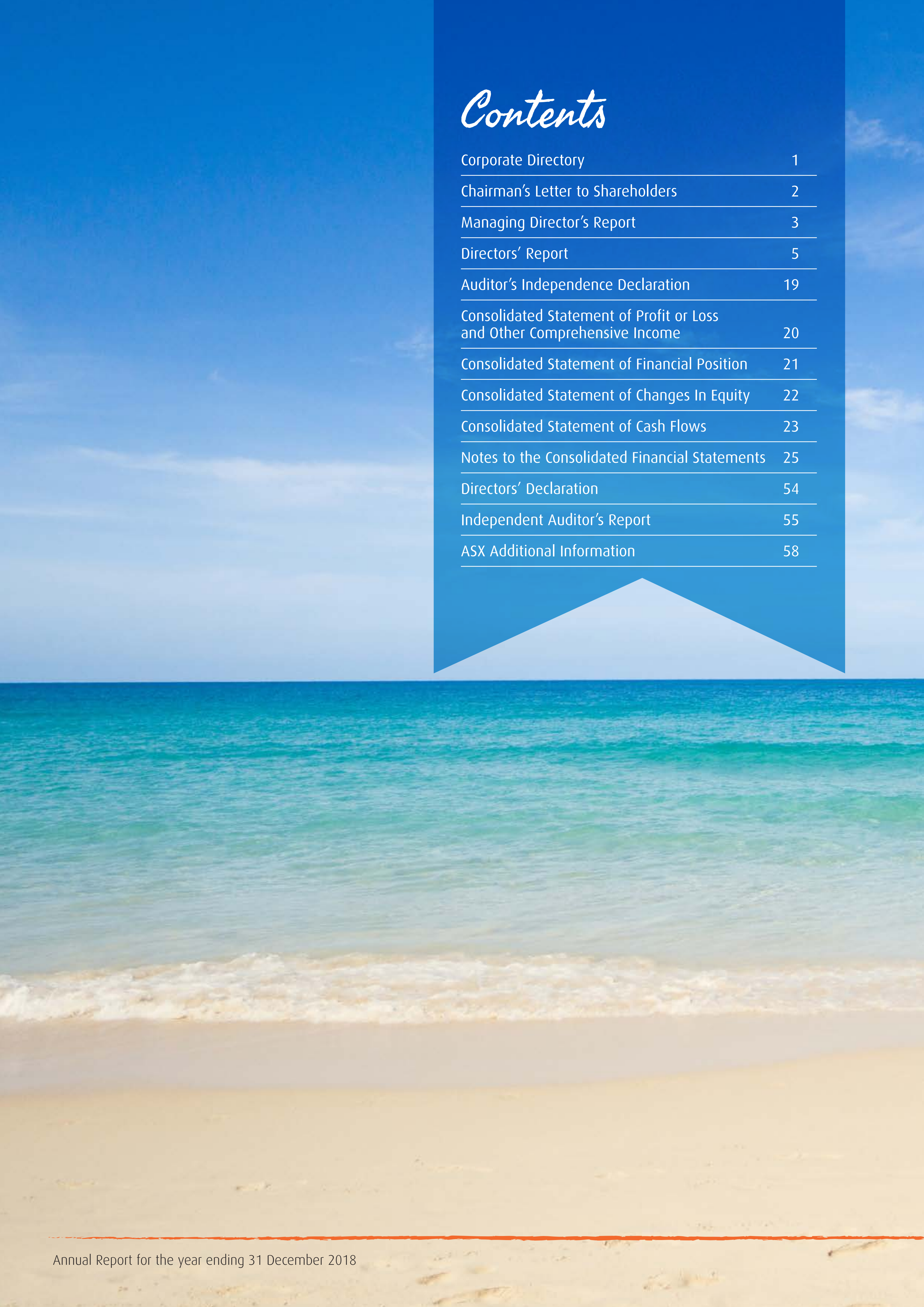
Mareterram

Annual Report 2018

MARETERRAM LIMITED [ACN 009 248 720] and incorporated entities for the year ending 31 December 2018



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Corporate Directory

Directors
David Lock,
James Clement,
Mark Pitts,
Felix Ratheb,
Fred Robertson,
Muhammad Brey, and
Gregory Roberts-Baxter.

Company Secretary
Richard Duncan

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Australian Securities Exchange
ASX Code Ordinary Shares:
MTM

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Corporate Governance

The Company has adopted the 3rd Edition of the ASX Corporate Governance Recommendations. A summary statement, which has been approved by the Board together with current policies and charters is available on the Company website.

mareterram.com.au/about-us/corporate-governance

Chairman's Letter to Shareholders

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the Annual Report and audited financial statements of Mareterram Limited, for the new financial period ended 31 December 2018.

Mareterram had a challenging 12 months since the Company's last Annual Report. Our main business undertaking in the Shark Bay prawn fishery experienced one of the lowest industry wide total prawn catch volume on record since the late 1960's. The company adjusted quickly to the low catch rates and through considered cost cutting and an emphasis on ensuring that our sales team maximised the value of every kilogram caught the company was still able to produce an EBITDA result within 4% of the previous 12 month period.

Mareterram continued its search for growth opportunities via acquisition. Resource security and subsequent supply chain control remained the major focus of the Company. Through a disciplined approach, the company is still seeing a promising pipeline of potential assets to acquire.

Mareterram welcomed the addition of Mr Gregory Roberts-Baxter as a non-executive director during the period. Mr Roberts-Baxter brought over 15 years of experience in investment, M&A and governance experience to the board.

Mareterram announced to the market in February 2019 that the Company had entered into a bid implementation agreement with its majority shareholder Sea Harvest Group Limited to acquire all the fully paid ordinary shares in Mareterram not currently owned or controlled by Sea Harvest by way of an off market takeover offer.

The offer from Sea Harvest is a continuation of its relationship with Mareterram going back to 2016; a relationship that has allowed our company to secure a leading position in Australia's fishing industry. We believe that the offer from Sea Harvest to purchase the remaining shares in Mareterram is a positive outcome for all shareholders, Mareterram, and Australia's fishing industry more broadly.

On behalf of the directors, the management and the team at Mareterram, I thank all shareholders for their continuing support and commitment to the company.

Sincerely,

David Lock
Chairman

Managing Director's Report

Dear Shareholders

Mareterram Limited ('Mareterram' or 'the Company') is pleased to be reporting a full 12 months of operations within this annual report having reported 6 months of operations in the previous annual report due to the company changing its financial year end to 31 December from a 30 June year end.

You will see in this annual report that the change has allowed improved reporting and analysis of the major business undertaking of the group in the Shark Bay Prawn fishery which has a season that runs through the calendar year. The change also aligns the Company's financial year end with that of its majority shareholder, Sea Harvest Group Limited.

Financial Performance

Mareterram Limited delivered statutory Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $3.02 million for the 12 months to 31 December 2018 (FY2017: $3.11 million).

The result was underpinned by Revenue from continuing activities of $44.87 million (FY2017: $47.84 million) against the backdrop of a challenging season in the Shark Bay Prawn Managed Fishery ('SBPF'). Despite the challenging conditions, the Company reported Earnings Before Tax (EBT) of $0.50 million for the 12 months to 31 December 2018 (FY2017: $1.31 million).

Depreciation and amortisation increased year on year as the capitalised costs associated with the vessel rebuild program, as well as the acquisition of a mackerel vessel, are being depreciated. As the rebuild program is reaching the end of the full vessel rebuild cycle, capitalised costs have started declining and this is expected to be reflected in reduced capitalised expenditure in vessels in future periods.

Interest expenditure increased year on year due to increased long term borrowings relating to the acquisition of two mackerel packages, completed in January 2018. Short term borrowings also increased year on year, though offset by a $2.15 million reduction in voluntary fishery adjustment scheme (VFAS) government debt.

Operational Update

Prawn catch volumes were approximately 300mt (35%) lower in 2018 than 2017. The average size of prawns caught in the 2018 season was larger than 2017, resulting in an average realised prawn price that was 12.4% higher than 2017.

Scallop catch volumes were approximately 10% lower in 2018 to that of 2017, though the remaining scallop quota was deliberately held over to be caught in February 2019 when product is larger and attracts a higher price.

The average scallop size landed in the 2018 fishing season was in line with scallop sizes realised across the 2017 season.

Mackerel catches were below first season expectations with only approximately 41% of the total quota taken. This was primarily due to an attempt to consolidate two license and quota packages on to one vessel. A second vessel has been introduced to fish the quota in future seasons. Aside from the catch performance, harvest expenses were below the initial business case and the average realised price for mackerel was above expectations. As such, the mackerel business still provided a positive contribution to EBITDA.

As was announced to the market on 5 November 2018, the Company took the decision to return the majority of vessels to port early in the back half of the SBPF season due to persistently low catch rates of prawns. This decision provided material savings in harvest expenses in the 2018 season compared to 2017.

A significant restructure of the Company's personnel and adjustments to other fixed overheads was executed in late 2017 and early 2018. Multiple positions across the Company were rationalised after an in-depth review of the organisational structure, which focused on the adoption of leaner principles of operation. Company overheads were reduced to $5.55 million for the 12 months to 31 December 2018, down 20% from $6.90 million for the 12 months to 31 December 2017.

Notwithstanding the challenging conditions experienced in the SBPF during the 2018 season, the Company was still able to generate revenue in the 12 months to 31 December 2018 6.2% lower than revenue in the comparative 12 month period and an EBITDA result 2.8% lower than EBITDA for the 12 months to 31 December 2017. This is a reflection of the operational and financial improvements that were achieved in other key areas of the business.

Operating cash flow of $2.95 million for the 12 months to 31 December 2018 represented a 7.2% increase in operating cash flow from the previous corresponding 12 months. This was a direct result of the continued focus on working capital management strategies.

The Company's balance sheet remains healthy, showing net assets of $28.93 million as at 31 December 2018, an increase of $0.24 million from 31 December 2017.

Safety

Mareterram continues to maintain a strong focus on the safety of our people. The Board and management are driving a culture of safety, regular staff training and the implementation of the latest safety equipment. This has helped our Company become recognised as a leader within the fishing industry with continued collaborative promotion of safety with the Australian Maritime Safety Authority and participation in a national study of occupational health and safety in fishing, funded by the Fisheries Research and Development Corporation.

Business Strategy

During the 2018 season, the SBPF experienced historically low catch volumes compared to previous seasons. The Department of Primary Industry and Regional Development ('DPIRD'), which oversees the management of the SBPF, is working closely with industry to manage the SBPF and to ensure a rebound in prawn catch rates. A range of strategies to optimise prawn spawning, recruitment and protection are being considered.

The Fishing Division's continuation of its vessel improvement program, designed to increase vessel reliability and efficiency, produced good results again in 2018. Lost nights of fishing were down 42% and returns to port were down 36% during the 2018 season. The Company is nearing the end of its vessel rebuild program with the fleet on track to be completed by the 2021 season. The Company expects further incremental improvement in vessel reliability in the 2019 season.

The Food Division has continued to make strides in opening multiple domestic and international sales channels. To meet this growing customer base and demand, the Company will continue to seek further acquisitions that will provide additional scale and complementary revenue streams to the existing prawn, scallop, crab, mackerel, hake and potato businesses. Growth through acquisition will also bring further diversification of the basket of high value offerings from the Food Division.

Mareterram will continue to refine and implement its four key strategic pillars in 2019, being:

1. To maximise the volume and value of its catch;
2. To maximise the utilisation of its assets:
3. To grow its Food Division; and
4. To build further scale and diversification through acquisitions.

Emphasis will be placed on the fourth pillar in particular, with resource security and subsequent supply chain control the major focus.

The Company has a disciplined structure and cost base that has proven to be profitable in one of the most challenging SBPF seasons on record. Mareterram has valuable assets, a strong management team and an engaged workforce, that will enable it to continue to focus on improving both the operational and financial performance of the Company as well as seeking growth opportunities that will deliver long-term, sustainable value for shareholders.

On behalf of Mareterram, I would like to thank our shareholders for their continued support.

James Clement
Managing Director and Chief Executive Officer

Directors' Report

Your directors present their report, together with the financial statements of the Group, being the Company and its controlled entities for the financial year ended 31 December 2018.

Directors

The names of directors in office at any time during or since the end of the financial year are:

David Lock, Mark Pitts, James Clement, Fred Robertson, Felix Ratheb, Muhammad Brey and Gregory Roberts-Baxter (appointed 20 November 2018).

