

**MARETERRAM LIMITED**  
**and its controlled entities**  
**Appendix 4D**  
**Half-year report**  
**for the half-year ended 31 December 2016**

**MARETERRAM LIMITED**

ABN: **87 009 248 720**  
Current Reporting Period **Half Year ended 31 December 2016**  
Previous Reporting period **Half Year ended 31 December 2015**

**Results for announcement to the market**

**Item 1**

<b>Operating Performance</b>	<b>Half-year ended 31 December</b>			
	<b>2016 \$000</b>	<b>2015 \$000</b>	<b>Movement \$000</b>	<b>Movement %</b>
Revenue from continuing activities	26,602	511	26,091	5,105%
Profit / (loss) from continuing activities after tax attributable to members	3,385	(1,975)	5,360	271%
Comprehensive profit / (loss) for the period attributable to members	3,400	(1,975)	5,375	272%

**Item 2**

<b>Dividends</b>
It is not proposed to pay dividends.
There are no dividend or distribution reinvestment plans in operation and there has been no dividend or distribution payments during the financial half year ended 31 December 2016.

**Item 3 – Brief Explanation**

Refer to the “Review of Operations” section in the accompanying Directors’ Report which forms part of the Appendix 4D Half-Year Report, together with the Company’s H1 results ASX media release.

**Item 4**

Net Tangible Assets	Half-year ended 31 December 2016			
	2016 \$	2015 \$	Movement \$	Movement %
Net tangible assets per security for Group (i)	0.098	0.091	0.007	7.7%

- (i) The fishing licences of the Fisheries Division have significant asset value to the business though are recognised as intangible for reporting purposes. If the fishing licences acquisition asset value, net of adjustment scheme liabilities, of \$15.0 million were included in the calculation of net tangible assets per security, the asset backing per ordinary share on issue would increase to 20.6 cents per share.

**Item 5**

Control gained or lost over Entities during the period
n/a

**Item 6**

Controlled Entities and joint ventures	Ownership interest as at	
	31 December 2016 %	30 June 2016 %
Parent Entity: Mareterram Limited		
<b>Controlled entities:</b>		
Mareterram Fisheries Pty Ltd (formerly Mareterram Pty Ltd)	100%	100%
Mareterram Trading Pty Ltd	100%	100%
Nor-West Seafoods Pty Ltd	100%	100%

All companies are incorporated in Australia.

**Item 7**

Accounting Standards
The financial report has been prepared in accordance with Australian Accounting Standards.

**Item 8**

Auditor's review report
Our Interim Financial Report is based on the financial report of Mareterram Limited and its controlled entities for the half-year ended 31 December 2016, which has been reviewed by Deloitte Touche Tohmatsu (WA). Refer to the 31 December 2016 half-year financial report for the independent review report provided to the members of Mareterram Limited.

Appendix 4D Requirements	Reference
1. Reporting period and the previous corresponding period.	Refer to page 1 of this report.
2. Results for announcement to the market.	Refer to page 1 of this report "Results for announcement to the market" and Items 1, 2 and 3 of this report.
3. Net tangible assets per security.	Refer to Item 4 of this report.
4. Details of entities where control has been gained or lost during the period.	Refer to Item 5 of this report.
5. Details of individual and total dividends or distributions and dividend or distribution payments.	Refer to Item 2 of this report.
6. Details of dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in a dividend or distribution reinvestment plan.	Refer to Item 2 of this report.
7. Details of joint venture and associated entities.	Refer to Item 6 of this report.
8. For foreign entities, accounting standards used in compiling reports.	Not applicable.
9. If the accounts are subject to audit dispute or qualification, a description of the dispute or qualification.	Not applicable.



**Mareterram**



# **MARETERRAM LIMITED**

ABN 87 009 248 720

AND ITS

CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

FOR THE

HALF-YEAR ENDED 31 DECEMBER 2016

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**MARETERRAM LIMITED**  
**(ABN 87 009 248 720) and its Controlled Entities**

**CORPORATE DIRECTORY**

**Directors**

Peter Hutchinson  
David Lock  
James Clement  
Mark Pitts  
Felix Ratheb  
Fred Robertson  
Muhammad Brey (alternate director)

**Company Secretary**

Richard Duncan

**Auditor**

Deloitte Touche Tohmatsu  
Brookfield Place, Tower 2, 123 St Georges Terrace  
Perth WA 6000

**Share Registry**

Automatic Registry Services  
Level 2, 267 St Georges Terrace  
Perth WA 6000  
Telephone: 61 8 9324 2099  
Facsimile: 61 8 9321 2337

