owners of Seafarms Group Limited	(19,947,283)	(19,775,463)

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

Seafarms Group Limited
Consolidated statement of financial position
As at 30 June 2018

		Consolidated	
		30 June	30 June
		2018	2017
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	9	4,139,603	11,874,838
Trade and other receivables	10	3,962,346	1,597,295
Inventories	11	7,294,677	7,708,673
Current tax receivables	12	-	15,786
Other current assets	13	1,049,691	1,003,078
Accrued income	14	939,061	912,701
Biological assets	15	5,781,325	4,530,997
Total current assets		<u>23,166,703</u>	<u>27,643,368</u>
Non-current assets			
Inventories	16	184,923	184,923
Investments accounted for using the equity method	34	409,268	348,708
Property, plant and equipment	17	20,130,079	19,302,139
Intangible assets	19	2,419,027	3,520,929
Total non-current assets		<u>23,143,297</u>	<u>23,356,699</u>
Total assets		<u>46,310,000</u>	<u>51,000,067</u>
LIABILITIES			
Current liabilities			
Trade and other payables	20	8,890,367	6,026,605
Borrowings	21	2,958,701	447,186
Provisions	22	1,520,318	1,433,910
Deferred revenue	23	1,807,140	1,848,392
Total current liabilities		<u>15,176,526</u>	<u>9,756,093</u>
Non-current liabilities			
Borrowings	24, 21	15,047,233	8,223,763
Provisions	25	243,438	301,591
Total non-current liabilities		<u>15,290,671</u>	<u>8,525,354</u>
Total liabilities		<u>30,467,197</u>	<u>18,281,447</u>
Net assets		<u>15,842,803</u>	<u>32,718,620</u>
EQUITY			
Contributed equity	26	103,674,332	101,512,627
Other reserves	27(a)	6,162,534	5,252,773
Retained earnings		<u>(93,994,063)</u>	<u>(74,046,780)</u>
Total equity		<u>15,842,803</u>	<u>32,718,620</u>

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

Seafarms Group Limited
Consolidated statement of changes in equity
For the year ended 30 June 2018

Consolidated	Notes	Issued capital \$	Options premium reserve \$	Financial assets revaluation reserve \$	Share- based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016		79,021,152	1,670,705	(24,740)	3,606,808	(54,271,317)	30,002,608
Loss for the year as reported in the 2017 financial statements		-	-	-	-	(19,775,463)	(19,775,463)
Total comprehensive loss for the period		-	-	-	-	(19,775,463)	(19,775,463)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	26	22,491,475	-	-	-	-	22,491,475
Balance at 30 June 2017		101,512,627	1,670,705	(24,740)	3,606,808	(74,046,780)	32,718,620
Balance at 1 July 2017		101,512,627	1,670,705	(24,740)	3,606,808	(74,046,780)	32,718,620
Loss for the period as reported in the 2018 financial statements		-	-	-	-	(19,947,283)	(19,947,283)
Total comprehensive loss for the period		-	-	-	-	(19,947,283)	(19,947,283)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax		2,161,705	-	-	-	-	2,161,705
Performance rights issued to employees		-	-	-	729,000	-	729,000
Recognition of share-based payments		-	-	-	155,761	-	155,761
Lapsed options in share based payments reserve		-	-	-	25,000	-	25,000
		2,161,705	-	-	909,761	-	3,071,466
Balance at 30 June 2018		103,674,332	1,670,705	(24,740)	4,516,569	(93,994,063)	15,842,803

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

Seafarms Group Limited
Consolidated statement of cash flows
For the year ended 30 June 2018

		Consolidated	
		30 June	30 June
		2018	2017
Notes		\$	\$
Cash flows from operating activities			
	Receipts from customers (inclusive of goods and services tax)	32,602,213	36,679,784
	Payments to suppliers and employees (inclusive of goods and services tax)	(47,995,748)	(50,481,890)
		(15,393,535)	(13,802,106)
	Interest paid	(1,077,166)	(1,010,193)
	Net cash outflow from operating activities	36 (16,470,701)	(14,812,299)
Cash flows from investing activities			
	Payments for property, plant and equipment	(2,794,033)	(2,817,666)
	Proceeds from other financial assets	-	313,190
	Interest received	32,809	62,754
	Net cash outflow from investing activities	(2,761,224)	(2,441,722)
Cash flows from financing activities			
	Proceeds from issues of shares and other equity securities	2,161,705	22,491,475
	Proceeds/(Repayment) of borrowings	9,334,985	(1,646,148)
	Net cash inflow from financing activities	11,496,690	20,845,327
	Net (decrease)/increase in cash and cash equivalents	(7,735,235)	3,591,306
	Cash and cash equivalents at the beginning of the period	11,874,838	8,283,532
	Cash and cash equivalents at end of period	9 4,139,603	11,874,838

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

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1 Summary of significant accounting policies

(a) Statement of compliance

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

(b) Basis of preparation

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136.

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

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

The principal accounting policies are set out below.

Application of new and revised accounting standards

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

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

- AASB 107 *Amendments to AASB 107 - Disclosure initiative*
- AASB 112 *Amendments to AASB 112 - Recognition of Deferred Tax Assets for Unrealised Losses*

Amendments at AASB 107 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Group's liabilities arising from financing activities consist of borrowings (notes 21 & 24). A reconciliation between the opening and closing balances of these items is provided in note 21. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 21, the application of these amendments has had no impact on the Group's consolidated financial statements.

1 Summary of significant accounting policies (continued)

New and amended standards adopted by the group (continued)

Amendments AASB 112 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Standards and Interpretations in issue not yet adopted

The following new or amended accounting standards issued by the AASB are relevant to current operations and may impact the Group in the period of initial application. They are available for early adoption but have not been applied in preparing this Financial Report.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 <i>Financial Instruments</i> and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 <i>Revenue from Contracts with Customers</i> , AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	1 January 2018	30 June 2019
AASB 16 <i>Leases</i>	1 January 2019	30 June 2020
Amendments to IFRS 2 <i>Classification and Measurement of Share-based Payments Transactions</i>	1 January 2018	30 June 2019
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined	Date to be determined

Impact of changes to Australian Accounting Standards and Interpretations

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

AASB 9 applies to annual periods beginning on or after 1 January 2018.