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary: Richard Duncan BBus, FCPA

Information on Directors and Company Secretary

(as at release date of this report)

David Lock *B. Comm, CA, FAICD*

Chairman (Non-Executive)
appointed 23 November 2017

Experience

Mr Lock holds a number of directorships in Australian companies, including CBH Group, Water Corporation, Australian Pork Limited, Western Australian Meat Industry Authority and Odeum Produce Pty Limited. He is also a Trustee of the Marine Stewardship Council (London) and a member of the Curtin Business School Advisory Board.

He is a Chartered Accountant and was CEO of the Craig Mostyn Group, a privately-owned agribusiness company, from 2004 to 2015. He joined Mareterram Limited on 1 January 2016 as the CEO of the Group until November 2017 when he resigned from this role to take up the appointment as the Non-Executive Chairman of Mareterram.

Previous board appointments include Food Industry Association of WA and Food, Fibre and Land Pty Limited. In 2012, Mr Lock was recognised as the Australian Agribusiness Leader of the year and in 2013 was inducted as an Australian Export Hero by the Export Council of Australia. He is a fellow of the Australian Institute of Company Directors.

Interest in Shares: 2,037,500

Options: Nil

Performance Rights: Nil

Special responsibilities: Member Audit Committee, Chair of Remuneration and Nomination Committee

Directorships held in other listed entities in the last three years: Nil

James Clement *BSc, MBA, Dip.AF, GAICD*

Managing Director (Executive)
appointed 26 February 2018

Experience

Mr Clement has worked in the commercial fishing sector for six years. He was the General Manager of Focus Fisheries before joining Mareterram Limited in August 2015 as an executive director and the COO of the Group. Mr Clement was appointed as acting Managing Director and CEO on 27 November 2017 and then confirmed into this position on 26 February 2018. He is also a director and the deputy chairman of the Western Australian Fishing Industry Council.

He has more than a decade of experience in finance and investment, holds a Master of Business Administration, a Bachelor of Science in Aquaculture and Seafood Science, a Graduate Diploma in Agribusiness and is a graduate of the Australian Institute of Company Directors.

Interest in Shares: 325,000

Interest in Options: 5,000,000

Interest in performance rights: Nil

Special responsibilities: Managing Director and Chief Executive Officer, Member of Risk Committee

Directorships held in other listed entities in the last three years: Nil

Felix Ratheb *BSc Engineering (Hons) MBA*

Director (Non-executive)
appointed 3 March 2016

Experience

Mr Ratheb has more than 16 years of experience in the FMCG and fishing industries. He started his career as an International Trade Executive in the non-ferrous metals industry for the company he founded in 1997. In 2003 he joined Sea Harvest, the largest vertically integrated groundfish fishing company in South Africa, as a Commercial Manager, was promoted to Group Sales and Marketing Director in 2006 and CEO in 2013. He completed his Bachelor of Science degree in Electrical Engineering in 1995 and his MBA in 2000. Mr Ratheb serves as an independent trustee on the MSC Board of Trustees in the United Kingdom, where the MSC is the largest eco-labelling and sustainability program for fish stocks globally. He is also a Board Member of the Groundfish Forum headquartered in Canada, the largest whitefish conference globally.

Interest in Shares: 278,000

Options: Nil

Performance Rights: Nil

Special responsibilities: Member of Remuneration and Nomination Committee and Audit Committee

Directorships held in other listed entities in the last three years: Sea Harvest Group Limited – 2013 to present

Mark Pitts *BBus, FCA, GAICD*

Director (Independent Non-executive)
appointed 10 August 2015

Experience

Mr Pitts is a Fellow of Chartered Accountants Australia and New Zealand and a graduate member of the Australian Institute of Company Directors. He has more than 30 years experience in statutory reporting and business administration.

Mr Pitts has been directly involved with and consulted to a number of public companies holding senior financial management positions.

He is a Partner in the corporate advisory firm Endeavour Corporate providing company secretarial support; corporate and compliance advice to a number of ASX listed public companies.

Interest in Shares: 125,000

Options: Nil

Performance Rights: Nil

Special responsibilities: Chair of Audit Committee and member of Remuneration and Nomination Committee

Directorships held in other listed entities in the last three years: Variscan Mines Limited – September 2018 to present

Fred Robertson

Director (Non-executive)
appointed 16 August 2016

Experience

Mr Robertson is executive chairman and co-founder of Brimstone Investment Corporation Limited ("Brimstone") and is a leading figure in the South African business community. He serves as chairman of Sea Harvest Group Limited and as director on various other boards. His trusteeships and patronages include: Chairman of the Board of Trustees of the University of the Western Cape Foundation; Member of the Cape Peninsula University of Technology Entrepreneurship Advisory Board; Trustee of the Masisizane Fund; Patron to the South African Academy for Young Leaders; and Patron to the Youth Economic Participation Programme (YEPP).

He received the CNBC AFRICA All Africa Business Leadership Awards (AABLA) Entrepreneur of the Year Award 2014. In 2016 he was conferred an Honorary Doctorate in Philosophy by the University of the Western Cape and received the Kaapstad Sakekamer Die Burger Sakeleier 2016 Award. Fred is the recipient of the Business Personality of the Year 2018 Award from Black Management Forum (Western Cape).

Interest in Shares: 1,087,000
Options: Nil
Performance Rights: Nil
Special responsibilities: Member of Remuneration and Nomination Committee, and Audit Committee

Directorships held in other listed entities in the last three years:

- Novus Holding Limited – 2015 to April 2017
- Brimstone Investment Corporation Limited – 1995 to present
- Remgro Limited – 2001 to present
- Sea Harvest Group Limited – 2009 to present

Muhammad Brey *CA*

Director (Non-executive)
appointed 8 September 2017

Experience

Mr Brey joined Sea Harvest in October 2016 as Chief Investment Officer and is responsible for driving the Group's acquisition and growth strategy. Mr Brey is a qualified Chartered Accountant. After completing articles at KPMG, he joined the Corporate Finance division of Nedbank Capital where he implemented a number of mergers, acquisitions, listings and Black Economic Empowerment transactions. In 2009, Mr Brey joined Brimstone as Managing Executive where his responsibilities included identifying, implementing and funding acquisitions, managing Brimstone's investment portfolio and driving growth at portfolio companies. During this time, he was the managing executive responsible for Brimstone's investment in Sea Harvest, Mareterram's holding company. Mr Brey is currently an Executive Director and Chief Investment Officer for Sea Harvest.

Interest in Shares: 109,000
Options: Nil
Performance Rights: Nil
Special responsibilities: Member of Remuneration and Nomination Committee and Audit Committee

Directorships held in other listed entities in the last three years: Sea Harvest– October 2016 to present

Gregory Roberts-Baxter

Director (Non-Executive)
appointed 20 November 2018

Experience

Mr Roberts-Baxter is currently managing director and co-founder of Atlantic Capital, a Sydney based investment firm, where he is responsible for strategic direction and overseeing the firm's overall investment activities. Mr Roberts-Baxter brings over 15 years of investment, M&A and governance experience to the board.

Mr Roberts-Baxter holds both a Bachelors and Masters degree in engineering from the University of the Witwatersrand and an MBA from the University of Cape Town.

Interest in Shares: Nil
Options: Nil
Performance Rights: Nil
Special responsibilities: Member of Remuneration and Nomination Committee, and Audit Committee

Directorships held in other listed entities in the last three years: Nil

Company Secretary

Richard Duncan *BBus, FCPA*

Company Secretary
appointed 3 March 2016

Experience

Mr Duncan is an experienced finance professional across a range of industries, including telecommunications, distribution, manufacturing and agribusiness. He was previously CFO at AllightSykes Pty Ltd, a wholly owned subsidiary of Seven Group Holdings and was previously Group Financial Controller and Assistant Company Secretary at iiNet Limited. He was also Financial Services Manager at Recall Australasia, formerly a division of Brambles Limited. He holds a Bachelor of Business with a double major in Accounting and Finance and is a Fellow of Certified Practising Accountants.

Interest in Shares: 140,000

Options: Nil

Performance Rights: Nil

Special responsibilities: Member of Risk Committee

Directorships held in other listed entities in the last three years: Nil

Principal Activities

The Mareterram group is a vertically integrated agribusiness headquartered in Fremantle, Western Australia, providing premium quality and sustainable produce to Australian and international consumers.

Mareterram Fisheries (formerly Nor-West Seafoods) is the single largest owner operator in the Shark Bay Prawn Managed Fishery. Mareterram Fisheries has a long and proud history of operating within the fishery for over 50 years.

Western King Prawns and Brown Tiger Prawns are the major target species caught each year by our vessels for our loyal customers here in Australia and overseas. Mareterram Fisheries also catch and make available a range of other species such as scallops, blue swimmer crabs, squid and cuttlefish and mackerel from the Mackerel Managed Fishery.

Mareterram Fisheries fleet of prawn trawlers are set up to process, package, and snap freeze all their catch at sea, ensuring a high quality, consistent and sustainable seafood product. Our crews are highly trained to handle and process product to the exacting standards expected by consumers around the world.

Mareterram Trading is the sales and marketing arm of Mareterram Limited and is the first point of contact with our customers. The Foods business manages the sales of the Fisheries product from Shark Bay together with other premium, sustainably caught seafood that we source from our worldwide network of key suppliers.

The Foods business also acts as exclusive agent for other premium food brands, including Sea Harvest, whose products complement our core seafood offering.

Operating Result and Review of Operations

Mareterram Consolidated Group

As announced to the market on 6 September 2017, the Group has changed its financial year end from 30 June to 31 December. The current period figures relate to the twelve months from 1 January 2018 to 31 December 2018 with the comparative period as the six months from 1 July 2017 to 31 December 2017. As previously advised to the market, the change allows for improved reporting and analysis of the major business undertaking of the Group in the Shark Bay Fishery which has a season running through the calendar year and aligns the Company's financial year end with that of its major shareholder, Sea Harvest Group Limited.

Mareterram has reported earnings before interest, tax, depreciation and amortisation (EBITDA) of $3.02 million for the year ended 31 December 2018 (compared to $1.41 million for the six month period ended 31 December 2017) and reported a net profit after tax (NPAT) from continuing operations of $0.33 million (compared to $0.32 million for the six month period ended 31 December 2017).

Reported revenue for the Group for the year ended 31 December 2018 was $44.87 million compared to $25.44 million for the six month period ended 31 December 2017.

Mareterram Fisheries

The Company's Fisheries operations included fishing in the Shark Bay Prawn Managed Fishery (SBPMF) for prawns, scallops, crabs and by-catch, and fishing for mackerel in the Mackerel Managed Fishery.

Prawn catch volume achieved in the 2018 fishing season of 540mt was below volume achieved in the 2017 fishing season of 830mt, though the reduced volume was partially offset by increased pricing and lower costs. The average prawn size (grade) was higher across the total catch volume for the 2018 fishing season compared to the average prawn sizes realised across the 2017 fishing season. The higher average prawn size resulted in a higher average prawn price in the 2018 season compared to that achieved in the 2017 season.

Scallop catch volume for the 2018 fishing season was slightly down from the 39mt achieved in the 2017 fishing season, though there is available allocated quota remaining that is expected to be caught early in the 2019 financial year, but prior to the start of the 2019 fishing season.

Mareterram Trading (Food Services Division)

Mareterram Trading sells and distributes all the product caught by Mareterram Fisheries as well as seafood and other foods products from domestic and international suppliers to customers in Australia and overseas. The Company's main export markets were Japan, China, Hong Kong and Europe.

Significant Events Occurring During the Period

Board Appointment

Mr Gregory Roberts-Baxter was nominated and appointed as a Non-Executive Director of the Mareterram Board on 20 November 2018. Mr Roberts-Baxter brings over 15 years of investment, M&A and governance experience to the Board.

Dividends Paid or Recommended

No dividends were paid or declared during or subsequent to the financial year.

Matters Subsequent to the End of the Financial Period

On 5 February 2019, Mareterram Limited announced to the market that majority shareholder Sea Harvest had made an all cash offer of $0.25 per share for all the fully paid ordinary shares in Mareterram not currently controlled or owned by Sea Harvest.

Environmental Regulations

The consolidated group is subject to significant regulation at both State and Commonwealth levels in respect of its marine operations, land and use tenure and environmental requirements. This includes specific environmental permits, licenses and statutory authorisations, trade and export and workplace health and safety.

The Directors are not aware of any significant environmental issues arising from the operations of the Company during the financial year and believe that all regulations have been met during the period covered by the annual financial report.

Rounding of Amounts

The Company has applied the relief available to it under ASIC Corporations (rounding in Financial/Directors' Report) instrument 2016/191, and accordingly certain amounts in the full year financial report and the Directors' Report have been rounded off to the nearest $1,000, unless otherwise indicated.