**Australian Stock Exchange**

ASX Code Ordinary Shares: MTM

Mareterram Limited changed its name from Style Limited  
on 26 November 2015 after receiving shareholder approval

**Website Address**

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

**Registered Office**

Suite 8, 7 The Esplanade  
Mount Pleasant, WA 6153  
Telephone: 61 8 9361 9100  
Facsimile: 61 8 9315 5475

**Corporate and Principal Business Office**

Unit 4, 24 Mews Road  
South Fremantle, WA 6162  
Telephone: 61 8 9435 6500

**MARETERRAM LIMITED**  
**(ABN 87 009 248 720) and its Controlled Entities**

**DIRECTORS' REPORT**

Your directors submit the financial report of the Consolidated Group for the half-year ended 31 December 2016.

**Directors**

The names of the directors of the company during or since the end of the half-year are:

- Peter Hutchinson
- David Lock
- James Clement
- Mark Pitts
- Felix Ratheb
- Fred Robertson (appointed 16 August 2016)
- Muhammad Brey (alternate director)

**Company Secretary**

Richard Duncan

**Review of Operations**

Mareterram Limited (Mareterram) acquired the businesses of both Nor-West Seafoods and the Food Services Division of the Craig Mostyn Group on 18 December 2015. On 1 March 2016 Mareterram acquired the net assets of Focus Fisheries.

The primary operations of the company since those acquisitions has been the fishing for prawns, scallops and crabs in the Shark Bay Prawn Managed Fishery and the import, distribution and export of various other food products.

The fishing season ran from 3 April 2016 to 14 November 2016, so the majority of the company's revenues for the 2016 season were realised in the six months to 31 December 2016. As the company was not fishing in 2015, the comparatives for the period to 31 December 2015 are not meaningful.

Mareterram reported a profit after tax of \$3.385 million (2015: loss after tax of \$1.975 million) for the half year ended 31 December 2016. The results from continuing activities included consolidated revenues of \$26.602 million, (2015: \$0.511 million).

The 2016 fishing season, our first, progressed well providing many opportunities for learning and improving. Catch statistics as against long term averages were as follows:

- prawn volume was down 23% (232 tonnes), although prawn price was up 10%;
- crab volume was up 9% (29 tonnes) and crab price was static;
- scallop volume was up 53% (9 tonnes) and scallop price was up 16%;
- by-catch volume was up 10% (14 tonnes) and by-catch price was static; and
- vessel lost nights were down on last year by 22% and vessel returns to port were down on last year by 44%.

Overall, the revenue from the increase in volume and price of non-prawn products did not completely offset the revenue lost from the reduced prawn volume.

However, Mareterram maintained its share of the fishery, consistent with the performance of Nor-West Seafoods in previous years. The business also introduced comprehensive Occupational Health and Safety procedures; carried out a review of planned maintenance and scheduling and incorporated a number of cost saving measures.

Our results at 31 December 2016 were positively impacted by the write-back of an 'earnout' of \$1.5m, which had been accrued in relation to the acquisition of the Food Services Division from the Craig Mostyn Group. The earnout was not payable because the Food Services Division profit, as a stand-alone business, did not meet a minimum hurdle which was set when Mareterram acquired the business.

**MARETERRAM LIMITED**  
**(ABN 87 009 248 720) and its Controlled Entities**

**DIRECTORS' REPORT**

Looking forward, Mareterram is focussed on building a diversified agribusiness by pursuing the four pillars of its growth strategy, which are:

- to fish every available night;
- to increase vessel utilisation in the off-season;
- to add agencies and products to the Mareterram food business; and
- to achieve significant growth through acquisition.

Whilst progress has been made on the first three pillars of the strategy, Mareterram will be cautious in its acquisition growth strategy. Many opportunities have been reviewed, however none have yet met the Board's performance hurdles.

In finalising the Fair Value Accounting for the acquisition of Norwest Seafoods, which was previously provisionally accounted for, the Company has determined that a Deferred Tax Liability (DTL) of \$7.6 million is required to be brought to account. The DTL arises as a result of the application of AASB 112 Income Taxes (AASB 112) following recent information made available by relevant standard setting authorities. The information made available clarified the definition of a non-depreciable asset under AASB 112 and its applicability to indefinite life intangible assets, which for the Company is represented by the Fishing Licenses.

The Company's net asset position has been significantly impacted by the DTL and caused a great deal of Board consternation, particularly because the DTL arising out of the application of AASB 112 will not result in a cash outflow in future periods.