AASB 9 *Financial Instruments* (revised December 2014) and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2014). This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139. The Group does not intend to early adopt the standard.

Retrospective application is required with some exceptions. Restatement of comparatives is not required, however, the comparative period can be restated if it can be done so without the use of hindsight.

The Group has undertaken an assessment of the classification, measurement and disclosure impacts and has determined that the new standard will have no significant or material impacts on the information otherwise presented in this Annual Report upon application of AASB 9.

1 Summary of significant accounting policies (continued)

Standards and Interpretations in issue not yet adopted (continued)

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

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

AASB 15 is effective for annual reporting periods commencing on or after 1 January 2018, which means that it will be effective for the Group's financial year ending 30 June 2019.

AASB 15 establishes a single comprehensive model for entities to use to account for revenue arising from contracts with customers. AASB 15 will supersede the current revenue guidance including AASB 118 'Revenue', and 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 at an amount that reflects the consideration, which the entity expects to be entitled in exchange for those goods, or services.

The Group has performed an assessment of the impact of AASB 15, and does not expect the standard to give rise to a material impact with regard to the timing of revenue recognition or the overall financial performance of the Group. As part of the assessment management identified that certain payments to customers (relating to promotional expenditure), which are classified as expenses under the existing standard, will be offset against revenue based on the requirements relating to distinct goods and services prescribed by AASB 15 regarding these types of transactions. The effect of the change is not considered to be material to sales revenue.

(iii) AASB 16 'Leases'

AASB 16 applies to annual reporting periods beginning on or after 1 January 2019 and replaces AASB 117 Leases and the related interpretations. AASB 16 Leases specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for almost all leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of \$1 million, refer to note 30: Commitments.

Some of the operating leases currently held expire prior to the implementation of the standard and decisions on future leases will be made on a case-case basis.

Consequently, the Group continues to monitor and quantify the effect of the new standard with each change to the leasing portfolio and any subsequent lease modifications.

The following effects to the Group's financial statements and disclosures are expected:

- Total assets and liabilities on the balance sheet will be grossed-up, due to the recognition of the right-to-use assets (non-current assets) and the corresponding fair value of lease liabilities. Current liabilities will also show an increase due to a portion of the lease liability being classified as a current liability;
- Straight-line operating lease rental expense will be replaced with a depreciation charge for the right-of-use assets and interest expense charged at the implicit rates on the lease liabilities;
- Compared to the current net earnings profile, interest expense will be greater earlier in a leases life due to the higher principal value, causing profit variability over the course of a leases life. This effect may be partially mitigated due to a mix of different leases held in the Group at different stages of their term; and
- Cash flows from financing activities will increase for repayment of principal portion of all lease liabilities.

Based on the assessment to date, the impact is expected to be minimal for the Group.

(iv) Other new accounting standards

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- AASB 2014-10 *Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*;

1 Summary of significant accounting policies (continued)

Standards and Interpretations in issue not yet adopted (continued)

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

(iv) Other new accounting standards (continued)

- AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*;
- AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*; and
- AASB Interpretation 23 *Uncertainty Over Income Tax Treatments*, AASB 2017-4 *Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments*.

(c) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Seafarms Group Limited ('Company' or 'Parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Seafarms Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

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 transferred asset. 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 statement of profit or loss, 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)

(ii) Associates (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, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

(v) Joint ventures

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 34.

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 34.

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)

(d) 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.

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

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

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

(ii) Sale of environmental credits

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

(iii) Fee for services

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

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

(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.

(e) 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.

(f) 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.

1 Summary of significant accounting policies (continued)

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

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

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

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

(i) Tax consolidation legislation

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

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

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

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

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.

(g) 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 17). 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 30). 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.

1 Summary of significant accounting policies (continued)

(h) 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.

(i) 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.

(j) 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.

(k) 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.

1 Summary of significant accounting policies (continued)

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.

(l) 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.

(m) Biological assets

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

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

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

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

(n) 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.

1 Summary of significant accounting policies (continued)

Classification (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) and receivables in the balance sheet.

(iii) Available-for-sale financial assets

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

Recognition and derecognition

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

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

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

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

Subsequent measurement

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

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

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.

1 Summary of significant accounting policies (continued)

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or 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.

(o) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

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

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

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

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

(v) NGAC Accreditation

The accreditation under the New South Wales Greenhouse Gas Abatement Scheme (NSWGGAS) allows the Group to generate revenues from any single project and is transferrable between projects at no significant additional cost. During 2011 the Carbon Farming Initiative (CFI) received Royal Assent and the Clean Energy Bill passed through the House of Representatives. As at the 30 June 2018 the Group determined that the NGAC asset was no longer generating revenues therefore was no longer classified as a viable asset so the carrying value (\$170,249) was written off.

1 Summary of significant accounting policies (continued)

(q) 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.

(r) 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.

(s) 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.

(t) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

(iii) Share-based payments

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

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

1 Summary of significant accounting policies (continued)

(iii) Share-based payments (continued)

Performance rights issued to directors and staff for no cash consideration vest once all performance obligations are met. On the grant date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

(u) 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.

(v) Parent entity financial information

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

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

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

(ii) Tax consolidation legislation

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(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 2018	30 June 2017
	\$	\$
Financial assets		
Cash and cash equivalents	4,139,603	11,874,838
Loans and receivables	3,980,284	1,634,471
Fair value through profit or loss	192,475	186,504
	8,312,362	13,695,813
Financial liabilities		
Amortised cost	26,896,301	14,697,554
	26,896,301	14,697,554

(a) Market risk

(i) 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.

(ii) Cash flow and fair value interest rate risk

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

Consolidated	30 June 2018		30 June 2017	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Deposits at call	1.6%	<u>328,851</u>	1.8%	<u>307,987</u>
Net exposure to cash flow interest rate risk		<u>328,851</u>		<u>307,987</u>

Sensitivity

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

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 during the year.

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

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

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

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

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Trade receivables		
<i>Counterparties without external credit rating *</i>		
Group 1	-	-
Group 2	3,669,000	1,231,526
Group 3	-	-
	3,669,000	1,231,526

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

(c) Liquidity risk

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

(i) Financing arrangements

The Group has access to undrawn borrowing facilities of \$700,000 at the end of the reporting period (2017: \$500,000).