Future Developments, Prospects and Business Strategies

Directors are cognisant of the requirement to continuously disclose material matters to the market. At this time, other than matters addressed elsewhere in this financial report, there are no matters sufficiently advanced or at a level of certainty that would require disclosure.

Remuneration Report (Audited)

The Directors present the Remuneration Report (the Report) for the Group for the year ended 31 December 2018. This Report forms part of the Director's Report and outlines the remuneration arrangements of the Group's key management personnel (KMP) in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 300A of the Act.

Introduction

For the purposes of this report, KMP of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent Company and include:

- Non-Executive Directors; and
- Executives

For the purpose of this report, the term 'Executive' includes executive directors, senior executives and company secretaries of the Parent Company and the Group. The table on page 11 outlines the KMP of the Group during the financial year ended 31 December 2018. Unless otherwise indicated, the individuals were KMP for the entire financial period.

Remuneration Governance

The Board has appointed a Remuneration and Nomination Committee to assist the Board by making recommendations on remuneration packages for Executive and Non-Executive Directors and where appropriate, other executives.

The Remuneration and Nomination Committee is responsible for reviewing the overall remuneration philosophy, strategy, plans, policies and practices (including performance management methodology) to implement the remuneration objective. In making recommendations to the Board, the Remuneration and Nomination Committee ensures a clear link between performance and remuneration. This is achieved by a combination of fixed remuneration, short (STI) and long-term incentives (LTI) with appropriate performance-based hurdles which reflect short and long- term performance of the executives and the Group. The Board reviews and approves the remuneration arrangements as recommended by the Remuneration and Nomination Committee. The Board also sets the aggregate remuneration pool for Non-Executive Directors (which is subject to shareholder approval) and individual Non-Executive Director fee levels based on recommendations made by the Remuneration and Nomination Committee.

In making recommendations to the Board, the Remuneration and Nomination Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to the status of the Group and the stage of development of its assets, the skill sets required, trends in comparative ASX listed companies and the need for a balance between fixed remuneration and short and long-term cash and non-cash incentives. The process includes a review of Group and individual performances, broad market remuneration data and relevant comparative remuneration externally and internally.

The Remuneration and Nomination Committee consists of only Non-Executive Directors.

The Managing Director attends certain Remuneration and Nomination Committee meetings by invitation, where management input is required. The Managing Director is not present during any discussions related to his own remuneration arrangements.

Remuneration Policy

It is the policy of the Board to set remuneration levels competitively, to attract and retain appropriately qualified and experienced Directors and senior executives.

Remuneration packages for executives will include fixed remuneration with bonuses or equity-based remuneration entirely at the discretion of the Board based on the performance of the Company and Shareholder approval where required.

Non-Executive Directors receive fees agreed on an annual basis by the Board. Payments of Directors' fees are in addition to any payments to Directors in any employment capacity. A Director may also be paid fees or other amounts as the Directors determine, if a Director performs special duties or otherwise performs duties outside the scope of the normal duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

To ensure the Remuneration and Nomination Committee is fully informed when making remuneration decisions, it is mandated to obtain external advice from an independent consultant who provides no other services to the Company. The engagement of remuneration consultants is under the direction of the Remuneration and Nomination Committee, which sets parameters around the interaction between management and the consultants with a view of minimising the risk of any undue influence occurring and ensuring compliance with the requirements of the Corporations Act 2001.

The advice and recommendations of remuneration consultants are used from time to time as a guide by the Board and the Remuneration and Nomination Committee. Decisions are made by the Board after its own consideration of the issues but having regard to the advice of the Remuneration and Nomination Committee.

During the year ended 31 December 2018, the Remuneration and Nomination Committee did not consult with any external sources.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The following table shows the gross revenue, profits and dividends for the last three years, as well as the share price at the end of the respective financial years:

	2018(a)	2017(b)	2017(c)
	$'000	$'000	$'000
Revenue	44,870	47,841	25,435
Profit from continuing operations	327	1,506	324
Share Price at Year-end ($)	0.19	0.25	0.25
Dividends Paid	-	-	-

(a) 12 months to 31 December 2018

(b) 12 months to 31 December 2017

(c) 6 months to 31 December 2017

Non-Executive Director (NED) fee arrangements

Remuneration Structure

The structural component of NED fees is separate and distinct from executive remuneration. It is designed to attract and retain Directors of the highest calibre who can discharge the roles and responsibilities required in terms of good governance, whilst incurring a cost that is acceptable to shareholders.

Fee Policy

The remuneration of NEDs consists of Directors' fees and is adjusted for holding committee and chair roles. The payment of additional fees recognises the additional time commitment required by NEDs who serve as sub-committee chairs. The chair of the Board attends all committee meetings but does not receive any additional committee fees in addition to base fee.

The table below summarises the annual fees payable to NEDs for the 2018 financial year (inclusive of superannuation):

	Board	Committee	Total
	$	$	$
Board fees			
Chair	100,000	-	100,000
NED	40,000	-	40,000
Committee fees			
Chair	-	10,000	10,000

NEDs may be reimbursed for expenses reasonably incurred in attending to the Group's affairs. NEDs do not receive retirement benefits.

Determination of fees and maximum aggregate NED fee pool

NED fees are determined within an aggregate NED fee pool limit. The current pool is a maximum amount of $300,000 per annum to be apportioned between the NEDs as determined by the Board. The maximum aggregate fee pool and the fee structure are reviewed on a periodic basis against fees paid to NEDs of comparable companies.

Employment Details of Members of Key Management Personnel and Other Executives

The following table provides employment details of persons who were, during the year ending 31 December 2018, members of KMP of the consolidated group.

KMP	Positions held as at 31 December 2018 and any change during the year	Contract details (duration & termination)	Proportion of elements of remuneration related to performance: Related – Short term incentives	Related – Shares/ Units	Related – Options / Rights	Not Related – Fixed Salary/Fees	Total
			%	%	%	%	%
David Lock	Non-Executive Chairman Appointed 23 November 2017	Subject to the Company's constitutional rules on retirement and termination of Directors.	-	-	-	100	100
James Clement	Managing Director Appointed 23 November 2017	Subject to normal commercial conditions, six months' notice required to terminate.	-	-	22	78	100
Mark Pitts	Independent Non-Executive Director Appointed 10 August 2015	Subject to the Company's constitutional rules on retirement and termination of Directors.	-	-	-	100	100
Felix Ratheb	Non-Executive Director Appointed 3 March 2016	Subject to the Company's constitutional rules on retirement and termination of Directors.	-	-	-	100	100
Fred Robertson	Non-Executive Director Appointed 16 August 2016	Subject to the Company's constitutional rules on retirement and termination of Directors.	-	-	-	100	100
Muhammad Brey	Non-Executive Director Appointed 8 September 2017	Subject to the Company's constitutional rules on retirement	-	-	-	100	100
Gregory Roberts-Baxter	Non-Executive Director Appointed 20 November 2018	Subject to the Company's constitutional rules on retirement	-	-	-	100	100
Richard Duncan	CFO and Company Secretary Appointed 3 March 2016	Contracted from 3 March 2016. Subject to normal commercial conditions, six months' notice required to terminate.	-	-	-	100	100

Details of Remuneration for Year Ended 31 December 2018

The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the consolidated group and, to the extent different, the Group Executives and company Executives receiving the highest remuneration:

	Short-term benefits				Post-Employment		Share based payments	Total
Year ended 31 December 2018	Salary & fees	STI cash bonus	Non-monetary benefits	Other short-term employee benefits	Superannuation contribution	Termination payments	Options and Performance rights	Total
	$	$	$	$	$	$	$	$
Directors								
David Lock[1]	56,781	-	34,543	-	8,676	-	-	100,000
James Clement[1,3]	308,918	-	21,033	8,397	20,049	-	103,611	462,008
Mark Pitts	50,000	-	-	-	-	-	-	50,000
Felix Ratheb[2]	-	-	-	-	-	-	-	-
Muhammad Brey[2]	-	-	-	-	-	-	-	-
Fred Robertson	40,000	-	-	-	-	-	-	40,000
Gregory Roberts-Baxter[4]	4,375	-	-	-	416	-	-	4,791
Executives								
Richard Duncan	224,233	-	-	12,122	22,690	-	-	259,045
Total	**684,307**	**-**	**55,576**	**20,519**	**51,831**	**-**	**103,611**	**915,844**

1. The amounts of $34,543 and $21,033 disclosed as non-monetary benefits for David Lock and James Clement respectively, are salary sacrificed amounts pertaining to novated leases on motor vehicles.
2. Felix Ratheb and Muhammad Brey did not receive any benefits and payments directly. A management fee was paid to Sea Harvest, an entity of which they are employed, amounting to $40,000 in lieu of directorship fees.
3. During the 2018 financial year, 5,000,000 long-term incentive options to acquire shares were issued to James Clement and were approved by shareholders at the Annual General Meeting held on 24 May 2018. A portion of the fair value of the securities issued that related to the current financial year has been accounted for as a share-based payment. Refer note 21.
4. Appointed Non-Executive Director 20 November 2018.

Six months to 31 December 2017	Short-term benefits				Post-Employment		Share based payments	Total
	Salary & fees	STI cash bonus	Non-monetary benefits	Other short-term employee benefits	Superannuation contribution	Termination payments	Options and Performance rights	Total
	$	$	$	$	$	$	$	$
Directors								
Peter Hutchinson [6]	36,413	-	-	-	3,459	-	-	39,872
David Lock[1,2]	164,700	-	31,392	-	15,013	283,976	-	495,081
James Clement[2,4]	125,270	-	7,756	6,126	10,170	-	-	149,322
Mark Pitts	25,000	-	-	-	-	-	-	25,000
Felix Ratheb[3]	-	-	-	-	-	-	-	-
Muhammad Brey[3,5]	-	-	-	-	-	-	-	-
Fred Robertson	20,000	-	-	-	-	-	-	20,000
Executives								
Richard Duncan	98,057	-	-	205	12,424	-	-	-
Total	**469,439**	**-**	**39,148**	**6,331**	**41,067**	**283,976**	**-**	**839,961**

1. David Lock received termination payments resulting from his resignation from the role of Managing Director of Mareterram to take up the appointment of Non-Executive Chairman of Mareterram.
2. The amounts of $31,392 and $7,756 disclosed as non-monetary benefits for David Lock and James Clement respectively, are salary sacrificed amounts pertaining to novated leases on motor vehicles.
3. Felix Ratheb and Muhammad Brey did not receive any benefits and payments directly. A management fee was paid to Sea Harvest, an entity of which they are employed, amounting to $20,000 in lieu of directorship fees.
4. Long term incentives in the form of performance rights issued to James Clement are payable based on achievement of non-market financial performance measures under service conditions. The fair value of performance rights is assessed at each reporting date based on probability of achievement of set financial targets and any adjustment to the fair value will be accounted for as a share-based payment. Cumulative and projected EPS shortfall to target is significantly material that the achievement of the targets has been deemed highly improbable on a business as usual basis and therefore no share based expensed has been recognised in the financial accounts during the current period.
5. Appointed Non-Executive Director 8 September 2017.
6. Peter Hutchison resigned on 23 November 2017.

Long Term Incentives

The Company had two LTI plans in operation during the year ended 31 December 2018, one of which was issued in a prior period and the other in the current period. The LTI issued in the prior period was Performance Rights and the LTI issued in the current period was Incentive Options and both were part of total remuneration. The grant of the LTI's are designed to encourage the participating Director (James Clement) to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through Share ownership.

Details of the Incentive Options and Performance Rights are outlined below.

Incentive Options Granted as Part of Remuneration

There are 2,500,000 (31 December 2017: 2,500,000) incentive options over shares that remain on issue to Peter Hutchinson who resigned as Chairman of Mareterram Limited on 23 November 2017. There are 5,000,000 incentive options over shares that were issued to James Clement during the current year.

The options were issued to James Clement under the following terms:

Fair Value: $0.1292
Exercise Price: $0.30
Expiry Date: 5.10 years from date of issue

Performance Rights Granted as Part of Remuneration

There are a total of nil (31 December 2017: 1,562,500) performance rights that remained on issue to James Clement as at 31 December 2018*.

* At the Annual General Meeting (AGM) of Mareterram Limited held on 24 May 2018, shareholders resolved to approve the cancellation of 1,562,500 performance rights previously granted to Mr James Clement and to issue up to 5,000,000 incentive options to Mr James Clement. The incentive options vest in three equal tranches on 31 December 2020, 2021 and 2022 and are subject to certain conditions. The terms and conditions of which are set out in the explanatory memorandum of the Notice of Meeting for the AGM.