**Rounding of Amounts**

The company has applied the relief available to it in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and accordingly certain amounts in the half-year financial report and the Directors' report have been rounded off to the nearest \$1,000, unless otherwise indicated.

**Auditor's Independence Declaration**

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 4 for the half year ended 31 December 2016.

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

Dated this 27<sup>th</sup> day of February 2017.



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David Lock  
Managing Director

Board of Directors  
Mareterram Limited  
Unit 4/24 Mews Road  
South Fremantle WA 6162

27 February 2017

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.

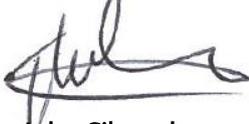
As lead audit partner for the review of the financial statements of Mareterram Limited for the half year ended 31 December 2016 I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



**John Sibenaler**  
Partner  
Chartered Accountants

**MARETERRAM LIMITED**

**(ABN 87 009 248 720) and its Controlled Entities**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Note	Consolidated Group	
		31.12.2016	31.12.2015
		\$'000	\$'000
Revenues	2.1	26,602	511
Cost of sales		(20,178)	(471)
Gross profit		6,424	40
Other income	2.2	1,603	-
Employee expenses		(2,760)	(588)
Office and administration costs		(627)	(216)
Other operating expenses		(325)	(389)
Depreciation and amortisation expense		(319)	(19)
Finance costs		(275)	(12)
Transaction costs		(6)	(1,241)
<b>Profit/(loss) before income tax</b>		<b>3,715</b>	<b>(2,425)</b>
Income tax (expense)/benefit		(330)	450
<b>Profit/(loss) after income tax</b>		<b>3,385</b>	<b>(1,975)</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value gain on hedging instruments entered into for cash flow hedges		15	-
Other comprehensive income for the period, net of income tax		15	-
<b>Total comprehensive income/(loss) for the period</b>		<b>3,400</b>	<b>(1,975)</b>
<b>Earnings/(losses) per share</b>			
From continuing operations			
Basic (cents per share)		2.47	(9.77)
Diluted per share (cents per share)		2.38	(9.77)

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

**MARETERRAM LIMITED**  
**(ABN 87 009 248 720) and its Controlled Entities**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Note	Consolidated Group	
		<i>Restated</i>	
		31.12.2016	30.06.2016
		\$'000	\$'000
<b>Current Assets</b>			
Cash and cash equivalents		71	12
Trade and other receivables		8,784	7,291
Inventory		7,985	10,217
Current tax receivable		646	646
Current financial derivatives		129	143
Prepayments and other assets		752	495
<b>Total current assets</b>		<b>18,367</b>	18,804
<b>Non-current assets</b>			
Property, plant & equipment		10,253	9,377
Fishing Licenses	3	25,240	25,240
Goodwill	4	2,292	2,292
Other intangible assets		300	-
Non-current financial derivatives		-	21
<b>Total non-current assets</b>		<b>38,085</b>	36,930
<b>Total assets</b>		<b>56,452</b>	55,734
<b>Current liabilities</b>			
Trade and other payables		2,985	3,100
Employee liabilities		374	452
Loans and borrowings	6	912	2,286
Other current liabilities	5	2,142	2,129
Current financial derivative		4	55
Accruals and other payables		1,777	3,364
<b>Total current liabilities</b>		<b>8,194</b>	11,386
<b>Non-current liabilities</b>			
Loans and borrowings	6	12,000	12,000
Finance liabilities		59	40
Other liabilities	5	8,088	8,179
Employee liabilities		457	278
Deferred tax liabilities	7	3,919	3,587
<b>Total non-current liabilities</b>		<b>24,523</b>	24,084
<b>Total liabilities</b>		<b>32,717</b>	35,470
<b>Net assets</b>		<b>23,735</b>	20,264
<b>Equity</b>			
Issued capital	8	21,951	21,988
Reserves		1,536	1,413
Retained earnings		248	(3,137)
<b>Total equity</b>		<b>23,735</b>	20,264