2 Financial risk management (continued)

(i) Financing arrangements (continued)

(ii) Maturities of financial liabilities

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

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
At 30 June 2018	\$	\$	\$	\$	\$	\$	\$
Non-derivatives							
Trade payables	8,890,367	-	-	-	-	-	-
Bank Loan	2,825,680	-	-	-	-	-	-
Lease liabilities	56,350	53,254	154,246	392,988	-	-	656,837
Borrowings - Fixed rate 7.5%	23,417	-	-	-	-	-	-
Borrowings - variable rate (weighted average 2018: 5.95%, 2017: 5.68%)	-	-	-	14,500,000	-	-	14,500,000
Total non-derivatives	11,795,814	53,254	154,246	14,892,988	-	-	15,156,837

At 30 June 2017

Non-derivatives

Trade payables	6,026,605	-	-	-	-	-	-
Lease liabilities	20,212	20,888	43,892	179,871	-	-	264,863
Borrowings - Fixed rate 7.5%	326,665	79,420	-	-	-	-	-
Borrowings - variable rate (weighted average 2018: 5.95%, 2017: 5.68%)	-	-	-	-	-	-	8,000,000
Total non-derivatives	6,373,482	100,308	43,892	179,871	-	-	8,264,863

(d) Fair value measurements

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

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

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

2 Financial risk management (continued)

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2018:

Consolidated - at 30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Biological assets	-	-	5,781,325	5,781,325
Total assets	-	-	5,781,325	5,781,325
 Consolidated - at 30 June 2017	 Level 1 \$	 Level 2 \$	 Level 3 \$	 Total \$
Assets				
Biological assets	-	-	4,530,997	4,530,997
Total assets	-	-	4,530,997	4,530,997

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

3 Critical accounting estimates and judgements

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

(a) Critical accounting estimates

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

(i) Biological assets

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

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

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

The carrying amount of goodwill at 30 June 2018 was \$1,207,187 (30 June 2017: \$1,207,187). No impairment losses were assessed in 2018 or 2017.

3 Critical accounting estimates and judgements (continued)

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

(i) Revenue recognition

The Group's policy for recognising revenue from project development is based on management's estimation of the stage of completion for these projects by reference to costs incurred compared to total estimated costs at completion. As at 30 June 2018, the group has recognised \$939,061 (2017: \$912,701) as accrued income and \$1,807,140 (2017: \$1,848,392) 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 2018, the Group has capitalised \$1,211,840 (2017: \$2,124,534) as development costs and recognised an impairment loss of \$846,199 during the year (2017: -) as a result of following this policy.

4 Segment information

(a) Description of segments

Business Segments

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

Aquaculture

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

Carbon services

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

Other

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

(b) Segments

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 June 2018 is as follows:

4 Segment information (continued)

(b) Segments (continued)

Year to 30 June 2018	Aquaculture	Carbon services	Other	Consolidated
	\$	\$	\$	\$
Segment revenue				
Sales and external customers	26,940,720	6,593,791	1,427,604	34,962,115
Total sales revenue	26,940,720	6,593,791	1,427,604	34,962,115
Other revenue	32,809	-	56,982	89,791
Total segment revenue	26,973,529	6,593,791	1,484,586	35,051,906
Consolidated revenue				35,051,906
Segment loss				
Segment (loss)/profit	(14,262,502)	(1,338,530)	566,308	(15,034,724)
Central administration and directors' salaries				(4,908,983)
Loss before income tax				(19,943,707)
Income tax expense				(3,576)
Loss for the year				(19,947,283)
Segment assets				
Segment assets/(liabilities)	36,991,450	4,622,371	(16,277)	41,597,544
Unallocated assets				4,712,456
Total assets				46,310,000

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

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

4 Segment information (continued)

(b) Segments (continued)

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

2018	Individually significant items	Depreciation and amortisation
	\$	\$
Carbon Services	(1,016,448)	(378,848)
Aquaculture	-	(1,557,321)
Other	-	(12,355)
Total	(1,016,448)	(1,948,524)
2017	Individually significant items	Depreciation and amortisation
	\$	\$
Carbon Services	-	(298,214)
Aquaculture	-	(1,505,473)
Other	-	(12,342)
Total	-	(1,816,029)

The individually significant items for 2018 includes an impairment charge of \$846,199 in the carbon services segment relating to capitalised development costs on projects and a write off of NGAC accreditation asset (\$170,249) that management has assessed to no longer be viable in 2018.

Seafarms Group Limited
Notes to the consolidated financial statements
30 June 2018
(continued)

5 Revenue

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
From continuing operations		
<i>Sales revenue</i>		
Project development fees	3,715,701	2,749,336
Carbon sink project management fees	2,878,090	2,590,177
Fee for services	1,427,604	1,008,000
Sale of Goods Revenue	26,940,720	29,285,798
	34,962,115	35,633,311
<i>Other revenue</i>		
Interest on financial assets held as investments	32,809	62,754
Office services	3,225	1,133
Crop share and agistment	53,757	41,954
	89,791	105,841
	35,051,906	35,739,152

6 Other gains/(losses)

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Net (loss)/gain on disposal of property, plant and equipment	(120,314)	2,000
Net (losses)/gains on financial assets	(19,800)	95,097
Net foreign exchange gains/(losses)	22,521	(27,520)
Gain/(loss) on environmental credits fair value through P&L	-	31,263
Contract termination fee	435,708	158,472
Loss on disposal of subsidiary - Refer to note 35 (b)	-	(627,491)
	318,115	(368,179)

7 Expenses

Profit before income tax includes the following specific expenses:

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
<i>Depreciation</i>		
Buildings	70,538	77,795
Plant and equipment	1,153,280	1,119,019
Ponds	339,088	339,089
Plant and equipment under finance leases	80,384	7,891
Carbon sinks	191,016	223,804
Leasehold improvements	18,135	16,229
Total depreciation	1,852,441	1,783,827
<i>Amortisation</i>		
Research and development projects	77,124	7,163
NGAC	17,700	22,124
Software	1,259	2,914
Total amortisation	96,083	32,201
Total depreciation and amortisation	1,948,524	1,816,028
<i>Research and development</i>		
Carbon projects	1,498,168	578,584
Project Sea Dragon	3,420,834	4,906,675
Research and development costs paid and expensed	4,919,002	5,485,259
<i>Employee benefits expense</i>		
Equity settled share based payments	884,761	-
Superannuation	277,743	237,822
Other employee benefits	6,361,157	5,873,303
Total employee benefits expense	7,523,661	6,111,125
<i>Cost of goods sold</i>		
Variable Selling Expenses	3,161,143	3,329,984
Cost of environmental credits sold	1,157,975	349,493
Cost of goods sold - prawns	22,184,614	23,002,148
Total cost of goods sold	26,503,732	26,681,625

8 Income tax expense

(a) Income tax expense/(benefit)

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Current tax on profits for the year	3,576	-
Deferred tax (benefit)	(235,024)	-
Adjustments for deferred tax of prior periods	(109,172)	-
Write off current and prior year deferred tax assets	344,196	6,269,297
	<u>3,576</u>	<u>6,269,297</u>

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

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Loss from continuing operations before income tax expense	(19,947,283)	(13,506,166)
Tax at the Australian tax rate of 30.0% (2017 - 30.0%)	(5,984,185)	(4,051,850)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	1,965,029	2,004,267
Sundry items	(1,056,515)	(793,515)
	<u>(5,075,671)</u>	<u>(2,841,098)</u>
Difference in overseas tax rates	18,139	21,847
(Over)/under provision of income tax in previous year	(109,172)	(190)
Write off current and prior year deferred tax assets	344,196	5,713,662
Current year tax losses not recognised	4,826,084	3,375,076
Income tax expense/(benefit)	<u>3,576</u>	<u>6,269,297</u>

(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(f).

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.

8 Income tax expense (continued)

(d) Franking account

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Franking account balance (tax paid basis)	-	741,264
Impact on franking account balance of dividends not recognised	-	-
	<u>-</u>	<u>741,264</u>

9 Current assets - Cash and cash equivalents

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Cash at bank and in hand	3,809,431	11,565,530
Deposits at call	328,851	307,987
Other cash and cash equivalents	1,321	1,321
	<u>4,139,603</u>	<u>11,874,838</u>

(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, \$1,963,372 (2017: \$313,240) is non-interest bearing, and \$2,176,231 (2017: \$11,561,598) is in accounts that earn interest.

(c) Cash not available for use

\$328,851 (2017: \$307,987) is held as security for bank facilities and lease guarantees (note 24).

(d) Deposits at call

Deposits at call are interest bearing.

10 Current assets - Trade and other receivables

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Trade receivables	3,669,000	1,231,526
Loans to employees	77,629	77,603
Goods and services tax (GST) receivable	215,717	288,166
	3,962,346	1,597,295

(a) Past due but not impaired

As of 30 June 2018, trade receivables of \$3,115,739 (2017: \$777,261) were past due but not impaired.

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Up to 3 months	3,003,058	166,280
3 to 6 months	112,681	610,981
	3,115,739	777,261

(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	30 June
	2018	2017
	\$	\$
Finished goods	6,166,915	5,901,303
Feed and consumables	1,127,762	1,807,370
	7,294,677	7,708,673

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	30 June
	2018	2017
	\$	\$
Current tax receivables	-	15,786
	-	15,786

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

13 Current assets - Other current assets

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Prepayments	687,718	599,539
Deposits paid	17,938	21,390
Environmental credits at FVTPL	192,475	186,504
Other aquaculture assets	151,560	195,645
	1,049,691	1,003,078

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	30 June
	2018	2017
	\$	\$
Carbon sink development	112,404	62,058
Accrued income from carbon sink management	826,657	850,643
	939,061	912,701

15 Current assets - Biological assets

	30 June	30 June
	2018	2017
	\$	\$
Livestock at fair Value		
Opening Balance	4,530,997	3,325,639
Gain or Loss arising from changes in fair value less estimated point of sale costs	593,507	944,497
Increases due to purchases	5,187,819	3,586,500
Transferred to inventories	(4,530,997)	(3,325,639)
Closing Balance	5,781,325	4,530,997

15 Current assets - Biological assets (continued)

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

Valuation processes

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

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

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

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

Financial risk management strategies for biological assets

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

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

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

16 Non-current assets - Inventories

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Other inventories	184,923	184,923
	184,923	184,923

17 Non-current assets - Property, plant and equipment

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

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

Consolidated	Freehold land \$	Freehold buildings \$	Ponds \$	Plant and equipment \$	Leasehold improvements \$	Leased plant and equipment \$	Carbon sinks \$	Total \$
At 1 July 2017								
Cost or fair value	2,719,799	1,581,830	6,781,774	12,000,323	426,459	379,173	4,201,540	28,090,898
Accumulated depreciation	-	(210,891)	(1,072,367)	(4,043,661)	(355,548)	(68,072)	(3,038,220)	(8,788,759)
Net book amount	2,719,799	1,370,939	5,709,407	7,956,662	70,911	311,101	1,163,320	19,302,139
Year ended 30 June 2018								
Opening net book amount	2,719,799	1,370,939	5,709,407	7,956,662	70,911	311,101	1,163,320	19,302,139
Additions	-	-	-	2,972,609	2,260	426,265	-	3,401,134
Disposals	(709,799)	-	-	(10,954)	-	-	-	(720,753)
Depreciation charge	-	(70,538)	(339,088)	(1,153,280)	(18,135)	(80,384)	(191,016)	(1,852,441)
Closing net book amount	2,010,000	1,300,401	5,370,319	9,765,037	55,036	656,982	972,304	20,130,079
At 30 June 2018								
Cost or fair value	2,010,000	1,581,830	6,781,774	14,509,981	428,719	805,438	4,201,540	30,319,282
Accumulated depreciation	-	(281,429)	(1,411,455)	(4,744,944)	(373,683)	(148,456)	(3,229,236)	(10,189,203)
Net book amount	2,010,000	1,300,401	5,370,319	9,765,037	55,036	656,982	972,304	20,130,079

