

Appendix 4E

(UNAUDITED)

Preliminary final report Period ended 30 June 2007

This report relates to the financial year ended 30 June 2007, with comparative data related to the year ended 30 June 2006

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Name of entity	ABN
Marine Produce Australia Limited	70 091 805 480

	30 June 2007	30 June 2006	% Change
	\$	\$	\$
Revenue from all ordinary activities	485,286	331,341	Up 46%
(loss) from ordinary activities after tax attributable to members	(2,470,795)	(5,306,600)	Down 53%
Net (loss) for the period attributable to members	(2,470,795)	(5,306,600)	Down 53%
Amount per security and franked amount per security of interim and final dividend	No interim or final dividends have been paid or provided for during the period		
Record date for determining entitlements to the dividends and payment date	Not applicable		
Brief explanation of any of the figures reported above necessary to enable the figures to be understood	Refer note 1 for commentary		

Consolidated Income Statement
For the year ended 30 June 2007

		Consolidated	
	Note	2007	2006
		\$	\$
Revenue from continuing operations		252,406	331,341
Other income		2,380,824	1,155,817
Raw materials and consumables		(3,891,709)	(2,489,565)
Employee benefits		(1,075,634)	(975,571)
Depreciation and amortisation		(223,127)	(637,642)
Impairment of property plant, equipment and intangibles	10	-	(1,800,573)
Other expenses		(601,527)	(993,868)
Results from operating activities		(3,158,767)	(5,410,061)
Financial income		82,134	104,402
Financial expenses		-	(941)
Net financing costs		82,134	103,461
Loss before income tax		(3,076,633)	(5,306,600)
Income tax expenses	3	-	-
Loss from continuing operations		(3,076,633)	(5,306,600)
Discontinued operations			
Profit (loss) of discontinued operation (net of income tax)		605,838	-
Loss for the period		(2,470,795)	(5,306,600)
Attributable to:			
Equity holders of the Company			
Minority Interest		-	-
Loss for the period		(2,470,795)	(5,306,600)
Earnings per share			
Basic earnings per share (cents)		(0.8)	(3.25)
Diluted earnings per share (cents)		(0.8)	(3.25)
Continuing operations			
Basic loss per share (cents)	4	(0.7)	(3.25)
Diluted loss per share (cents)		(0.7)	(3.25)

The above statement of financial performance should be read in conjunction with the accompanying notes, and are in the process of being audited.

**Consolidated Balance Sheet
As at 30 June 2007**

	Note	Consolidated	
		2007	2006
Assets			
Cash and cash equivalents	5	891,993	1,417,742
Trade and other receivables	6	786,544	400,215
Inventories	7	139,594	340,590
Biological assets	8	2,429,996	581,683
Bond		17,853	17,853
Assets classified as held for sale		4,323,116	-
Total current assets		8,589,096	2,758,083
Property plant and equipment	10	2,375,257	4,428,284
Intangible assets	11	479,338	404,738
Total non-current assets		2,854,595	4,833,022
Total assets		11,443,691	7,591,105
Liabilities			
Trade and other payables	12	1,329,446	772,965
Interest-bearing loans and borrowings		-	11,456
Employee benefits	13	45,852	40,088
Total current liabilities		1,375,298	824,509
Interest-bearing loans and borrowings		-	28,441
Total non-current liabilities		-	28,441
Total liabilities		1,375,298	852,950
Net assets		10,068,393	6,738,155
Equity			
Issued capital		25,126,152	19,325,119
Retained losses		(15,057,759)	(12,586,964)
Total equity	15	10,068,393	6,738,155
Net tangible asset per share		0.02	0.03

The above statement of financial position should be read in conjunction with the accompanying notes, and are in the process of being audited.