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

**MARETERRAM LIMITED**  
**(ABN 87 009 248 720) and its Controlled Entities**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Issued Capital	Retained Earnings and Accumulated Losses	Other Reserves	Share Based Payments Reserve	Total
<i>Restated</i>	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1.7.2016</b>	<b>21,988</b>	<b>(3,137)</b>	<b>110</b>	<b>1,303</b>	<b>20,264</b>
<b>Profit/(loss) for the period</b>	-	3,385	-	-	3,385
Other comprehensive income for the year, net of income tax	-	-	15	-	15
Total comprehensive income for the period	-	3,385	15	-	3,400
Other	(37)	-	-	-	(37)
Share based payments	-	-	-	108	108
<b>Balance at 31.12.2016</b>	<b>21,951</b>	<b>248</b>	<b>125</b>	<b>1,411</b>	<b>23,735</b>
<b>Balance at 1.7.2015</b>	<b>41,528</b>	<b>(40,571)</b>	<b>-</b>	<b>1</b>	<b>958</b>
<i>Restated</i>					
<b>Profit/(loss) for the period</b>	-	(1,975)	-	-	(1,975)
Other comprehensive income for the year, net of income tax	-	-	-	-	-
Total comprehensive income for the period	-	(1,975)	-	-	(1,975)
Transactions with equity holders in their capacity as equity holders:					
Shares Issued	24,250	-	-	-	24,250
Cost of share issues	(1,785)	-	-	-	(1,785)
- Tax effect	491	-	-	-	491
Performance rights issued	-	-	-	358	358
Options expired	-	1	-	(1)	-
<b>Balance at 31.12.2015</b>	<b>64,484</b>	<b>(42,545)</b>	<b>-</b>	<b>358</b>	<b>22,297</b>

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

**MARETERRAM LIMITED**  
**(ABN 87 009 248 720) and its Controlled Entities**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Note	Consolidated Group	
		31.12.2016	31.12.2015
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		24,777	319
Payments to suppliers and employees		(21,023)	(1,027)
Interest and other costs of finance paid		(291)	-
Interest received		-	4
Acquisition costs		-	(648)
<b>Net cash from / (used) in operating activities</b>		<b>3,463</b>	<b>(1,352)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant equipment		(1,207)	(17)
Payment for product distribution rights		(300)	-
Payment for business acquisitions net of cash received	11	-	(20,439)
<b>Net cash used in investing activities</b>		<b>(1,507)</b>	<b>(20,456)</b>
<b>Cash flows from financing activities</b>			
Shares Issued		-	18,250
Cost of share issue		-	(1,785)
Repayment of borrowings		(3,296)	-
Proceeds from borrowings		1,399	5,006
<b>Net cash (used in) / provided by financing activities</b>		<b>(1,897)</b>	<b>21,471</b>
Net increase/(decrease) in cash		59	(337)
Cash at the beginning of the period		12	1,134
<b>Cash at the end of the period</b>		<b>71</b>	<b>797</b>

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

**MARETERRAM LIMITED**  
**(ABN 87 009 248 720) and its Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

**Note 1: Statement of Significant Accounting Policies**

The half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'. The consolidated financial statements of the Company for the half-year ended 31 December 2016 include the Company and its controlled entities, together referred to as the Consolidated Group.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Mareterram Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the Consolidated Group and are consistent with those applied in the previous financial year and those of the corresponding interim reporting period.

*Basis of Preparation*

The interim financial report has been prepared on a historical cost basis, except for the revaluation of certain non-current liabilities and derivative financial instruments.

The seasonal nature of operations significantly influence the interim 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.

The half-year report does not include full disclosures of the type normally included in an annual financial report. For the purposes of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

The company has applied the relief available to it in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and accordingly certain amounts in the half-year financial report and the Directors' report have been rounded off to the nearest \$1,000, unless otherwise indicated.

*Adoption of new and revised accounting standards*

In the half year ended 31 December 2016 the Company has reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2016. It has been determined by the Company that there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to Company accounting policies.

No retrospective change in accounting policy or material reclassification has occurred requiring the inclusion of a third Statement of Financial Position as at the beginning of the comparative financial period, as required under AASB 101.

*New standards and interpretations not yet adopted.*

Certain new accounting Standards and Interpretations have been published that are not mandatory for 30 June 2016 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 in the table below.

**MARETERRAM LIMITED**  
**(ABN 87 009 248 720) and its Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

Reference	Title	Standard application date	Group application date	Key Requirements	Impact
AASB 9	Financial Instruments	1 Jan 2018	1 July 2018	<p>AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting.</p> <p>In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the financial instruments standard.</p>	There will be no significant impact on the Group on the adoption of this standard.
AASB 15	Revenue from Contracts with Customers	1 Jan 2018	1 July 2018	<p>The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB111 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards.</p> <p>The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise any applicable transitional adjustments in retained earnings on the date of the initial application without restating the comparative period.</p> <p>Entities will only need to apply the new rules to contracts that are not completed as of the date of initial application.</p>	<p>Management is currently assessing the impact of the new rules.</p> <p>At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next 12 months.</p>