Employment Contracts of Directors and Senior Executives

The Company employs its Executive Director and Chief Executive Officer Mr James Clement under an Employment Agreement ('Agreement'). Under the terms of the Agreement, Mr Clement's commencement date was 1 January 2018.

The key terms of the Agreement are as follows.

Mr James Clement	Managing Director and Chief Executive Officer
Total fixed Base Salary:	$350,000 per annum (inclusive of superannuation).
Long term incentives:	5,000,000 incentive options to Mr James Clement. The incentive options vest in three equal tranches on 31 December 2020, 2021 and 2022 and are subject to certain conditions.
Termination conditions/payments:	Employment may be terminated by either party at any time: (a) by the Executive giving to the Company six month's written notice; or (b) by the Company in its absolute discretion: (i) giving to the Executive six month's written notice; or (ii) paying the Executive an amount equal to the portion of the Total Remuneration that corresponds to the unexpired portion of the notice period referred to in this clause in lieu of giving notice so that the Employment is terminated immediately. (c) The Company can direct the Executive not to work during any period of notice under this clause and in these circumstances the Employment will continue until the notice period expires.

The Company employs its Chief Financial Officer and Company Secretary Mr Richard Duncan under an Employment Agreement ('Agreement'). Under the terms of the Agreement, Mr Duncan commenced employment on 3 March 2016. The key terms of the Agreement are as follows.

Mr Richard Duncan	Chief Financial Officer and Company Secretary
Total fixed Base Salary:	$250,000 per annum (inclusive of superannuation).
Termination conditions/payments:	If there is a material diminution in status or position of Chief Financial Officer of the Company with the effect that Mr Duncan would suffer a material diminution in his authority or change in his reporting relationship with the Board, Mr Duncan may terminate his employment by written notice and the following provisions will apply: if the material diminution occurs in the two years after the Commencement Date, Mr Duncan will be entitled to a termination payment of six months Base Salary; or if the material diminution occurs more than two years after the Commencement Date, Mr Duncan will be entitled to a termination payment of three months Base Salary. The Company may terminate Mr Duncan's employment by six months' notice at any time on or after 1 July 2019 without providing a reason for termination. Mr Duncan may terminate the employment by six months' notice.

KMP Share Holdings

Number of shares held (direct & indirect interest) by each KMP of the Group during the period is as follows:

31 December 2018	Balance 1.1.18	Vesting of performance rights	Net change during the year	Net Change upon Appointment/ Resignation	Balance 31.12.18
Directors					
David Lock	2,037,500	-	-	-	2,037,500
James Clement	325,000	-	-	-	325,000
Mark Pitts	125,000	-	-	-	125,000
Felix Ratheb	278,000	-	-	-	278,000
Muhammad Brey	109,000	-	-	-	109,000
Fred Robertson	1,087,000	-	-	-	1,087,000
Gregory Roberts-Baxter[1]	-	-	-	-	-
Executives					
Richard Duncan	140,000	-	-	-	140,000
Total	**4,101,500**	**-**	**-**	**-**	**4,101,500**

(1) Gregory Roberts-Baxter appointed on 20 November 2018.

KMP Options Holdings

Number of options held (direct & indirect interest) by each KMP of the Group during the financial year is as follows:

31 December 2018	Balance 1.1.18	Granted as Remuneration during the year	Options exercised	Options cancelled	Net Change Upon Appointment\ Resignation	Options transferred	Vested and exercisable	Balance 31.12.18
Directors								
David Lock	-	-	-	-	-	-	-	-
James Clement[1]	-	5,000,000	-	-	-	-	-	5,000,000
Mark Pitts	-	-	-	-	-	-	-	-
Felix Ratheb	-	-	-	-	-	-	-	-
Muhammad Brey	-	-	-	-	-	-	-	-
Fred Robertson	-	-	-	-	-	-	-	-
Gregory Roberts-Baxter[2]	-	-	-	-	-	-	-	-
Executives								
Richard Duncan	-	-	-	-	-	-	-	-
Total	**-**	**5,000,000**	**-**	**-**	**-**	**-**	**-**	**5,000,000**

(1) At the Annual General Meeting (AGM) of Mareterram Limited held on 24 May 2018, shareholders resolved to approve the issue of up to 5,000,000 incentive options to Mr James Clement. The incentive options vest in three equal tranches on 31 December 2020, 2021 and 2022 and are subject to certain conditions. The terms and conditions of which are set out in the explanatory memorandum of the Notice of Meeting for the AGM.

(2) Gregory Roberts-Baxter appointed on 20 November 2018.

KMP Performance Rights Holdings

Number of performance rights held (direct & indirect interest) by each KMP of the Group during the financial year is as follows:

31 December 2018	Balance 1.1.18	Granted as remuneration during the year	Other	Net Change during the year	Balance 31.12.18
Directors					
David Lock	-	-	-	-	-
James Clement[1]	1,562,500	-	-	(1,562,500)	-
Mark Pitts	-	-	-	-	-
Felix Ratheb	-	-	-	-	-
Muhammad Brey	-	-	-	-	-
Fred Robertson	-	-	-	-	-
Gregory Roberts-Baxter[2]	-	-	-	-	-
Executives					
Richard Duncan	-	-	-	-	-
Total	**1,562,500**	**-**	**-**	**(1,562,500)**	**-**

(1) The performance rights of James Clement were cancelled at the Annual General Meeting (AGM) of Mareterram Limited held on 24 May 2018.

(2) Gregory Roberts-Baxter appointed on 20 November 2018.

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

The following entities transacted with the Company during the reporting period. In each instance, normal commercial terms and conditions applied. Terms and conditions were not more favourable than those available, or which might reasonably be expected to be available, for a similar transaction to unrelated parties on an arms-length basis.

Sea Harvest is a major shareholder of Mareterram Limited and seafood supplier to Mareterram's Trading division, of which Fred Robertson is Chairman, Felix Ratheb is CEO and Muhammad Brey is CIO. Mareterram incurred invoiced transactions to the value of $10.0 million during the year ended of Mr Robertson's, Mr Ratheb's and Mr Brey's directorships to 31 December 2018 (transitional six month period ended 31 December 2017: $5.6 million). Additionally, fees totally $80,000 (transitional six month period ended 31 December 2017: $40,000) have been recognised for Mr Robertson, Mr Ratheb and Mr Brey.

Remuneration Practices

The Company's policy for determining the nature and amount of emoluments of Board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive Directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and specified Directors and executives are on a continuing basis, the terms of which are not expected to change in the immediate future.

At the Company's Annual General Meeting on 24 May 2018, a resolution was put to the meeting to approve the adoption of the remuneration report as contained in the Company's annual financial report for the financial year ended 31 December 2017.

This resolution was passed by shareholders on a show of hands.

END OF AUDITED REMUNERATION REPORT

Meetings of Directors

During the year ended 31 December 2018, 11 meetings of the Board of Directors were held including sub-committees. Attendances by each Director during the year were:

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Directors						
David Lock	7	7	2	2	2	2
James Clement	7	7	2	2	-	-
Mark Pitts	7	7	2	2	2	2
Felix Ratheb	5	7	2	2	2	2
Muhammad Brey	7	7	2	2	2	2
Fred Robertson	6	7	1	2	1	2
Gregory Roberts-Baxter[1]	2	2	-	-	-	-

(A) Number of meetings attended

(B) Number of meetings held during the time the director held office during the year

(1) Appointed 20 November 2018

Indemnifying Officers and Auditor

During or since the end of the financial year the Company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has entered into separate Deed of Access and Indemnity with each of the Directors and Company Secretary and in addition has procured Directors and officers insurance to insure Directors and executive officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or executive officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The Company has not entered into any agreement to indemnify its auditors against any claims that might be made by third parties arising from their report on the financial statements.

Options

At 31 December 2018, the unissued ordinary shares of Mareterram Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
18 December 2015	18 December 2020	$0.20	5,000,000
24 May 2018	30 June 2023	$0.30	5,000,000
			10,000,000

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings, nor was the Company a party to any such proceedings during the year.

Non-audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 4 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Auditor's Independence Declaration

The lead auditor's independence declaration for the financial year ended 31 December 2018 has been received and can be found on page 19 of the Directors' Report

Signed in accordance with a resolution of the Board of Directors.

James Clement
Managing Director and Chief Executive Officer

Dated this 26th day of March 2019

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
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Board of Directors
Mareterram Limited
Unit 5, 2 Capo D'Orlando Drive,
South Fremantle WA 6160

26 March 2019

Dear Directors

Mareterram 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 Mareterram Limited.

As lead audit partner for the audit of the financial statements of Mareterram Limited for the year ended 31 December 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

DELOITTE TOUCHE TOHMATSU

John Sibenaler
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Consolidated Group	
		12 months to December 2018	6 months to December 2017
	Note	$'000	$'000
Sales revenue		44,870	25,435
Cost of sales		(36,302)	(20,149)
Gross profit		**8,568**	**5,286**
Other income		85	-
Employee expenses		(4,178)	(2,692)
Office and administration costs		(1,424)	(1,063)
Depreciation and amortisation expense		(1,332)	(506)
Other costs		(2)	(31)
Finance costs		(1,192)	(445)
Transaction costs		(30)	(89)
Profit before income tax		**495**	**460**
Income tax expense	2	(168)	(136)
Profit from continuing operations		**327**	**324**
Other comprehensive income:			
Items that may be reclassified to profit or loss			
(Loss)/ gain on foreign currency and commodity hedges		(186)	286
Income tax on other comprehensive income		-	-
Total comprehensive profit for the year attributable to members of the company		**141**	**610**
Basic profit per share (cents per share)	5	0.21	0.23
Diluted profit per share (cents per share)	5	0.20	0.22

The above consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

Consolidated Statement of Financial Position

		Consolidated Group	
		31 December 2018	31 December 2017
	Note	$'000	$'000
Current Assets			
Cash and cash equivalents	6	106	67
Trade and other receivables	7	6,897	7,538
Inventories	8	6,995	7,340
Deposit funds held in escrow		-	4,952
Prepayments and other assets		2,329	1,636
Current financial derivatives		11	161
Total Current Assets		**16,338**	**21,694**
Non-Current Assets			
Property, plant and equipment	9	14,629	12,288
Fishing licenses	10	29,099	25,240
Goodwill	11	2,292	2,292
Other intangibles	12	505	435
Total Non-Current Assets		**46,525**	**40,255**
Total Assets		**62,863**	**61,949**
Current Liabilities			
Trade payables		1,606	2,060
Employee liabilities		643	613
Loans and borrowings	13	4,666	3,151
Finance liabilities		23	30
Current financial derivatives		55	13
Accruals and other payables	14	2,004	1,852
Other current liabilities	15	2,146	2,146
Total Current Liabilities		**11,143**	**9,865**
Non-Current Liabilities			
Loans and borrowings	13	15,260	14,000
Finance liabilities		37	60
Employee liabilities		126	121
Deferred tax liabilities	2	3,229	3,065
Other non-current liabilities	15	4,134	6,148
Total Non-Current Liabilities		**22,786**	**23,394**
Total Liabilities		**33,929**	**33,259**
Net Assets		**28,934**	**28,690**
Equity			
Issued capital	16	25,586	25,586
Reserves	17	1,266	1,349
Retained earnings		2,082	1,755
TOTAL EQUITY		**28,934**	**28,690**

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

Consolidated Statement of Changes In Equity

	Issued Capital	Retained Earnings and Accumulated Losses	Other Reserves	Share Based Payments and Options Reserve	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1.1.2018	**25,586**	**1,755**	**160**	**1,189**	**28,690**
Profit for the period	-	327	-	-	327
Other comprehensive income for the period, net of income tax	-	-	(186)	-	(186)
Total comprehensive income	**-**	**327**	**(186)**	**-**	**141**
Shares issued	-	-	-	-	-
Cost of share issues	-	-	-	-	-
Share based payments	-	-	-	103	103
Balance at 31.12.2018	**25,586**	**2,082**	**(26)**	**1,292**	**28,934**
Balance at 1.7.2017	**21,957**	**1,431**	**(126)**	**1,189**	**24,451**
Profit for the period	-	324	-	-	324
Other comprehensive income for the period, net of income tax	-	-	286	-	286
Total comprehensive income	**-**	**324**	**286**	**-**	**610**
Shares issued	3,750	-	-	-	3,750
Cost of share issues	(121)	-	-	-	(121)
Share based payments	-	-	-	-	-
Balance at 31.12.2017	**25,586**	**1,755**	**160**	**1,189**	**28,690**

The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	Consolidated Group	
		12 months to December 2018	6 months to December 2017
		$'000	$'000
Cash Flows from Operating Activities			
Receipts from customers		45,579	27,832
Payments to suppliers and employees		(42,631)	(21,606)
Interest received		1	2
Net cash from operating activities	**22**	**2,949**	**6,228**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(3,244)	(2,502)
Acquisition of business assets (purchase consideration held in escrow)		-	(4,952)
Proceeds from disposal of property plant and equipment		675	7
Payments for intangible assets		(86)	-
Net cash used in investing activities		**(2,655)**	**(7,447)**
Cash Flows from Financing Activities			
Shares issued		-	3,750
Cost of share issue		-	(121)
Interest paid		(880)	(412)
Repayment of borrowings		(2,890)	(3,980)
Funds from borrowings		3,515	2,000
Net cash (used in) / from financing activities		**(255)**	**1,237**
Net increase in cash and cash equivalents		39	18
Cash at start of period		67	49
Cash at end of period	**6**	**106**	**67**

The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to the Consolidated Financial Statements

Note 1. Statement of Significant Accounting Policies

The financial report covers the consolidated group of Mareterram Limited and controlled entities. Mareterram Limited is a listed public company, incorporated and domiciled in Australia. Mareterram Limited is a for profit entity.