18 Non-current assets - Deferred tax assets

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
The balance comprises temporary differences attributable to:		
Tax losses	11,655	237,172
Provisions	456,095	430,173
Accruals	81,031	135,605
Intangible assets	111,403	111,403
Depreciable assets	(57,414)	30,305
Accrued interest	(239,218)	(314,064)
Research & development	(363,552)	(630,594)
Net deferred tax assets	-	-
Movements:		
Opening balance at 1 July	-	6,269,297
Charged/credited:		
- to profit or loss	235,024	(6,269,297)
Write off of Deferred Tax Asset	(246,310)	-
Realisation of prior year deferred tax assets	(97,886)	-
Under/(over) provision of deferred tax in previous year	109,172	-
Closing balance at 30 June	-	-

Unrecognised deferred tax balances

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

Tax losses (revenue in nature)	13,142,144	8,302,570
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19 Non-current assets - Intangible assets

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

19 Non-current assets - Intangible assets (continued)

Consolidated	Development costs \$	Goodwill \$	Patents, trademarks and other rights \$	Computer software \$	Other intangible assets \$	NGAC accreditation \$	Total \$
At 30 June 2017							
Cost	3,100,697	1,207,187	3,072	192,754	790,166	408,380	5,702,256
Accumulated amortisation and impairment	(976,163)	-	(3,072)	(191,495)	(790,166)	(220,431)	(2,181,327)
Net book amount	2,124,534	1,207,187	-	1,259	-	187,949	3,520,929
Year ended 30 June 2018							
Opening net book amount	2,124,534	1,207,187	-	1,259	-	187,949	3,520,929
Additions	10,629	-	-	-	-	-	10,629
Amortisation charge	(77,124)	-	-	(1,259)	-	(17,700)	(96,083)
Impairment charge	(846,199)	-	-	-	-	(170,249)	(1,016,448)
Closing net book amount	1,211,840	1,207,187	-	-	-	-	2,419,027
At 30 June 2018							
Cost	3,111,325	1,207,187	3,072	151,706	790,166	238,131	5,501,587
Accumulated amortisation and impairment	(1,899,485)	-	(3,072)	(151,706)	(790,166)	(238,131)	(3,082,560)
Net book amount	1,211,840	1,207,187	-	-	-	-	2,419,027

19 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

2018

Consolidated

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

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

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

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

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

CGU	Budget period		Growth rate beyond budget period **		Discount rate	
	Gross margin *	Growth rate				
	2018 %	2017 %	2018 %	2017 %	2018 %	2017 %
Aquaculture	22.0	22.0	2.0	6.0	2.0	2.0

* Budgeted gross margin

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

20 Current liabilities - Trade and other payables

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Trade payables	6,854,495	4,138,172
Amounts due to associates	581,797	298,018
Accrued expenses	429,506	820,445
PAYG payable	374,131	230,596
Goods and service tax (GST) payable	28,782	-
Other payables	621,656	539,374
	8,890,367	6,026,605

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

21 Current liabilities - Borrowings

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Secured		
Bank loans	2,825,680	-
Lease liabilities	109,604	41,100
Total secured current borrowings	2,935,284	41,100
Unsecured		
Vendor finance	23,417	406,086
Total unsecured current borrowings	23,417	406,086
Total current borrowings	2,958,701	447,186

(a) Lease liabilities

The Group leased 8 vehicles under finance leases during the period (2017: 6 vehicles leased). The average lease term is 5 years. The Group has options to purchase the vehicles for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

(b) Risk exposures

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

21 Current liabilities - Borrowings (continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from Financing activities.

	Opening balance 1 July 2017 \$	Consolidated Cash movement \$	Non-cash movement \$	Closing Balance 30 June 2018 \$
Current borrowings				
Bank loans	-	2,825,680	-	2,825,680
Lease liabilities	41,100	68,504	-	109,604
Vendor finance	406,086	(382,669)	-	23,417
Total current borrowings	447,186	2,511,515	-	2,958,701
Non-current borrowings				
Lease liabilities	223,763	323,470	-	547,233
Loans from related parties	8,000,000	6,500,000	-	14,500,000
Total non-current borrowings	8,223,763	6,823,470	-	15,047,233
Total Borrowings	8,670,949	9,334,985	-	18,005,934

22 Current liabilities - Provisions

	Consolidated 30 June 2018 \$	30 June 2017 \$
Employee benefits	1,520,318	1,433,910
	1,520,318	1,433,910

23 Current liabilities - Deferred revenue

	Consolidated 30 June 2018 \$	30 June 2017 \$
Deferred income from project development	1,251,597	1,786,651
Deferred income on carbon sink management	545,456	58,356
Deferred advisory income	10,087	3,385
	1,807,140	1,848,392

24 Non-current liabilities - Borrowings

		Consolidated	
		30 June	30 June
		2018	2017
	Notes	\$	\$
Secured			
Lease liabilities		547,233	223,763
Unsecured			
Loans from related parties	31(c)	14,500,000	8,000,000
Total non-current borrowings		15,047,233	8,223,763

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

(i) Secured liabilities and assets pledged as security

The Group has a \$120,865 (2017: \$115,000) facility on its company credit cards and has been required to provide guarantee facilities of \$207,987 (2017: \$192,987) in respect of office leases. The Group maintains a term deposit with the bank to secure these facilities.

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

		Consolidated	
		30 June	30 June
		2018	2017
	Notes	\$	\$
Current			
Deposits at call	9	328,851	307,987
Total current assets pledged as security		328,851	307,987

(ii) Risk exposures

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

25 Non-current liabilities - Provisions

		Consolidated	
		30 June	30 June
		2018	2017
		\$	\$
Employee benefits - long service leave		68,230	49,014
Other provisions		175,208	252,577
		243,438	301,591

25 Non-current liabilities - Provisions (continued)

(a) Other provisions

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Opening balance 1 July	252,577	153,777
Additional provisions recognised	-	115,331
Payments made	(77,369)	(16,531)
Closing balance 30 June	175,208	252,577

The other provision represents the lease liability for the Perth office. The increase in the carrying amount of the provision for the prior year results from the end of the initial 21 month rent free period negotiated on the lease on 1 July 2015. The lease is due to expire on 30 June 2020.