**MARETERRAM LIMITED**  
**(ABN 87 009 248 720) and its Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

Reference	Title	Standard application date	Group application date	Key Requirements	Impact
AASB 16	Leases	1 Jan 2019	1 July 2019	<p>Key features of AASB 16 are as follows:</p> <p><b>Lessee accounting</b></p> <p>Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value.</p> <p>A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.</p> <p>Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments, and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.</p> <p>AASB 16 contains disclosure requirements for leases.</p>	The business is still assessing the impact on the Group's results on the adoption of this standard.
AASB 2016-1	Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112)	1 Jan 2017	1 July 2017	<p>This standard amends AASB 112 Income Taxes to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.</p>	There will be no significant impact on the Group's results on the adoption of this standard.

**MARETERRAM LIMITED**  
**(ABN 87 009 248 720) and its Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

Reference	Title	Standard application date	Group application date	Key Requirements	Impact
AASB 2016-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107	1 Jan 2017	1 July 2017	This standard amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	There will be no significant impact on the Group's results on the adoption of this standard.

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 or on foreseeable future transactions.

*Comparative Figures*

The comparative figures have been adjusted for the finalisation of the purchase price allocation of the acquired Nor-West business, whereby the fair value attributed to deferred tax assets and deferred tax liabilities have both been adjusted upwards from the initial provisionally accounted deferred tax valuations recognised in the comparative period. The net outcome of the adjustment entries has resulted in goodwill being recognised for the difference between the fair value of identifiable net assets acquired and the purchase consideration, per note 11 of the accounts.

**Significant accounting judgments and key estimates**

The preparation of half-year financial report requires management to make judgments, 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 half-year financial report, the significant judgments 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 year ended 30 June 2016.

In the half-year ended 31 December 2016, management reassessed its estimates in respect of:

*Recoverability of deferred tax assets*

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable profit will be available that can be utilised.

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.

**MARETERRAM LIMITED**  
**(ABN 87 009 248 720) and its Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

**Significant accounting judgments and key estimates (continued)**

*Carrying Value of Intangible Assets*

(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 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

Fishing licenses were acquired through the acquisition of Nor-West Fisheries (MTF) 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 will be assessed for impairment on an annual basis. Fishing licenses are an indefinite life intangible asset as the licenses operate in perpetuity on the provision that they are maintained in good standing.

In 2009 the Shark Bay fishery implemented a VFAS, which was a buy-back scheme to reduce the number of licences in the fishery from 27 to 18, with the 18 remaining licence holders buying back the nine cancelled licences. Under the buy-back, the nine licences were bought back at \$2.5 million each.

MTF holds 10 of the 18 remaining licences. Once initiated, the buy-back arrangement required the 18 remaining licence holders to purchase the cancelled 9 licences for approximately \$1.25 million (present value) per remaining licence holder. These amounts have been adjusted several times since implementation, particularly due to a deferral of payment due to poor seasons, and the annual licence buy-back payment is now approximately \$215,000 per year per licence.

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**(ABN 87 009 248 720) and its Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

**Note 2: Revenue and Other Income**

	Consolidated Group	
	31.12.2016 \$'000	31.12.2015 \$'000
<u>2.1 Revenues</u>		
Sales	26,602	511
Less cost of goods sold	(20,178)	(471)
Gross profit	6,424	40
 <u>2.2 Other Income</u>		
Write back of earn-out (refer note 11)	1,500	-
Sale of intellectual property owned by previous entity (Style Limited)	103	-
	1,603	-

	31.12.2016 \$'000	30.06.2016 \$'000
<b>Note 3: Fishing Licences</b>		
Fishing licenses	25,240	25,240

The Fishing Licences shown are indefinite life intangible assets that were acquired as part of the Nor-West Seafoods business assets (refer Note 11). 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.

**Note 4: Goodwill**

Goodwill	2,292	2,292
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The goodwill is attributable to the acquired Nor-West Seafoods business and Food Service Division of Craig Mostyn. The Nor-West goodwill component of \$0.78 million was determined on the finalisation of the fair value of the identifiable net assets acquired, which was completed at the end of the current reporting period (refer note 11).