The financial report of Mareterram Limited and its controlled entities for the year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 11 March 2019.

A. Basis of Preparation

This general purpose financial report of Mareterram Limited and controlled entities, complies with all International Financial Reporting Standards (IFRS) in their entirety.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The seasonal nature of operations significantly influences the financials of the consolidated Group, whereby the Fisheries division can only operate its fishing fleet during set open fishing periods that are determined and controlled by the Department of Fisheries. The fishing season typically runs from April to November of each year and therefore the timing of the bulk of each fishing seasons sales to customers and cash inflows from customer collections, occurs in the second half of the calendar year.

i) Change in financial year end

During 2017, the company changed its financial year end from 30 June to 31 December. The current period figures relate to twelve months from 1 January 2018 to 31 December 2018. The comparative amounts are for the six months from 1 July 2017 to 31 December 2017. They are therefore not comparable as the lengths of the periods differ by six months.

The following is a summary of the material accounting policies adopted by the consolidated Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

B. Principles of Consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

A list of controlled entities is contained in Note 19 to the financial statements.

All inter-group balances and transactions between entities in the consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

C. Significant accounting judgements and key estimates

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the period ended 31 December 2017.

In the year ended 31 December 2018 management reassessed its estimates in respect of:

i) Carrying value of Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

ii) Carrying value of Fishing Licenses

Fishing licenses were acquired through the acquisition of Nor-West Fisheries (MTF) on 18 December 2015 and were independently fair valued by an expert, using the excess earnings methodology. The separately identifiable intangible assets of MTF were valued at $25.24 million dollars and have been assessed for impairment on an annual basis. Fishing licences also include mackerel fishing licences of $3.86m that were acquired on 12 January 2018. Fishing licenses are an indefinite life intangible asset as the licenses operate in perpetuity on the provision that they are maintained in good standing.

iii) Deferred taxes

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

D. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Mareterram Limited.

E. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and investments in money market instruments with less than 14 days to maturity.

F. Inventories

Inventories are measured at the lower of cost and net realisable value.

G. Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Buildings 20 years
- Vessels 20 years
- Other Plant and equipment 3 to 15 years.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the Consolidated Statement of Profit or Loss and other Comprehensive Income.

ii) Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

iii) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the consolidated group are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the consolidated group will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

H. Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

i) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

I. Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset;

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward looking information.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

ii) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration of an acquirer in a business combination, held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short term profit taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.
- A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

iii) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non current asset or a non current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL.

An embedded derivative is presented as a non current asset or non current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

iv) Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Source International GAAP Holdings Limited At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight line amortisation. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non financial asset or a non financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non financial asset or non financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

J. Foreign Currency Transactions and Balances

i) Functional and Presentation Currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

ii) Transaction and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Profit or Loss and Other Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

K. Intangibles

i) Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and 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.

ii) Fishing Licenses

The Fishing Licences shown include indefinite life intangible assets that were acquired as part of the Nor-West Seafood business assets in December 2015. The licences represent 10 of 18 licences issued by the Western Australian Department of Fisheries for the Shark Bay Prawn Managed Fishery (SBPMF) and are held in perpetuity by the Consolidated Group subject to compliance with regulatory and financial obligations. There have been no breaches of financial or regulatory obligations. These assets are allocated to the Fisheries division for impairment testing purpose. Fishing licences are included within the Fisheries division cash generating unit. Fishing licences also include mackerel fishing licences of $3.86m that were acquired on 12 January 2018.

L. Employee Benefits

i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

ii) Share based payments

Share based compensation payments are made available to directors and employees pursuant to the relevant terms of the Company's Incentive Options and Performance Rights.

The fair value of these equity settled transactions is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the award.

At each subsequent reporting date until vesting, the cumulative charge to the statement of profit or loss and other comprehensive income is the product of:

- The grant date fair value of the award;
- The current best estimate of the number of options or rights that will vest, taking into account such factors as the likelihood of market vesting conditions during the vesting period and the likelihood of non-market performance conditions being met; and
- The expired portion of the vesting period.

The charge to the statement of profit or loss and other comprehensive income for the period is cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

The fair value at grant date is independently determined using the Black Scholes option pricing model, a Binomial option pricing model or the Monte-Carlo simulation model, as appropriate, that takes into account the exercise price, the term of the option or right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free rate for the term of the option and the probability of market based vesting conditions, if any, being realised.

The fair value of the award granted is adjusted to reflect market vesting conditions. Non-market vesting conditions are included in assumptions about the number of awards that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of awards that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

M. Equity-settled compensation

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted.

N. Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognises revenue at a point in time when it transfers control of a product or service to a customer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

O. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cashflows are presented on a gross basis with GST component of cashflows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented in operating activities.

P. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Transaction costs on the issue of equity instruments are to be recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

Q. Earnings per share

Basic EPS is calculated as net result attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net result attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with potential dilutive ordinary shares that have been recognised as expenses; and
- other nondiscretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and potential dilutive ordinary shares, adjusted for any bonus element.

R. Comparative Figures

The comparative amounts disclosed in the financial report and related notes are not comparable to the current period as the lengths of the periods differ by six months.

This is a consequence of the company changing its financial year end from 30 June to 31 December during 2017. The current period figures relate to twelve months from 1 January 2018 to 31 December 2018 and the comparative period figures relate to six months from 1 July 2017 to 31 December 2017.

S. Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

T. Business Combinations

The acquisition method of accounting is used to account for all business combinations, 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;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group;
- fair value of any asset or liability resulting from
- a contingent consideration arrangement; and
- 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. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred. The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the
- acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity 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, 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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

U. Adoption of New and Revised Accounting Standards

In the financial year ended 31 December 2018, the Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current annual reporting period.

It has been determined by the Directors that there was no material impact to retained earnings required to be recognised in the financial statements on initial adoption of the new standards. The Group has updated the accounting policies contained within notes I and N contained above to reflect the new accounting standards.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 31 December 2018. Refer to note V below for the impact of AASB 16 Leases.

V. New standards and interpretations not yet adopted

Certain new accounting Standards and Interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new Standards and Interpretations is set out below. In all cases the Group intends to apply these standards from the application date as indicated below.

Reference: AASB 16
Title: Leases
Standard application date: 1 Jan 2019
Group application date:1 Jan 2019

Key Requirements

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 for the Group will be 1 January 2019.

The Group has chosen the modified retrospective application of AASB 16 in accordance with AASB 16:C5(a). Consequently, the Group has not restated the comparative information but recognises the cumulative effect of adopting AASB 16 as an adjustment to equity at the beginning of the current period. In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

Impact

Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and Interpretation 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer.

Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset, and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on lessee accounting

Operating leases

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet. On initial application of AASB 16, for all leases (except as noted below), the Group will:

- Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of $966,722.

A preliminary assessment indicates that $937,582 of these arrangements relate to leases other than short-term leases and leases of low-value assets, and hence the Group will recognise a right-of-use asset of $785,417 and a corresponding lease liability of $856,121 in respect of all these leases. The impact on profit or loss is to decrease other expenses by $70,704, to increase depreciation by $253,159 and to increase interest expense by $40,906

The preliminary assessment indicates that $29,140 of these arrangements relate to short-term leases and leases of low-value assets.

Under AASB 117, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under AASB 16 would be to reduce the cash generated by operating activities by $110,601 and to increase net cash used in financing activities by the same amount.

Finance leases

The main differences between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. On initial application the Group will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Group's finance leases as at 31 December 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have an impact on the amounts recognised in the Group's consolidated financial statements.

Impact on lessor accounting

Under AASB 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, AASB 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under AASB 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under AASB 117).

Because of this change the Group will reclassify certain of its sublease agreements as finance leases. As required by AASB 9, an allowance for expected credit losses will be recognised on the finance lease receivables. The leased assets will be derecognised and finance lease asset receivables recognised. This change in accounting will change the timing of recognition of the related revenue (recognised in finance income).

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

Note 2. Income Tax Expense

	Consolidated Group	
	12 months to December 2018	6 months to December 2017
	$'000	$'000
A. The components of current income tax expense comprise:		
Current Tax Expense		
Current income tax charge	-	-
Adjustments in respect of income tax of previous years	(18)	-
Deferred income tax relating to origination and reversal of temporary differences	186	136
Total income tax expense	**168**	**136**
Deferred income tax expense included in the income tax expense comprises:		
Increase in deferred tax assets	238	537
Increase in deferred tax liabilities	(70)	(401)
	168	**136**
B. Numerical reconciliation of income tax expense to prima facie tax payable:		
Accounting profit before tax from continuing operations	495	460
At Australia's statutory income tax rate of 30% (31 December 2017: 30%)	149	138
Non-assessable income	-	(4)
Non-deductible expenses for tax purposes:		
Share based payments	32	-
Transaction costs	-	-
Other non-deductible	5	2
Recognition of deferred tax assets not previously recognised	-	
Adjustments in respect of income tax of previous years	(18)	-
Deferred tax recognised through equity	-	-
Tax losses recognised	-	-
Income tax expense	**168**	**136**

C. Tax expense / (income) relating to items of other comprehensive income

	Consolidated Group	
	31 December 2018	31 December 2017
	$'000	$'000
Cash flow hedges	-	-

D. Tax Assets and Tax Liabilities

	Consolidated Group	
	31 December 2018	31 December 2017
	$'000	$'000
i) Current tax assets / (liabilities)		
Current tax assets / (liabilities)	-	-
ii) Recognised deferred tax assets		
Deferred tax assets	4,420	4,659
Deferred tax assets to be recovered within 12 months	3,180	3,124
Deferred tax assets after 12 months	1,240	1,535
iii) Recognised deferred tax liabilities		
Deferred tax liabilities	7,649	7,724
iv) Right of set-off		
Recognised deferred tax assets	4,420	4,659
Recognised deferred tax liabilities	(7,649)	(7,724)
Net deferred tax liabilities	**(3,229)**	**(3,065)**

E. Deferred Tax Balances

Deferred tax assets/(liabilities) arise from the following:

	Consolidated Group			
	Opening balance	Recognised in profit & Loss	Recognised in equity	Closing balance
As at 31 December 2018	$'000	$'000	$'000	$'000
Deferred tax assets				
Property, plant and equipment	(61)	(3)	-	(64)
Inventory	342	-	-	342
Receivables	124	6	-	130
Other	4,254	(184)	(58)	4012
Total deferred tax assets	**4,659**	**(181)**	**(58)**	**4,420**
Deferred tax liabilities				
Intangibles - fishing licences	(7,567)	(5)	-	(7,572)
Inventory	(381)	281	-	(100)
Receivables	(45)	(2)	-	(47)
Other	269	(222)	23	70
Total deferred tax liabilities	**(7,724)**	**52**	**23**	**(7,649)**
Net deferred tax liabilities	**(3,065)**	**(129)**	**(35)**	**(3,229)**

As at 31 December 2017	Consolidated Group			
	Opening balance	Recognised in profit & Loss	Recognised in equity	Closing balance
	$'000	$'000	$'000	$'000
Deferred tax assets				
Property, plant and equipment	31	(79)	(13)	(61)
Inventory	834	(225)	(267)	342
Receivables	-	80	44	124
Other	4,331	(32)	(45)	4,254
Total deferred tax assets	**5,196**	**(256)**	**(281)**	**4,659**
Deferred tax liabilities				
Intangibles - fishing licences	(7,572)	5	-	(7,567)
Inventory	(102)	(279)	-	(381)
Receivables	(15)	(30)	-	(45)
Other	(450)	242	295	269
Total deferred tax liabilities	**(8,139)**	**120**	**295**	**(7,724)**
Net deferred tax assets/(liabilities)	**(2,943)**	**(136)**	**14**	**(3,065)**