26 Issued capital

(a) Share capital

		30 June 2018	30 June 2017	30 June 2018	30 June 2017
	Notes	Shares	Shares	\$	\$
Ordinary shares					
Fully paid		1,417,084,698	1,361,868,033	103,674,031	101,512,326
Convertible preference shares	26(c)	30,150,190	30,150,190	301	301
		1,447,234,888	1,392,018,223	103,674,332	101,512,627

(b) Movements in ordinary share capital

	Number of shares	\$
Opening balance 1 July 2016	1,028,967,449	79,020,851
Placement	332,900,584	23,656,443
Less: Transaction costs arising on share issues	-	(1,164,667)
Balance 30 June 2017	1,361,868,033	101,512,627
Opening balance 1 July 2017	1,361,868,033	101,512,627
Performance Rights issue	13,500,000	-
Debt conversion	41,666,666	2,500,000
Exercise of listed options - proceeds received	49,999	5,000
	1,417,084,698	104,017,627
Less: Transaction costs arising on share issues	-	(343,295)
Balance 30 June 2018	1,417,084,698	103,674,332

(c) Movements in convertible preference share capital

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

26 Issued capital (continued)

Opening balance 1 July 2017	30,150,190	301
Balance 30 June 2018	30,150,190	301

(d) Convertible preference shares

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

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

(e) Options

Unlisted 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 38.

Listed options

On 17 July 2017, the Group issued 126,092,585 listed options pursuant to the Option Offers made to those participants in the June 2017 Share Placement. Shareholders who subscribed for shares in the June 2017 Share Participation Plan were eligible to participate in the June 2017 Share Placement.

The listed options were issued free of charge and have an exercise price of 10 cents per share and expire on 17 July 2021.

As at 30 June 2018, 49,999 listed options have been exercised leaving 126,042,586 listed options unexercised.

27 Reserves

(a) Other reserves

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Financial assets revaluation reserve	(24,740)	(24,740)
Share-based payments	4,516,569	3,606,808
Option premium reserve	1,670,705	1,670,705
	6,162,534	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.

27 Reserves (continued)

(i) Share-based payments (continued)

(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.

28 Key management personnel disclosures

(a) Directors

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

(i) Chairman - executive

I N Trahar

(ii) Executive directors

H R Whitcombe

Dr C D Mitchell

(iii) Non-executive directors

P Favretto

(b) Other key management personnel

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

<i>Name</i>	<i>Position</i>	<i>Employer</i>
D Donovan	Chief Operating Officer	Seafarms Operations Limited
R Dyer	Project Director (31 October 2017)	Seafarms Group Limited
A J Soanes	Director and General Manager Operations	CO2 Australia Limited
Dr J Bulinski	Director	CO2 Australia Limited

(c) Key management personnel compensation

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Short-term employee benefits	1,765,948	1,528,393
Post-employment benefits	232,019	223,744
Long-term benefits	27,263	24,562
Share-based payments	789,578	-
	2,814,808	1,776,699

29 Remuneration of auditors

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

(a) Audit services

(i) Deloitte Touche Tohmatsu

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Audit and review of financial reports	143,500	125,000
Additional fees in respect to the prior period	-	20,000
Other fees paid to auditors	25,500	25,000
Total auditors' remuneration	169,000	170,000

30 Commitments

(a) Capital commitments

The Group has no material capital commitments as at 30 June 2018.

(b) Lease commitments: Group as lessee

(i) 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 8 motor vehicles under operating leases with a term of three years, with no option to purchase the vehicle at the expiry of the lease period.

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	530,317	423,103
Later than one year but not later than five years	472,826	1,001,210
	1,003,143	1,424,313

31 Related party transactions

(a) Parent entities

Detailed remuneration disclosures are provided in the remuneration report on pages 9 to 17.

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

31 Related party transactions (continued)

(b) Subsidiaries

Interests in subsidiaries are set out in note 32.

(c) Loans to/from related parties

The Group has an \$15.2 million credit facility with Avatar Finance Pty Ltd, a company owned by Mr Ian Trahar, Chairman of the Group.

The amounts advanced and interest charged are disclosed in the following table:

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
<i>Loan from Avatar Finance Pty Ltd</i>		
Beginning of the year	8,000,000	8,500,000
Loans advanced	9,000,000	-
Debt equity swap	(2,500,000)	-
Loan repayments made	-	(500,000)
Interest charged	499,419	480,467
Interest paid	(499,419)	(480,467)
End of period	<u>14,500,000</u>	<u>8,000,000</u>
<i>Loans to other related parties</i>		
Beginning of the year	-	151,789
Loans written off	-	(151,789)
End of period	<u>-</u>	<u>-</u>

(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 15 March 2021. The average interest rate on the loan during the year was 5.95% (2017: 5.68%).

32 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	
			2018 %	2017 %
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
PSD Construction Employment Pty Ltd*	Australia	Ordinary	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 33.

33 Deed of cross guarantee

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

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

Set out below is a consolidated income statement for the 12 months ended 30 June 2018 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, PSD Construction Employment Pty Ltd and Project Sea Dragon Pty Ltd.

33 Deed of cross guarantee (continued)

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

	30 June 2018	30 June 2017
	\$	\$
<i>Consolidated statement of profit or loss</i>		
Revenue from continuing operations	34,037,797	35,739,152
Other (losses) / income	277,303	(368,179)
Fair value adjustment of biological assets	593,507	944,497
Fair value adjustment of finished goods	(842,994)	430,617
Consulting expense	(2,326,014)	(2,066,813)
Legal fees	(2,188,895)	(234,612)
Travel	(2,424,270)	(1,877,310)
Insurance	(256,170)	(256,875)
Rent	(488,366)	(433,658)
Research & development	(4,797,607)	(5,485,259)
Marketing	(201,548)	(134,755)
Plantation costs	(2,469,798)	(2,246,329)
Finance costs	(1,077,026)	(1,010,193)
Cost of goods sold	(25,422,788)	(26,681,625)
Other expenses	(2,758,778)	(1,664,011)
Employee benefits expense	(7,555,080)	(6,111,125)
Depreciation and amortisation expense	(1,936,687)	(1,804,087)
Share of net loss of associates and joint venture partnership accounted for using the equity method	60,560	(111,875)
Loss before income tax	(19,776,854)	(13,372,440)
Income tax (expense) benefit	(39,823)	(6,299,623)
Loss for the period	(19,816,677)	(19,672,063)

	30 June 2018	30 June 2017
	\$	\$
<i>Consolidated statement of comprehensive income</i>		
Loss for the period	(19,816,677)	(19,672,063)
Total comprehensive loss for the period	(19,816,677)	(19,672,063)

(b) Consolidated statement of financial position

Set out below is a consolidated balance sheet as at 30 June 2018 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, PSD Construction Employment Pty Ltd and Project Sea Dragon Pty Ltd.