**Note 5: Other Liabilities**

**Current**

Fishing licence liability	2,142	2,129
	2,142	2,129

**Non-current**

Fishing licence liability	8,088	8,179
	8,088	8,179

The non-current liability shown is the present value discounted at the 5 year Commonwealth Bond rate.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

**Note 6: Loans and Borrowings**

	<b>Consolidated Group</b>	
	<b>31.12.2016</b>	<b>30.06.2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Current		
Debtor financing facility - secured (i)	912	2,286
	912	2,286
Non-Current		
Bank Loans - secured (i)	12,000	12,000
	12,000	12,000
(i) Bank loans as shown are net of borrowing costs		
 <b>Total facilities available at balance date</b>		
Primary corporate bank loan facility	12,000	12,000
Debtor financing facility	5,000	5,000
Revolving leasing facility	500	500
Bank guarantee facility	250	250
Corporate credit card facility	100	100
	17,850	17,850

**Loan facilities**

Interest bearing loan facilities of \$17.0 million (30 June 2016: \$17.0 million) are available for acquisition finance and working capital funding. The primary loan facility of \$12.0 million was fully drawn at the end of the reporting period and the debtor finance facility was drawn to \$0.9 million of the \$5.0 million of maximum available funding. Interest is charged at prevailing market rates.

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

**Revolving leasing facility**

Leasing arrangements to acquire fixed assets may be arranged under this facility.

**Guarantee facility**

Bank guarantees may be arranged from time to time under this facility, whereby the bank guarantees the performance of the Group in relation to certain contractual commitments, up to the limit specified in each individual guarantee.

The Guarantee facility available at 31 December 2016 was \$0.25 million (30 June 2016: \$0.25 million).

**Corporate credit card facility**

Credit cards for business use may be issued under this facility from time to time.

**Security**

All of the above facilities are secured by fixed and floating charges over the assets and undertakings of the Company and its subsidiaries.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Consolidated Group	
	31.12.2016	30.06.2016
	\$'000	\$'000
<b>Note 7: Deferred Tax</b>		
Non-current assets - deferred tax assets	4,137	4,678
Non-current liabilities - deferred tax liabilities	(8,056)	(8,265)
	<b>3,919</b>	<b>3,587</b>

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Specifically, in respect of the Fishing Licenses the Group expects to recover the carrying amount of \$25.2 million through use and not through sale, therefore the measurement of the deferred tax liability arising is required to reflect this intended method of recovery. Notwithstanding this, the Fishing Licenses have a capital tax base of approximately \$24.4 million which would be applied should the licenses be sold in a future period however at 31 December 2016 it is not the intent of the Group to recover the carrying amount of the asset through sale.

**Note 8: Issues of Equity Securities**

139,535,198 (June 2016: 134,847,698) fully paid ordinary shares	<b>21,951</b>	21,988
-----------------------------------------------------------------	---------------	--------

	Consolidated Group		Consolidated Group	
	31.12.2016	30.06.2016	31.12.2016	30.06.2016
	No. 000s	No. 000s	\$'000	\$'000
<b>a. Ordinary shares</b>				
At the beginning of the reporting period	<b>134,848</b>	543,916	<b>21,988</b>	41,528
Consolidation 40:1	-	(530,318)	-	-
Capital Raising	-	90,000	-	18,000
Exercise of options	-	1,250	-	250
Exercise of performance rights	<b>4,687</b>	-	-	-
Part purchase consideration Nor-West Fisheries	-	10,000	-	2,000
Part purchase consideration Food Services Division	-	20,000	-	4,000
S258F capital reduction offsetting of carried forward losses	-	-	-	(42,545)
Costs of share issues	-	-	-	(1,796)
Tax effect	-	-	<b>(37)</b>	551
At reporting date	<b>139,535</b>	134,848	<b>21,951</b>	21,988
<b>b. Options over unissued ordinary shares</b>				
At the beginning of reporting period	<b>5,000</b>	150,000	<b>358</b>	1
Options lapsed	-	(150,000)	-	(1)
Options Issued	-	5,000	-	358
At reporting date	<b>5,000</b>	5,000	<b>358</b>	358

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 9: 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 Fisheries Division and the Food Services Division.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies. The balance of amounts not separately disclosed in the segment loss under Unallocated items, are primarily the corporate overhead costs of the Group.

The following tables are an analysis of the Group's revenue and results by reportable segment provided to the Board for the period ended 31 December 2016.