Note 3. Key Management Personnel (KMP)

Names and positions held of Directors and Key Management Personnel in office at any time during the past financial year are:

Directors

David Lock	Non-executive Director
James Clement	Executive Director
Mark Pitts	Non-executive Director
Felix Ratheb	Non-executive Director
Fred Robertson	Non-executive Director
Muhammad Brey	Non-executive Director
Gregory Roberts-Baxter	Non-executive Director*

Executives

Richard Duncan	Chief Financial Officer and Company Secretary

* Appointed as a Non-executive Director on 20 November 2018

The totals of remuneration paid or payable to KMP of the company and the Group during the year are as follows:

	Consolidated Group	
	12 months to December 2018	6 months to December 2017
	$	$
Short-term employee benefits	760,402	514,918
Post-employment benefits	51,831	41,067
Termination payments	-	283,976
Share-based payments	103,611	-
	915,844	**839,961**

Note 4. Auditor's Remuneration

	Consolidated Group	
	12 months to December 2018	6 months to December 2017
	$'000	$'000
Auditors of the Company – Deloitte Touche Tohmatsu		
Audit and review of financial statements	65	42
Other non-audit services	-	-
	65	**42**

Note 5. Earnings Per Share

	Consolidated Group	
	12 months to December 2018	6 months to December 2017
	$'000	$'000
Reconciliation of earnings to net profit	327	324
A. Profit used in the calculation of basic and diluted EPS	327	324
	Number	**Number**
B. Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS	154,535,198	141,014,650
C. Weighted average number of ordinary shares outstanding during the period used in calculation of diluted EPS*	**163,188,451**	**147,577,150**

* The Company had 5,000,000 options outstanding over ordinary shares and 1,562,500 performance rights that were issued in the prior financial year. The Company issued an additional 5,000,000 options and cancelled the 1,562,500 performance rights in the current financial year. The 10,000,000 options outstanding at 31 December 2018 could potentially dilute basic earnings per share in the future. These were included in the calculation of diluted earnings per share for the reporting period presented.

Note 6. Cash and Cash Equivalents

	Consolidated Group	
	31 December 2018	31 December 2017
	$'000	$'000
Cash at bank	106	67
	106	**67**

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 7. Trade and Other Receivables

	Consolidated Group	
	31 December 2018	31 December 2017
	$'000	$'000
Current		
Trade debtors	6,916	7,337
Loss allowance	(20)	-
GST receivables	(15)	87
Fuel tax credit	10	5
Other receivables	6	109
	6,897	**7,538**

Current trade and other receivables are non-interest bearing and generally on 30 to 45 day terms.

A. Credit Risk — Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties' other than those receivables specifically provided for. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group. There are no trade or other receivables that are past due but not impaired at the date of this report.

Note 8. Inventory

	Consolidated Group	
	31 December 2018	31 December 2017
	$'000	$'000
Finished goods	5,008	4,978
Materials and stores	1,987	2,362
	6,995	**7,340**

Inventory is stated at the lower of cost or net realisable value.

Note 9. Plant and Equipment

	Consolidated Group	
	31 December 2018	31 December 2017
	$'000	$'000
A. Plant and Equipment		
Plant and equipment - at cost	17,420	13,762
Accumulated depreciation	(2,791)	(1,474)
	14,629	**12,288**

B. Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

	Vessels	Buildings	Plant and Equipment	Motor Vehicles	Capital in Progress	Leasehold Improvements	Total
Consolidated Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 30 June 2017	**6,899**	**1,984**	**1,259**	**54**	**-**	**85**	**10,281**
Additions	-	-	271	-	2,229	-	2,500
Disposals	-	-	(1)	(1)		-	(2)
Reclassifications	-	85	79		(79)	(85)	-
Depreciation expense	(232)	(58)	(189)	(12)	-	-	(491)
Carrying amount at 31 December 2017	**6,667**	**2,011**	**1,419**	**41**	**2,150**	**-**	**12,288**
Additions	3,662	-	628	-	47	-	4,337
Disposals	(657)	-	-	(22)	-	-	(679)
Reclassifications	2,113	-	2	-	(2,115)	-	-
Depreciation expense	(789)	(115)	(394)	(19)	-	-	(1,317)
Carrying amount at 31 December 2018	**10,996**	**1,896**	**1,655**	**-**	**82**	**-**	**14,629**

Note 10. Fishing Licences

	Consolidated Group	
	31 December 2018	31 December 2017
	$'000	$'000
Intangible assets - fishing licences	**29,099**	**25,240**

The Fishing Licences shown include indefinite-life intangible assets that were acquired as part of the Nor-West Seafood business assets in December 2015. The licences represent 10 of 18 licences issued by the Western Australian Department of Fisheries for the Shark Bay Prawn Managed Fishery (SBPMF) and are held in perpetuity by the Consolidated Group subject to compliance with regulatory and financial obligations. There have been no breaches of financial or regulatory obligations. These assets are allocated to the Fisheries division for impairment testing purpose. Fishing licences are included within the Fisheries division cash generating unit. Fishing licences also include mackerel fishing licences of $3.86m that were acquired on 12 January 2018.

Fishing licences are included within the Fisheries division cash generating unit. Refer to note 11 for impairment considerations.

Note 11. Goodwill

	Fisheries Division	Food Services Division	Total
Consolidated Group	$'000	$'000	$'000
Carrying amount at 30 June 2017	782	1,510	2,292
Additions through business combinations	-	-	-
Carrying amount at 31 December 2017	**782**	**1,510**	**2,292**
Additions through business combinations	-	-	-
Carrying amount at 31 December 2018	**782**	**1,510**	**2,292**

The goodwill is attributable to the previously acquired Nor-West Seafoods business and Food Services Division of Craig Mostyn.

A. Impairment tests for goodwill

Goodwill is allocated to the consolidated entity's cash generating units (CGUs) identified according to business and geographical segments. Management has carried out impairment testing as at 31 December 2018 (year-end) on the Foods and Fisheries Division CGUs with allocated goodwill of $1.5 million and $0.8 million respectively. Impairment testing has also included fishing licence intangible assets of $29.1 million as per note 10 within the Fisheries division CGU.

B. Significant estimate: key assumptions used for value-in-use calculations

The recoverable amount of a 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 and forecasts approved by the Board covering a five-year period. The below key assumptions are used in the value in use calculation:

Post-tax discount rate:	10.5%
Revenue growth per annum	3.4%
Terminal growth	2.5%

i) Foods Division

It has been identified that the recoverable amount of the Foods Division CGU is higher than the carrying amount. The recoverable amount is $4.7 million or 41% higher than the carrying amount based on the key assumptions used in the value in use calculation.

A sensitivity analysis was performed with no reasonable changes in key assumptions resulted in the recoverable amount falling to an amount equal to the carrying amount:

ii) Fisheries Division

It has been identified that the recoverable amount of the Fisheries Division CGU is higher than the carrying amount. The recoverable amount is $1.3 million or 3% higher than the carrying amount based on the key assumptions used in the value in use calculation.

A sensitivity analysis was performed where the following changes in key assumptions, assuming no changes to other assumptions, resulted in the recoverable amount falling to an amount equal to the carrying amount:

	Original assumption	Sensitivity analysis
Nominal Growth rate (years 1-5)	3.4%	2.8%
Terminal Growth rate	2.5%	2.2%
Discount rate	10.5%	10.7%

C. Impairment charge

No impairment charges have been deemed necessary for the current year.

Note 12. Other intangibles

	Consolidated Group	
	31 December 2018	31 December 2017
Other intangibles	$'000	$'000
Retail Agency Rights	300	300
Branding assets	66	-
Fishing Permits - at cost	169	150
Fishing Permits - accumulated amortisation	(30)	(15)
	505	**435**

Fishing Permits consist of $0.15 million of through-chain permits acquired from Focus Fisheries on 1 January 2017, issued by the Department of Agriculture and Water Resources and amortised over 10 years. All remaining other intangibles are indefinite-life intangibles. Instead of amortisation, indefinite-life assets are evaluated for impairment annually.

Note 13. Loans and Borrowings

	Consolidated Group	
	31 December 2018	31 December 2017
	$'000	$'000
Current		
Receivable Financing facility	**4,666**	**3,151**
Non-Current		
Term Finance facility	1,960	-
Corporate Market loan	13,300	14,000
	15,260	**14,000**

Loan Facilities

Interest bearing loan facilities of $25.3 million (31 December 2017: $22.0 million) are available for acquisition finance and working capital funding. The Corporate Market loan of $13.3 million was fully drawn at the end of the reporting period, the Receivable Financing facility (up to $7.0 million available based on 85% of Trade Debtors value) was drawn to $4.7 million and the Term Finance facility with a maximum borrowing limit of $5.0 million was drawn to $2.0 million.

All loan facilities are secured by a first charge over all the Group's assets, including acquired plant and equipment, property and fishing licenses.

Note 14. Accruals and Other Payables

	Consolidated Group	
	31 December 2018	31 December 2017
	$'000	$'000
Accrued liabilities	1,822	1,793
Accrued interest	182	59
	2,004	**1,852**

Note 15. Other Liabilities

	Consolidated Group	
	31 December 2018	**31 December 2017**
Current		
Fishing licence liability	**2,146**	**2,146**
Non-Current		
Fishing licence liability	**4,134**	**6,148**

The fishing licence liabilities relate to the Shark Bay Prawn Managed Fishery Voluntary Fisheries Adjustment Scheme (VFAS), which was established on 12 November 2010 pursuant to the Fisheries Adjustment Schemes Act 1987 (WA). The VFAS operates from 12 November 2010 until 1 July 2021, and for the period 2015 to 2021 an annual fee of $0.2 million is payable by the holder of a licence that authorises fishing in the Shark Bay region. Mareterram owns ten fishing licences in the Shark Bay region. The liabilities shown represent present values discounted at the 5-year Corporate Bond rate.

Note 16. Issued Equity

	Consolidated Group	
	31 December 2018	**31 December 2017**
	$'000	**$'000**
154,535,198 (31 December 2017: 154,535,198) fully paid ordinary shares	**25,586**	**25,586**

			Consolidated Group	
	31 Dec-18	**31 Dec-17**	**31 Dec-18**	**31 Dec-17**
	No.	**No.**	**$'000**	**$'000**
A. Ordinary Shares				
At the beginning of the reporting period	154,535,198	139,535,198	25,586	21,957
Issued on 13 December 2017 as part of Mackerel package acquisition at $0.25 per share	-	15,000,000	-	3,750
Vested performance rights	-	-	-	-
Costs of share issues	-	-	-	(121)
At reporting date	**154,535,198**	**154,535,198**	**25,586**	**25,586**

B. Options over unissued ordinary shares

			Consolidated Group	
	31 Dec-18	**31 Dec-17**	**31 Dec-18**	**31 Dec-17**
	No.	**No.**	**$'000**	**$'000**
At the beginning of reporting period	5,000,000	5,000,000	358	358
Options issued*	5,000,000	-	103	-
At reporting date	**10,000,000**	**5,000,000**	**461**	**358**

C. Performance rights over unissued ordinary shares

			Consolidated Group	
	31 Dec-18	**31 Dec-17**	**31 Dec-18**	**31 Dec-17**
	No.	**No.**	**$'000**	**$'000**
At the beginning of reporting period	1,562,500	4,687,500	157	472
Performance rights issued	-	-	-	-
Performance rights forfeited*	(1,562,500)	(3,125,000)	(157)	(315)
At reporting date	**-**	**1,562,500**	**-**	**157**

* At the Annual General Meeting (AGM) of Mareterram Limited held on 24 May 2018, shareholders resolved to approve the cancellation of 1,562,500 performance rights previously granted to Mr James Clement and to issue up to 5,000,000 incentive options to Mr James Clement. The incentive options vest in three equal tranches on 31 December 2020, 2021 and 2022 and are subject to certain conditions. The terms and conditions of which are set out in the explanatory memorandum of the Notice of Meeting for the AGM.

D. Options Over Ordinary Shares on Issue

There were 10,000,000 (31 December 2017: 5,000,000) options over shares remaining on issue at year end.

E. Capital Risk Management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern. The group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets. There is no externally imposed capital requirements. Management effectively manages the group's capital by assessing the group's financial risk and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

As at 31 December 2018, the Group's debt to issued capital ratio was 78% (31 December 2017: 67%).