**Consolidated Statement of Cash Flows
For the year ended 30 June 2007**

	Note	Consolidated	
		2007	2006
Cash flows from operating activities			
Cash receipts from customers		486,578	136,583
Cash paid to suppliers and employees		(5,510,277)	(4,503,752)
Interest received		81,710	104,572
Grants received		51,103	546,287
Net cash used in operating activities	16	(4,890,886)	(3,716,310)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,364	3,962
Acquisition of intellectual property		(109,139)	-
Acquisition of property, plant and equipment		(1,280,608)	(1,876,808)
Net cash used in investing activities		(1,388,383)	(1,872,846)
Cash flows from financing activities			
Proceeds from issue of share capital		5,801,034	3,035,383
Proceeds from borrowings		1,250,000	-
Repayment of borrowings		(1,296,514)	(6,161)
Loans other		(1,000)	-
Proceeds from equipment finance		-	45,635
Loans to controlled entities		-	-
Net cash used in financing activities		5,753,520	3,074,857
Net decrease in cash and cash equivalents		(525,749)	(2,514,299)
Cash and cash equivalents at 1 July		1,417,742	3,932,041
Cash and cash equivalents at 30 June		891,993	1,417,742

The above statement of cash flows should be read in conjunction with the accompanying notes, and are in the process of being audited.

Notes to the Financial Statements for the year ended 30 June 2007

1. Management commentary

Commentary on results is as follows:

The year ended 30 June 2007 was one of continued infrastructure and market development together with harvesting of barramundi which commenced in April 2007.

During the year the company raised \$5,801,034 net of costs by equity issues. These funds were utilised to fund the growth in Barramundi stocks from 76,533 kilos to 483,671 kilos at 30 June 2007. The funds were also used to fund the continued commercialisation & development plan which requires significant additional investment capital. Since the end of the financial year the consolidated entity has obtained a loan facility of \$3,000,000 secured over the prawn farm in Darwin.

During the year the prawn farm activities were terminated and the property, plant & equipment has been put on the market. Accordingly this asset is now shown in the financial statement as asset held for resale.

In assessing the fair value for the prawn farm the Directors received an independent sworn valuation on this property. In assessing this and giving consideration to offers that were made on the property the Directors have determined that the fair value of the property after allowing for marketing and settlement costs to be \$4,325,000. Accordingly the prior year provision for impairment of \$1,134,751 has been reversed. This reversal has been shown in the segment assets held for sale.

The successful implementation of commercialisation and development plans requires significant additional investment capital. The Company raised over \$5.8 million to fund working capital and expansion of its Barramundi operations. Further expansion is planned and the Company will be funding this expansion by significantly increasing sales and further equity raisings.

The directors are confident that the consolidated entity will achieve its immediate fundraising objectives and future funding requirements, and will therefore be able to achieve its business objectives.

Barramundi

- Successful commissioning of seacages for the growout of barramundi
- Successful growout and harvest and sale of Barramundi
- The operations currently carry approximately 500 tonne of fish stock
- Planned significant increase in harvesting and sales
- Expansion program to increase the biological assets in sea cages

The entity did not gain or lose control over any entities during the period. No member of the Group held an interest in, or participated in the results of an associate or joint venture.

Notes to the Financial Statements for the year ended 30 June 2007

2. Segment Reporting

Primary reporting – business segments	Prawns (discontinued operations)		Barramundi		Unallocated		Consolidated	
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$
REVENUE								
External sales	232,880	265,533	252,406	65,808	-	-	485,286	331,341
Total sales revenue	232,880	265,533	252,406	65,808	-	-	485,286	331,341
Gain from changes in fair value of biological assets	-	16,105	1,988,721	565,579	-	-	1,988,721	581,683
Change in fair value of assets held for resale	1,134,751	-	-	-	-	-	1,134,751	-
Other operating revenue	-	61,436	392,103	184,311	-	328,387	392,103	574,134
Sale of equipment	227	-	-	-	-	-	227	-
Total revenue	1,367,858	343,074	2,633,230	815,697	-	328,387	4,001,088	1,487,158
RESULT								
Segment result before income tax	605,838	(3,881,463)	(3,076,633)	(1,425,137)	-	-	(2,470,795)	(5,306,600)
Income tax expense	-	-	-	-	-	-	-	-
Total loss after income tax	605,838	(3,881,463)	(3,076,633)	(1,425,137)	-	-	(2,470,795)	(5,306,600)
ASSETS								
Segment assets	4,325,587	3,201,444	7,118,104	2,456,287	-	1,933,374	11,443,691	7,591,105