33 Deed of cross guarantee (continued)

	30 June 2018 \$	30 June 2017 \$
Current assets		
Cash and cash equivalents	4,041,848	11,815,357
Trade and other receivables	3,667,814	1,238,679
Inventories	7,479,600	7,893,597
Other current assets	855,150	1,045,286
Accrued income	939,061	912,701
Biological assets	5,781,325	4,530,997
Total current assets	22,764,798	27,436,617
Non-current assets		
Investments in associates and joint ventures	409,268	348,708
Property, plant and equipment	20,117,126	19,227,347
Intangible assets	2,419,028	3,520,929
Total non-current assets	22,945,422	23,096,984
Total assets	45,710,220	50,533,601
Current liabilities		
Trade and other payables	8,269,221	5,644,289
Provisions	1,520,318	1,433,910
Other current liabilities	7,395	7,495
Deferred income	1,807,140	1,848,392
Borrowings	2,975,076	1,392,188
Total current liabilities	14,579,150	10,326,274
Non-current liabilities		
Borrowings	14,967,856	7,054,998
Provisions	68,230	49,014
Other provisions	238,222	476,340
Total non-current liabilities	15,274,308	7,580,352
Total liabilities	29,853,458	17,906,626
Net assets	15,856,762	32,626,975
Equity		
Issued capital	99,872,633	97,710,928
Reserves	6,137,534	5,252,773
Accumulated losses	(90,153,405)	(70,336,726)
Total equity	15,856,762	32,626,975

34 Interests in joint ventures

(a) Joint venture partnership

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

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

(b) Disposal of subsidiary

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

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

	30 June 2018 \$	30 June 2017 \$
Loss on disposal of subsidiary	-	627,491

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

(c) Equity accounted investment

At 30 June 2018, the carrying value of the investment in the statement of financial position is \$409,268 (2017: \$348,708).

During the current period an equity accounted profit of \$60,560 has been recognised in profit or loss (2017: \$111,875 loss).

35 Events occurring after the reporting period

On 23 May 2018 the Group announced an agreement with Nippon Suisan Kaisha (Nissui) that included a \$24.99 million equity investment in Seafarms. This investment will assist with the development of the Company's world class Project Sea Dragon. One of the conditions of this agreement was that the Group would divest its existing carbon sequestration, trading and environmental services business.

On 15 June 2018, the Group sent out a Notice of Extraordinary General Meeting of shareholders to be held on 16 July 2018. This meeting was primarily being held to seek approval for the demerger of the CO2 Australia Group from the Seafarms Group.

On 16 July 2018, at the extraordinary general meeting, the Group received shareholder approval for the demerger, which was completed on 23 July 2018.

On 7 August 2018 Nippon Suisan Kaisha Limited's equity investment in Seafarms shares at 10 cents per share was completed. This resulted in an equity raising of \$24.99 million.

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.

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

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Loss for the year	(19,947,283)	(19,775,463)
Depreciation and amortisation	1,948,524	1,816,029
Impairment of intangibles	1,016,448	-
Non-cash loss on exercised options	19,800	-
Non-cash employee benefits expense - share-based payments	884,761	-
Net losses on sale of non-current assets	128,517	-
Net gain on sale of financial assets	-	12,973
Fair value (gains)/losses on financial assets at fair value through profit or loss	(20,294)	(31,263)
Share of (profits)/loss of joint venture	(60,560)	111,875
Interest income received	(32,809)	(62,754)
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors and receivables	(2,365,051)	(38,922)
Decrease/(increase) in inventories	413,996	(1,342,156)
(Increase)/decrease in other current assets	(46,613)	(462,363)
Decrease/(Increase) in current tax receivables	15,786	-
(Increase)/decrease in biological assets	(1,250,328)	(1,205,358)
Decrease/(increase) in deferred tax assets	-	6,269,297
Increase in other operating assets	(26,360)	(120,811)
Increase/(decrease) in trade creditors	2,863,762	(957,901)
(Decrease)/increase in other operating liabilities	(41,252)	775,480
Increase in other provisions	28,255	199,038
Net cash outflow from operating activities	<u>(16,470,701)</u>	<u>(14,812,299)</u>

37 Earnings per share

(a) Basic earnings per share

	Consolidated	
	30 June	30 June
	2018	2017
	Cents	Cents
Basic earnings per share	(1.42)	(1.75)
Total basic earnings per share attributable to the ordinary owners of the Company	<u>(1.42)</u>	<u>(1.75)</u>

(b) Diluted earnings per share

	Consolidated	
	30 June	30 June
	2018	2017
	Cents	Cents
Diluted earnings per share	(1.42)	(1.75)
Total basic earnings per share attributable to the ordinary owners of the Company	<u>(1.42)</u>	<u>(1.75)</u>

37 Earnings per share (continued)

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

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
<i>Basic earnings per share</i>		
Loss from continuing operations	<u>(19,947,283)</u>	(19,775,463)
	<u>(19,947,283)</u>	(19,775,463)
<i>Diluted earnings per share</i>		
Loss from continuing operations	<u>(19,947,283)</u>	(19,775,463)
Loss from continuing operations attributable to the ordinary equity holders of the Company	<u>(19,947,283)</u>	(19,775,463)

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

(d) Weighted average number of shares used as denominator

	Consolidated	
	30 June	30 June
	2018	2017
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>1,404,415,725</u>	1,132,472,278

38 Share-based payments

Share based compensation payments are provided to employees in accordance to the "Seafarms Group's Employee Incentive Plan" as detailed in the remuneration report.

Share based compensation payments are measured at the fair value of the equity instruments at the grant date. The fair value at grant date is independently determined using the valuation methods detailed in the remuneration report.