Note 17. Reserves

		Consolidated Group	
		12 months to December 2018	6 months to December 2017
	Note	$'000	$'000
Cash flow hedge reserve	26	(26)	160
Share based payments reserve	21	1,292	1,189
		1,266	**1,349**

	12 months to December 2018	6 months to December 2017
A. Cash flow hedge reserve		
At the beginning of reporting period	160	(126)
Currency forward contracts	24	-
Commodity forward contracts	(210)	286
At reporting date	**(26)**	**160**
B. Share based payments reserve		
At the beginning of reporting period	1,189	1,189
Share based payments expense	103	-
At reporting date	**1,292**	**1,189**

Note 18. Segment Reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board in order to allocate resources to the segment and to assess its performance.

Mareterram Limited has two reportable operating segments, the Mareterram Fisheries division and the Mareterram Trading Food Services division. These segments all operate within the Australian market. Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The following tables are an analysis of the Group's revenue and results by reportable segment provided to the Board for the year ended 31 December 2018.

	Fisheries Division	Food Services Division	Intercompany Eliminations	Unallocated items	Consolidated
31 December 2018	$'000	$'000	$'000	$'000	$'000
Segment revenue	**16,463**	**28,407**	**-**	**-**	**44,870**
Segment gross profit	**6,106**	**2,462**	**-**	**-**	**8,568**
Other income	(1,264)	1,349	-	-	85
Employee expenses	(789)	(1,718)	-	(1,671)	(4,178)
Office and administration costs	(208)	(523)	-	(693)	(1,424)
Depreciation and amortisation expense	(1,037)	(23)	-	(272)	(1,332)
Other costs	-	-	-	(2)	(2)
Finance costs	(175)	(372)	-	(645)	(1,192)
Transaction costs	-	-	-	(30)	(30)
Segment profit/(loss) before tax	**2,633**	**1,175**	**-**	**(3,313)**	**495**
Segment assets	**47,636**	**14,114**	**-**	**1,113**	**62,863**
Segment liabilities	**(13,321)**	**(9,177)**	**-**	**(11,431)**	**(33,929)**

	Fisheries Division	Food Services Division	Intercompany Eliminations	Unallocated items	Consolidated
31 December 2017	$'000	$'000	$'000	$'000	$'000
Segment revenue	**10,676**	**14,759**	**-**	**-**	**25,435**
Segment gross profit	**4,320**	**966**	**-**	**-**	**5,286**
Employee expenses	(356)	(1,090)	-	(1,246)	(2,692)
Office and administration costs	(127)	(348)	-	(588)	(1,063)
Depreciation and amortisation expense	(347)	(17)	-	(142)	(506)
Other costs	7	(38)	-	-	(31)
Finance costs	(1)	(161)	-	(283)	(445)
Transaction costs	-	-	-	(89)	(89)
Segment profit/(loss) before tax	**3,496**	**(688)**	**-**	**(2,348)**	**460**
Segment assets	**41,118**	**14,547**	**-**	**6,284**	**61,949**
Segment liabilities	**(14,828)**	**(5,995)**	**-**	**(12,436)**	**(33,259)**

* Management has based the transfer price in respect of goods transferred from the Fisheries Division to the Food Services Division with reference to market prices in the determination of recoverable amount for the respective cash generating units.

Note 19. Controlled Entities

	Country of Incorporation	Percentage Owned	
		31 December 2018	31 December 2017
A. Parent Entity			
Mareterram Limited	Australia		
B. Subsidiaries of Mareterram Limited:			
Mareterram Fisheries Pty Ltd	Australia	100%	100%
Mareterram Trading Pty Ltd	Australia	100%	100%
Nor-West Pty Ltd	Australia	100%	100%

Note 20. Commitments and Contingent Liabilities

The Group has the following operating lease commitments as at 31 December 2018:

	Consolidated Group	
	31 December 2018	31 December 2017
	$'000	$'000
Within one year	341	339
One year or later and no later than five years	509	490
Greater than five years	141	198
	991	**1,027**

Foreign Exchange Contracts

The Group is exposed to foreign exchange risk arising from the currency exposures centred on the purchase and sale of inventory and, accordingly, entered into forward exchange contracts to buy EUR 450,556 (31 December 2017: EUR 780,713). The Group does not have any Contingent Liabilities as at 31 December 2018.

Note 21. Share-Based Payments

The expense recognised for employee services received during the year is shown in the following table:

	Consolidated Group	
	12 months to December 2018	6 months to December 2017
	$'000	$'000
Expense arising from equity settled share-based payment transactions	(103)	-
Total expense arising from share-based payment transactions	(103)	-

Options Movement During the Year

The following options existed at 31 December 2018:

	31 December 2018	31 December 2018	31 December 2017	31 December 2017
	Number	WAEP	Number	WAEP
Opening options	5,000,000	$0.20	5,000,000	$0.20
Granted during the year	5,000,000	$0.30	-	-
Exercised during the year	-	-	-	-
Outstanding at 31 December	**10,000,000**	**$0.25**	**5,000,000**	**$0.20**
Exercisable at 31 December	-	-	-	-

The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 is 3.3 years (31 December 2017: 2.5 years).

The range of exercise prices for options outstanding at the end of the year was $0.20 to $0.30 (31 December 2017: $0.20).

The following tables list the inputs to the models used for options issued to the year ended 31 December 2018 (nil options issued for the period ended 31 December 2017):

	2018
Weighted average fair values at the measurement date	$0.117
Dividend yield (%)	0.00
Expected volatility (%)	50.00
Risk-free interest rate (%)	2.42
Expected life of share options (years)	5.10
Weighted average share price ($)	$0.30
Model used	Black-Scholes

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Performance rights movement during the year

The following performance rights, issued previously as share based payments, existed at 31 December 2018:

	2018
	Number
Outstanding at 1 January	1,562,500
Granted during the year	-
Forfeited during the year	(1,562,500)
Outstanding at 31 December 2018	-

* At the Annual General Meeting (AGM) of Mareterram Limited held on 24 May 2018, shareholders resolved to approve the cancellation of 1,562,500 performance rights previously granted to Mr James Clement.

Note 22. Cash Flow Information

	Consolidated Group	
	12 months to December 2018	6 months to December 2017
	$'000	$'000
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit from continuing activities after income tax	327	324
Cash flows excluded from profit from continuing activities attributable to operating activities		
Finance costs	1,192	445
Non-cash flows in result from continuing activities		
Share based payments expense	103	-
Depreciation and amortisation	1,332	506
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease in trade debtors	641	2,572
Decrease in inventories	345	4,205
Increase in net deferred tax liabilities	164	122
Decrease in trade creditors	(454)	(1,293)
Increase/ (decrease) in provisions	35	(287)
Decrease in other assets and liabilities	(736)	(366)
Cash flow from operations	**2,949**	**6,228**

A. Changes in 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 cash flow statement as cash flows from financing activities.

			Non-cash changes			
	1 January 2018	Financing cash flows	Fair value adjustments	Unwinding of discount on VFAS	Other non-financing cash flows	31 December 2018
	$'000	$'000	$'000	$'000	$'000	$'000
Current finance liabilities	30	(7)	-	-	-	23
Non-current finance liabilities	60	(23)	-	-	-	37
Current loans and borrowings (note 13)	3,151	1,515	-	-	-	4,666
Non-current loans and borrowings (note 13)	14,000	1,260	-	-	-	15,260
Accruals and other payables (note 14)	1,852	159	-	-	(7)	2,004
Current fishing licence liability (note 15)	2,146	-	-	-	-	2,146
Non-current fishing licence liability (note 15)	6,148	(2,155)	-	140	-	4,134
Total liabilities from financing activities	**27,387**	**750**	**-**	**140**	**(7)**	**28,270**

Note 23. Events Subsequent to Reporting Date

On 5 February 2019, Mareterram announced to the market that majority shareholder Sea Harvest had made an all cash offer of $0.25 per share for all the fully paid ordinary shares in Mareterram not currently controlled or owned by Sea Harvest.

Note 24. Related Party Transactions

Some Directors and Executives hold positions within other entities which cause them to have control or exert significant influence over the financial or operating policies of those entities.

The following entities transacted with the Company during the reporting period. In each instance, normal commercial terms and conditions applied. Terms and conditions were not more favourable than those available, or which might reasonably be expected to be available, for a similar transaction to unrelated parties on an arms-length basis.

Sea Harvest is a major shareholder of Mareterram and seafood supplier to Mareterram's Trading division, of which Fred Robertson is Chairman, Felix Ratheb is CEO and Muhammad Brey is CIO. Mareterram incurred invoiced transactions to the value of $10.0 million during the year ended of Mr Robertson's, Mr Ratheb's and Mr Brey's directorships to 31 December 2018 (transitional six month period ended 31 December 2017: $5.6 million). Additionally, fees totally $80,000 (transitional six month period ended 31 December 2017: $40,000) have been recognised for Mr Robertson, Mr Ratheb and Mr Brey.

Note 25. Parent Entity Information

	Consolidated Group	
	31 December 2018	31 December 2017
	$'000	$'000
Current assets	156	5,297
Total assets	24,284	28,073
Current liabilities	(405)	(458)
Total liabilities	(13,771)	(14,189)
Issued capital	25,586	25,586
Reserves	1,311	1,203
Accumulated losses	(16,384)	(12,905)
Total shareholders' equity	**10,513**	**13,884**
Loss of the parent entity	(3,481)	(2,487)
Total comprehensive loss of the parent entity	**(3,481)**	**(2,487)**

Note 26. Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable, loans and borrowings, accounts payable and financial derivatives.

A. Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, commodity price, foreign currency risk, liquidity risk, and credit risk.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

i) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

ii) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Potential customers are rated for credit worthiness through credit agency reports (where available) and customers that do not meet the group's credit policies may only purchase in cash or by using confirmed Letter of Credit facilities. The Group does not normally require collateral in respect of trade and other receivables. The Group's maximum exposure to credit risk for trade and other receivables at the reporting date was shown in Note 7.

iii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

The Group manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 12-month period for hedges of forecasted sales and purchases.

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

The Group hedges its exposure to fluctuations on the translation into Australian dollars of its foreign operations by using foreign currency forwards.

iv) Commodity Price Risk

The Group is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchase of supplies, namely the Sing Gas Oil component of diesel fuel. Due to the volatility, the Group enters in to derivatives such as swaps and options for the forecasted diesel fuel purchase requirements for the 2019 fishing season for the Fisheries business. The hedging objective is to reduce the volatility of pricing of Sing Gas Oil due to variability in commodity pricing fluctuations over the hedging period by entering into a mix of cash settled commodity swaps and options for Sing Gas Oil.

v) Interest Rate Risk

The Group is exposed to movements in market interest rates on short term deposits. The Directors monitor the Company's cash position relative to the expected cash requirements. Where appropriate, surplus funds are placed on deposit earning higher interest. The Group also has short or long- term debt, and therefore the risk is minimal.

Financial instrument composition and maturity analysis

The tables below reflect the Group's undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for other financial instruments.

	Within Year	1 to 5 Years	Over 5 Years	Total
31 December 2018	$'000	$'000	$'000	$'000
Financial Assets				
Cash and cash equivalents	106	-	-	106
Trade and other receivables	6,897	-	-	6,897
Financial derivatives	11	-	-	11
Total Financial Assets	**7,014**	**-**	**-**	**7,014**
Financial Liabilities				
Trade and other payables	1,606	-	-	1,606
Employee liabilities	643	126	-	769
Loans and borrowings	4,807	16,160	-	20,967
Financial derivatives	55	-	-	55
Accruals and other payables	1,852	-	-	1,852
Other liabilities	2,146	4,134	-	6,280
Financial liabilities	24	40	-	64
Total Financial Liabilities	**11,133**	**20,460**	**-**	**31,593**

	Within Year	1 to 5 Years	Over 5 Years	Total
31 December 2017	$'000	$'000	$'000	$'000
Financial Assets				
Cash and cash equivalents	67	-	-	67
Trade and other receivables	7,538	-	-	7,538
Financial derivatives	161	-	-	161
Total Financial Assets	**7,766**	**-**	**-**	**7,766**
Financial Liabilities				
Trade and other payables	2,060	-	-	2,060
Employee liabilities	613	121	-	734
Loans and borrowings	3,246	15,505	-	18,751
Financial derivatives	13	-	-	13
Accruals and other payables	1,852	-	-	1,852
Other liabilities	2,155	6,465	-	8,620
Financial liabilities	31	68	-	99
Total Financial Liabilities	**9,970**	**22,159**	**-**	**32,129**

The Company has the following interest rate exposure on its financial liabilities.