	Continuing operations				Consolidated \$'000
	Fisheries Division \$'000	Food Service Division \$'000	Intercompany Eliminations \$'000	Unallocated items \$'000	
<b>31 December 2016</b>					
<b>Segment revenue</b>	<b>5,094</b>	<b>26,215</b>	-	-	<b>31,309</b>
Intersegment revenue	(4,707)	-	-	-	(4,707)
Revenue from external customers	387	26,215	-	-	26,602
Other (costs)/benefits	-	-	-	1,603	1,603
Depreciation and amortisation	(300)	(1)	-	(17)	(318)
<b>Segment profit/(loss)</b>	<b>(473)</b>	<b>6,391</b>	-	<b>(2,533)</b>	<b>3,385</b>
<b>Segment Assets</b>	<b>46,279</b>	<b>15,909</b>	<b>(10,536)</b>	<b>4,800</b>	<b>56,452</b>
<b>31 December 2015</b>					
<b>Segment revenue</b>	-	<b>511</b>	-	-	<b>511</b>
Intersegment revenue	-	-	-	-	-
Revenue from external customers	-	511	-	-	511
Other (costs)/benefits	-	-	-	-	1,603
Depreciation and amortisation	-	-	-	-	-
<b>Segment profit/(loss)</b>	<b>(62)</b>	<b>(5)</b>	-	<b>(1,908)</b>	<b>(1,975)</b>
<b>Segment Assets</b>	<b>33,037</b>	<b>7,685</b>	-	<b>5,218</b>	<b>45,940</b>

The revenue reported above represents revenue generated from external customers. Intersegment revenue is generated from the Mareterram Fisheries division through internal sales of their fisheries product to the Foods Service division who are responsible for the storage, selling and distribution of the Groups product to external customers. The Fisheries Division has essentially been run on a cost recovery basis for the period under review. These intersegment revenues have been eliminated on consolidation.

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**Note 10: Controlled Entities**

	Country of Incorporation	Percentage Owned	
		31.12.2016	30.6.2016
<b>Parent Entity</b>			
Mareterram Limited	Australia		
<b>Subsidiaries of Mareterram Limited</b>			
Mareterram Fisheries Pty Ltd (formerly Mareterram Pty Ltd)	Australia	100%	100%
Mareterram Trading Pty Ltd	Australia	100%	100%
Nor-West Seafoods Pty Ltd	Australia	100%	100%

**Note 11: Business Combination**

**Acquisition of Nor-West Seafoods**

On 18 December 2015, Mareterram Limited acquired the commercial fishing business of Nor-West Seafoods.

The total cost of the acquisition was \$19,624,000 and comprised an issue of equity instruments and cash. The company issued 10 million ordinary shares with a fair value of \$0.20 per share to the vendor.

**Consideration transferred**

Details of purchase consideration, net assets acquired and goodwill are as follows:

	<b>Nor-West Seafoods</b>
	<b>\$'000</b>
Shares issued at fair value	2,000
Cash	17,624
<b>Net purchase consideration</b>	<b>19,624</b>
<b>Fair value of identifiable net assets acquired</b>	<b>18,842</b>
<b>Goodwill arising on acquisition</b>	<b>782</b>

**Assets acquired and liabilities assumed at the date of acquisition**

The Nor-West Seafoods acquisition was previously disclosed as provisional, but through the finalisation process the final fair value of the identifiable assets and liabilities of Nor-West Seafoods as at the date of acquisition are as follows:

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**Note 11: Business Combination (continued)**

	<b>Fair value recognised on acquisition \$'000</b>
<b>Current Assets</b>	
Inventories	1,163
<b>Non-Current Assets</b>	
Property, plant, and equipment	8,903
Intangible assets - licenses	25,240
Deferred tax assets	3,750
<b>Total Assets</b>	<b>39,056</b>
<b>Current Liabilities</b>	
Trade and other payables	(407)
<b>Non-Current Liabilities</b>	
Fishing Licence Liability	(12,235)
Deferred tax liabilities	(7,572)
<b>Total Liabilities</b>	<b>(20,214)</b>
<b>Total identifiable net assets at fair value</b>	<b>18,842</b>
<b>Purchase consideration transferred</b>	<b>19,624</b>

The initial accounting for the acquisition of Nor-West Seafoods Pty Ltd had only been provisionally determined at the end of the previous reporting period and subsequently in conjunction with the finalisation of the fair value of assets acquired an adjustment to deferred tax balances has been made.

In finalising the Fair Value Accounting for the acquisition of Norwest Seafoods which was previously disclosed as provisionally accounted for, the Company has determined that a Deferred Tax Liability (DTL) of \$7.6 million and an additional Deferred Tax Asset (DTA) of \$3.6 million are required to be brought to account.