The fair value of the equity instruments granted is adjusted to reflect market Vesting Conditions, but excludes the impact of any non-market Vesting Conditions. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Upon the exercise of performance rights, the balance of the share based payments reserve relating to those performance rights is transferred to issued capital and the proceeds received, net of any directly attributable transaction costs, are credited to issued capital. The Group measures the cost of equity settled transactions with key management personnel at the fair value of the equity instruments at the date at which they are granted. Fair value is determined using valuation methods detailed in the remuneration report.

The variables in the valuation model are the share price on the date of the award, the duration of the award, the risk free interest rate, share price volatility and dividend yield. The inputs used for each of the current schemes is provided below.

38 Share-based payments (continued)

Scheme	Risk free interest rate	Share price volatility	Dividend yield	Value (cents per share)
Performance rights	-	-	-	6.0
Unlisted options 1	2.42%	85.60%	-	1.2
Unlisted options 2	2.42%	80.11%	-	2.2

For all awards, the volatility assumption is representative of the level of uncertainty expected in the movements of the Group's share price over the life of the award. The assessment of the volatility includes the historic volatility of the market price of the Group's share and the mean reversion tendency of volatilities. The expected volatility of each company in the peer group is determined based on the historic volatility of the companies' share prices. In making this assumption, two years of historic volatility was used.

39 Parent entity financial information

(a) Summary financial information

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

	30 June 2018 \$	30 June 2017 \$
Balance sheet		
Current assets	68,131,136	76,507,070
Non-current assets	3,676,556	3,622,002
Total assets	<u>71,807,692</u>	<u>80,129,072</u>
Current liabilities	2,650,752	762,872
Non-current liabilities	14,679,281	8,253,762
Total liabilities	<u>17,330,033</u>	<u>9,016,634</u>
Net assets	<u>54,477,659</u>	<u>71,112,438</u>
<i>Shareholders' equity</i>		
Issued capital	103,663,698	101,501,993
Reserves		
Reserves	(6,187,274)	5,302,513
Retained earnings	<u>(42,998,765)</u>	<u>(35,692,069)</u>
	<u>54,477,659</u>	<u>71,112,437</u>
Loss for the period	<u>(7,306,696)</u>	<u>(11,086,453)</u>
Total comprehensive loss	<u>(7,306,696)</u>	<u>(11,086,453)</u>

(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 33. 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 2018 or 30 June 2017. For information about guarantees given by the Parent entity, please see above.

39 Parent entity financial information (continued)

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

As at 30 June 2018, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

Independent Auditor's Report to the Members of Seafarms Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Seafarms Group Limited (the "Company"), and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of Biological assets <i>Refer to Note 3 'Critical accounting estimates and judgements' and Note 15 'Biological assets'</i> As at 30 June 2018 the Group held \$5.8 million of biological assets. This balance comprises the hatchery live crop of \$1.6 million, carried at cost, and live prawns of \$4.2 million carried at fair value less estimated sale costs. In order to determine the fair value, management prepare a discounted cash flow model which requires them to exercise significant judgement in respect of: • survival rates; • harvest average body weight; • average production cost per kilogram; and • sales price per type and category of prawn.	In conjunction with our valuation specialists, our procedures included, but were not limited to: • obtaining an understanding of the processes and related controls over the key inputs and assumptions used by management to determine fair value; • assessing the appropriateness of the valuation methodology; • assessing and challenging the key assumptions in the model as follows: – survival rates by comparing to historical trends; – harvest average body weight by comparing to historical trends and to the Board approved FY18 budget; – average production cost per kilogram by comparing to historical trends and to the Board approved FY18 budget, and testing a sample of recent costs to external supporting evidence; and – sales price per type and category of prawn by comparing to recent historical sales prices and industry data. • challenging the appropriateness of the discount rate used in the discounted cash flow model; • performing sensitivity analysis on the key assumptions outlined above; and • assessing the appropriateness of the disclosure in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's

report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 17 of the Director's Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Seafarms Group Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A handwritten signature in blue ink, appearing to read 'Peter Rupp', with a stylized flourish underneath.

Peter Rupp

Partner

Chartered Accountants

Perth, 31 August 2018

The Shareholder information set out below was applicable as at 31 July 2017.

A. Distribution of equity securities

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

Holding	Ordinary shares
1 - 1000	56,007
1,001 - 5,000	1,396,553
5,001 - 10,000	5,018,185
10,001 - 100,000	79,498,012
100,001 and over	1,331,115,941
	<u>1,417,084,698</u>

B. Equity security holders

Twenty largest quoted equity security holders

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

Name	Ordinary shares Number held	Percentage of issued shares
Gabor Holdings Pty Ltd (The Tricorp A/C)	196,518,602	13.87
Avatar Industries Pty Ltd (SRN)	158,818,303	11.21
JB Were (NZ) Nominees Limited (56871 A/C)	65,793,651	4.64
Avatar Industries Pty Ltd	48,916,666	3.45
Alocasia Pty Limited <Camellia Super Fund A/C>	44,666,265	3.15
Pinnacle Superannuation P/L <PJF S/FA/C>	37,750,000	2.66
UBS Nominees Pty Ltd	26,454,504	1.87
Avatar Industries Pty Ltd (HIN)	24,477,715	1.73
Gabor Holdings Pty Ltd	20,849,806	1.47
Peta Pty Ltd <Rosebud Super Pension Fund>	19,163,731	1.35
Fifty Second Celebration Pty Ltd <McBain Family A/C>	16,968,094	1.20
Crestpark Investments Pty Ltd	15,248,799	1.08
Narrow Lane Pty Ltd <Super Fund>	13,980,846	0.99
Thirty Fifth Celebration Pty Ltd <JC McBain Super Fund A/C>	13,688,888	0.97
CO2 T'EE Employee Share Plan Pty Ltd <CO2 Employee Share A/C>	13,500,000	0.95
Piama Pty Ltd <Fena Superannuation Plan A/C>	13,392,857	0.95
City Lane Pty Ltd (Whitcombe Family A/C)	9,850,462	0.70
BNP Paribas Nominees Pty Ltd <IB Au Noms RetailClient DRP>	9,212,458	0.65
Wilbow Group Equities Pty Ltd	8,146,803	0.57
Precious Dental Alloys Australia Pty LTd	6,836,687	0.48
	<u>764,235,137</u>	<u>53.94</u>

C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
Gabor Holdings Pty Ltd (and associates)	453,391,227	32.30%