Financial Liabilities	WEIGHTED AVERAGE INTEREST RATE	
	%	$,000
Trade and other payables	-	1,606
Employee liabilities	-	769
Loans and borrowings	4.92	20,967
Financial derivatives	-	55
Accruals and other payables	-	1,852
Other liabilities	-	6,280
Financial liabilities	5.25	64
Total Financial Liabilities	**3.12**	**31,593**

A number of the group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities.

Financial instruments carried at fair value are determined by valuation level, as determined in accordance with the relevant accounting standard. The different levels have been defined as:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There have been no transfers between levels during the current or prior year.

All financial assets and liabilities carried at fair value have been deemed to be level 2 within the fair value hierarchy. With respect to specific financial assets and liabilities, the following valuation methods have been used:

Term receivables, government and fixed interest securities and bonds are determined by discounting the cash flows, as at the market interest rates of similar securities, to their present value.

Other loans and amounts due are determined by discounting the cash flows, at market rates of similar borrowings, to their present value.

Other assets and other liabilities approximate their carrying value. The carrying amount of all financial assets and financial liabilities approximate their fair value at reporting date.

B. Sensitivity Analysis

i) Interest Rate Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

ii) Interest Rate Sensitivity Analysis

At 31 December 2018, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group	
	12 months to Dec 2018	6 months to Dec 2017
	$'000	$'000
Change in Profit:		
Increase in interest rate of 0.5%	(93)	(91)
Decrease in interest rate of 0.5%	93	91
Change in Equity:		
Increase in interest rate of 0.5%	(93)	(91)
Decrease in interest rate of 0.5%	93	91

iii) Foreign Currency Risk

The group has performed sensitivity analysis relating to its exposure to foreign currency risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. Foreign currency sensitivity analysis.

At 31 December 2018, the effect on profit and equity as a result of changes in the EUR and JPY to the AUD exchange rate, with all other variables remaining constant would be as follows:

Change in Profit:		
Increase in exchange rate of 5%	-	-
Decrease in exchange rate of 5%	-	-
Change in Equity:		
Increase in exchange rate of 5%	0.5	0.7
Decrease in exchange rate of 5%	(0.5)	(0.7)

C. Hedging Activities and Derivatives

Cash Flow Hedges

i) Foreign Currency Risk

Foreign exchange forward contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of future commitments of sales and purchases in EUR and JPY. These future commitments are highly probable, and they comprise 100% of the Group's total expected sales and 100% of the total expected purchases.

The foreign exchange forward contract balances vary with the level of foreign currency sales and purchases and changes in foreign exchange forward rates.

	31 December 2018		31 December 2017	
	Assets	Liabilities	Assets	Liabilities
	$'000	$'000	$'000	$'000
Foreign currency forward contracts designated as hedging instruments				
Fair value	11	-	-	17

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognised in the statement of profit or loss.

The cash flow hedges of the expected future purchases and sales in the year to 31 December 2018 resulted in a net unrealised gain of $10,594 (31 December: loss of $16,884).

The fair value of the cash flow hedges is calculated based on the underlying value of the currency hedged as at balance date.

ii) Commodity Price Risk

The Company purchases diesel fuel on an ongoing basis as its operating activities in commercial fishing require a supply of diesel fuel. The increased volatility in oil prices over the past 12 months has led to the decision to enter into commodity forward contracts.

These contracts are expected to reduce the volatility attributable to price fluctuations of the Sing Gas Oil component of diesel fuel. Hedging the price volatility of forecast Sing Gas Oil purchases is in accordance with the risk management strategy outlined by the Board of Directors. The hedging relationships are for a period of between 1 month and 11 months, based on expected purchase requirements.

As at 31 December 2018, the fair value of outstanding commodity forward contracts amounted to a loss of $55,224 (31 December 2017: gain of $160,717).

Note 27. Registered Office and Principal Place of Business

The registered office of the company is: C/- Suite 8, 7 The Esplanade, Mt Pleasant Western Australia 6153

The principal place of business of the company is: Unit 5, 2 Capo D'Orlando Drive, South Fremantle Western Australia 6162


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Directors' Declaration

In accordance with a resolution of the directors of the Company, I state that:

In the opinion of the Directors:

a. the consolidated financial statements and notes, as set out on pages 20 to 53 and the Remuneration Report on pages 9 to 16 of the Directors' Report are in accordance with the Corporations Act 2001 and:

- **i)** comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- **ii)** give a true and fair view of the financial position as at 31 December 2018 and of the performance for the year ended on that date of the company and consolidated group;

b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 for the financial year ended 31 December 2018.

The attached consolidated financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements.

Signed in accordance with a resolution of the Board of Directors.

James Clement
Managing Director and Chief Executive Officer

Dated this 26th day of March 2019

Independent Auditor's Report

to the Members of Mareterram Limited

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mareterram Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 31 December 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 for the current year. 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.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Carrying value of non current assets
As at 31 December 2018, the carrying value of the Group's goodwill, fishing licences and long lived assets totalled \$2.3m, \$29.1m and \$14.6m respectively, as disclosed in Notes 11,10 and 9.
Goodwill is recorded within the Group's Cash Generating Units (CGUs), being the Fisheries and Food Services Divisions.
Management is required to exercise significant judgement in determining an estimate of the recoverable amount of the CGUs. Key assumptions requiring management judgement were revenue growth over the forecast period, forecast gross margin and applicable discount rates.
	Our procedures included, but were not limited to:
	› Comparing management's forecast results to actual results achieved;
	› Recalculating the mathematical accuracy of the underlying "value in use" calculations; and
	› Assessing the consistency of the cash flow forecasts with Board approved budgets where the key assumptions were subject to oversight from the directors.
	In conjunction with our valuation specialists our procedures also included, but were not limited to:
	› Assessing the appropriateness of the inputs into management's cash flow forecasts through challenging the following key assumptions:
	  › Revenue growth rates through comparison to economic and industry forecasts where available;
	  › Gross margin through comparison to historical trends; and
	  › The discount rates used comparison to risk free rates, company risk premiums, and geared betas.
	We also assessed the appropriateness of the disclosures included in Note 11 to 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 has 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.

Deloitte.

- Conclude on the appropriateness of the director's 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 year 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 16 of the Director's Report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Mareterram Limited, for the year ended 31 December 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

John Sibenaler
Partner
Chartered Accountants

Perth, 26 March 2019

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 15 March 2019.

A. Distribution of Equity Securities

i) Ordinary Share Capital

There are 154,535,198 fully paid ordinary shares held by 375 individual shareholders

All issued ordinary shares carry one vote per share and carry the rights to dividends.

ii) Options

There are 10,000,000 options held by 3 individual option holder

There are no voting rights attached to the options.

The number of shareholders, by size of holding, in each class are:

Class	Fully paid ordinary shares	Options
1 - 1,000	46	-
1,001 - 5,000	41	3
5,001 - 10,000	41	-
10,001 - 100,000	169	-
100,001 and over	78	-
	375	**3**

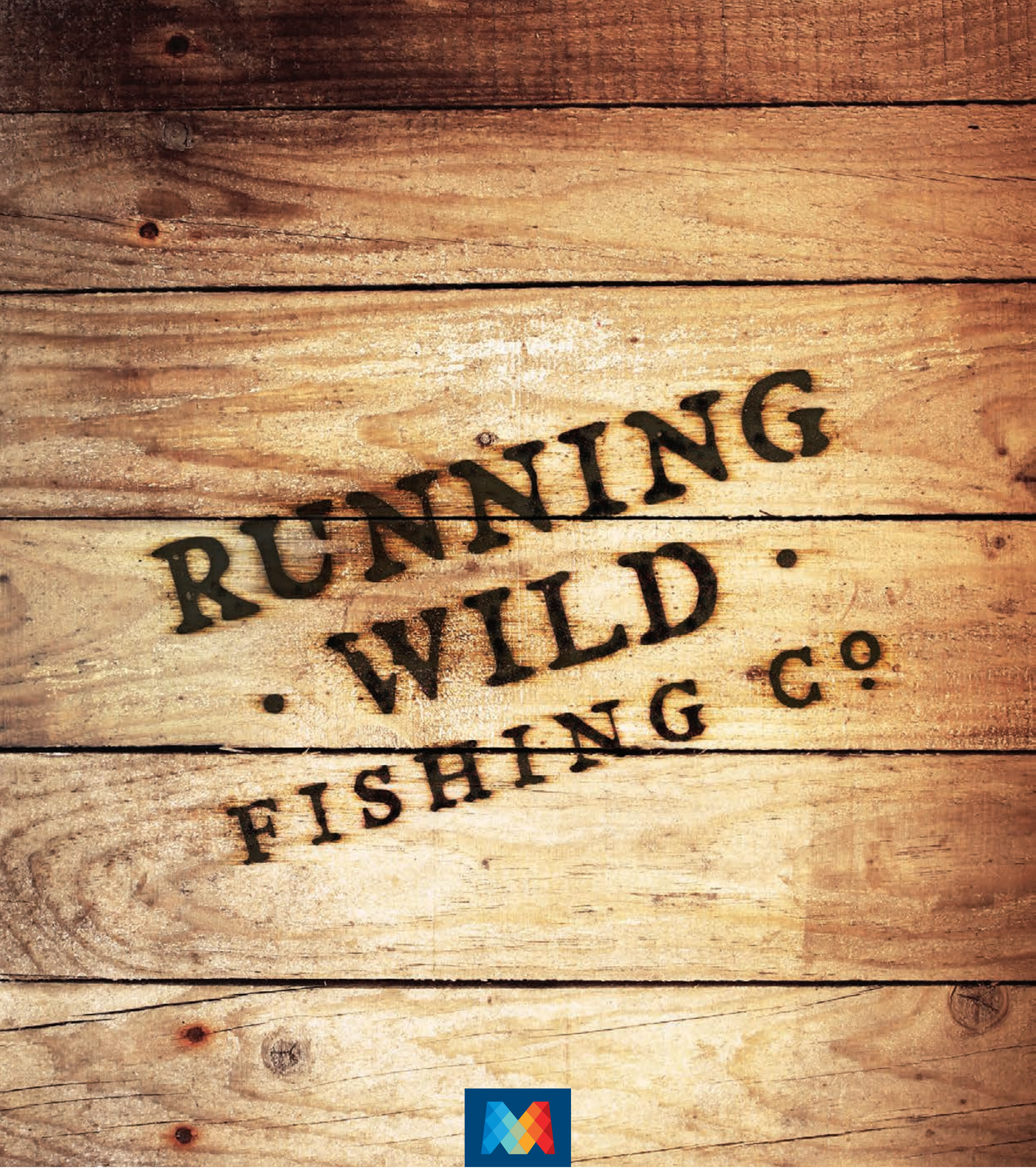
The number of shareholders holding less than a marketable parcel of ordinary shares is 50.

B. Substantial Shareholders

	Full paid	
Ordinary shareholders	Number	Percentage
Sea Harvest International Pty Ltd	86,966,581	56.28%

C. Twenty Largest Holders of Quoted Equity Securities

Rank	Shareholder Name	Nº of ordinary shares held	% of Total
1	SEA HARVEST INTERNATIONAL PTY	86,966,581	56.28%
2	SANDHURST TRUSTEES LTD	6,138,016	3.97%
3	ORANGE SUN DEVELOPMENT	5,000,000	3.24%
4	ORESUSA PTY LTD	4,300,000	2.78%
5	HSBC CUSTODY NOMINEES	4,228,347	2.74%
6	NATIONAL NOMINEES LIMITED	3,646,404	2.36%
7	MOLONGLO PTY LTD	3,281,250	2.12%
8	CITICORP NOMINEES PTY LIMITED	3,264,271	2.11%
9	ZERO NOMINEES PTY LTD	2,845,482	1.84%
10	MR ROBERT MCKENZIE MOSTYN	2,500,000	1.62%
11	MISTINIKON PTY LTD	2,037,500	1.32%
12	YEA-SAYER PTY LTD	2,000,000	1.29%
13	MR STACEY RADFORD	1,848,714	1.20%
14	POLLARA PTY LTD	1,712,085	1.11%
15	GARRISON HOLDINGS PTY LTD	1,308,750	0.85%
16	MCCUSKER HOLDINGS PTY LTD	1,000,000	0.65%
17	THE POWER SUPER FUND	940,000	0.61%
18	MR MICHAEL PIPEROGLOU	821,214	0.53%
19	ALEXANDER HOLDINGS (WA) PTY	800,000	0.52%
20	BOTSIS HOLDINGS PTY LTD	740,000	0.48%
		135,378,614	**87.60%**



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