The DTL arises as a result of the application of AASB 112 Income Taxes (AASB 112) following recent information made available by relevant standard setting authorities. The information made available clarified the definition of a non-depreciable asset under AASB 112 and its applicability to indefinite life intangible assets, which for the Company is represented by the Fishing Licenses. The DTL arising out of the application of AASB 112 will not result in a cash outflow in future periods.

The amended values are recognised as prior measurement period adjustments for comparative purposes in the financial reports.

**Net cash outflow arising on acquisition**

The cash outflow on acquisition is as follows:

	<b>31 December 2016 \$'000</b>
Cash paid	17,624
Less: net cash acquired with the subsidiary	-
<b>Net cash outflow on acquisition</b>	<b>17,624</b>

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**Note 11: Business Combination (continued)**

**Acquisition of the Food Services Division of the Craig Mostyn Group**

The acquisition of the Food Services Division of the Craig Mostyn Group was also completed on 18 December 2015 and the fair value of the identifiable assets and liabilities were finalised at the end of the 30 June 2016 reporting period.

**Earn-out**

Under the terms of the acquisition agreement with Craig Mostyn Group, Mareterram was required to pay the Craig Mostyn Group an additional cash payment based upon the achievement of a specified level of EBITDA from the acquired Food Services Division, as defined in the purchase agreement. The maximum potential undiscounted payment amount that could be required is \$1.5 million.

On the finalisation of the 31 December 2016 interim financial report, the Food Services Division has failed to achieve the minimum EBITDA threshold and the contingent consideration of \$1.5 million has subsequently been written back to the income statement. This adjustment entry has been recorded in the half year ended 31 December 2016 and is not a prior measurement period adjustment.

**Note 12: Commitments and Contingencies**

	<b>Consolidated Group</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>\$</b>	<b>\$</b>
<b>Non-cancellable operating lease commitments</b>		
Within one year	<b>452,589</b>	405,089
One year or later and no later than five years	<b>593,586</b>	861,676
Greater than five years	<b>275,170</b>	382,831
	<b>1,321,345</b>	1,649,596

**Foreign Exchange Contracts**

The Group is exposed to foreign exchange risk arising from the currency exposures centred on the purchase of inventory and, accordingly, entered into forward exchange contracts to buy EUR 1,278,543 (2015: EUR 680,082) as of 31 December 2016.

**Note 13: 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.

- Endeavour Corporate, a corporate advisory firm of which Mark Pitts is a partner was paid \$9,096 (2015: \$83,442) for company secretarial, accounting and bookkeeping services.
- Sea Harvest, of which Felix Ratheb is CEO (appointed Director of Mareterram Limited on 3 March 2016), is a major shareholder of Mareterram Limited and seafood supplier to Mareterram's Food Services division. Mareterram incurred invoiced transactions to the value of \$3,982,101 during the period of Mr Ratheb's directorship in the 2016 financial year to 31 December (2015: \$nil).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 14: Fair Value Of Financial Instruments**

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

Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period.

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, USD and JPY. These contracts are considered to be level 2 financial instruments in the fair value hierarchy. These instruments are valued using a discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. 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.

	31.12.2016		30.6.2016	
	Assets	Liabilities	Assets	Liabilities
	\$'000	\$'000	\$'000	\$'000
Foreign currency forward contracts designated as hedging instruments				
<b>Fair value</b>	-	(4)	-	(54)

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.

As at 31 December 2016, the fair value of outstanding commodity forward contracts amounted to an asset of \$0.129 million (30 June 2016 \$0.164 million).

**14.2 Fair value of financial assets and financial liabilities that are not measured at fair value:**

At balance date, the carrying amount of the financial assets and financial liabilities for the Company is considered to approximate their fair values.

**MARETERRAM LIMITED**  
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**DIRECTORS' DECLARATION**

In the opinion of the Directors of Mareterram Limited

- (a) the financial statements and notes of the Consolidated Group set out on pages 5 to 21 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the financial position of the Consolidated Group as at 31 December 2016 and of its performance, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Consolidated Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



David Lock

Managing Director

Dated this 27<sup>th</sup> day of February 2017

## Independent Auditor's Review Report to the members of Mareterram Limited

We have reviewed the accompanying half-year financial report of Mareterram Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 22.

### *Directors' Responsibility for the Half-Year Financial Report*

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

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Mareterram Limited's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mareterram Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## *Auditor's Independence Declaration*

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

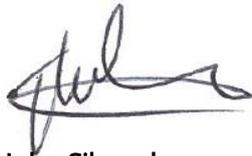
## *Conclusion*

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

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

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



**John Sibenaler**  
Partner  
Chartered Accountants  
Perth, 27 February 2017