Primary reporting – business segments	Prawns (discontinued operations)		Barramundi		Unallocated		Consolidated	
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$
LIABILITIES								
Segment liabilities	8,234	141,405	1,367,064	337,090	-	374,455	1,375,298	852,950
Capital expenditure	251,523	978,214	1,216,610	1,250,114	-	-	1,468,133	2,228,328
Depreciation	130,472	371,595	183,127	136,728	-	-	313,599	508,323
Amortisation of intangible assets	18,060	89,319	40,000	40,000	-	-	58,060	129,319
Raw materials & consumables	493,188	1,125,397	3,708,831	1,364,168	-	-	4,202,019	2,489,565
Impairment of property, plant equipment and intangibles	-	1,800,573	-	-	-	-	-	1,800,573

Notes to the Financial Statements for the year ended 30 June 2007

3. Income tax expense

Recognised in the income statement

There is no income tax expense to be recognised in the income statement.

4. Loss per share

Basic loss per share

The calculation of basic loss per share at 30 June 2007 was based on the loss attributable to ordinary shareholders of \$2,470,795 (2006: \$5,306,600) and weighted average number of ordinary shares outstanding during the financial year ended 30 June 2007 of 382,777,688 (2006: 163,306,711), calculated as follows:

Loss attributable to ordinary shareholders

	Consolidated	
	2007	2006
Loss for the period	(2,470,795)	(5,306,600)
Loss attributable to ordinary shareholders	(2,470,795)	(5,306,600)

Weighted average number of ordinary shares

	Consolidated	
	2007	2006
Issued ordinary shares at 1 July	226,214,538	142,809,692
Effect of shares issued in February 2006		2,936,986
Effect of shares issued in April 2006		17,560,033
Effect of shares issued in September 2006	1,231,839	
Effect of shares issued in November 2006	55,876,775	
Effect of shares issued in December 2006	77,098,371	
Effect of shares issued in February 2007	22,356,165	
Weighted average number of ordinary shares at 30 June	382,777,688	163,306,711

Diluted earnings per share

There is no dilution of shares due to options issued as the potential ordinary shares are not dilutive and are therefore not included in the calculation of diluted loss per share.

Loss per share for continuing operations

Basic loss per share

	Consolidated	
	2007	2006
From continuing operations (cents per share)	0.06	3.25

Notes to the Financial Statements for the year ended 30 June 2007

5. Cash and cash equivalents

	Consolidated	
	2007	2006
Bank balances	28,292	917,142
Call deposits	863,401	500,000
Cash and cash equivalents	891,693	1,417,142
Petty cash	300	600
Cash and cash equivalents in the statement cash flows	891,993	1,417,742

6. Trade and other receivables

	Consolidated	
	2007	2006
Current		
Trade receivables	193,555	200,599
Other debtors	341,040	15,738
GST receivable	251,949	183,878
	786,544	400,215
Non-current		
Loans to controlled entities	-	-
Provision for non recovery of loans	-	-
	-	-
	786,544	400,215

7. Inventories

	Consolidated	
	2007	2006
Stock of feed at cost	103,128	119,234
Consumable stock at cost	36,466	15,747
Harvested fish stock at cost	-	8,495
Harvested prawn stock at NRV	-	197,114
	139,594	340,590

Notes to the Financial Statements for the year ended 30 June 2007

8. Biological assets

At 30 June 2007, Barramundi stock comprised of approximately 485 tonnes of Barramundi in sea cages ranging from 89g to 2.2kgs in size. During the financial year ended 30 June 2007, the consolidated entity harvested approximately 26 tonnes (2006: 8.15 tonne) of Barramundi, which had a fair value less estimated point-of-sale costs of \$124,303 (2006: \$68,867) at the date of harvest.

At 30 June 2007, Prawn stock comprised of nil (2006: 1,640kgs) prawns in ponds. During the financial year ended 30 June 2007, the consolidated entity sold 19,747 kilos of prawns (2006: 18,820kgs). The significant assumptions made in determining the net market value of prawns and barramundi in the current reporting period are:

- (a) The fair value less point of sale costs were determined with reference to the price achieved in the Perth fish markets, less the cost of transport to Perth.
- (b) Barramundi will reach maturity after 12 months in sea cages.
- (c) The expected prices of barramundi fluctuate in real terms, based on prices throughout the current financial year.
- (d) Inflation will match quantity discounts during future periods and so costs should remain static going forward or reduce with efficiencies.
- (e) Barramundi reaches saleable size from 800g.

	Consolidated		Total \$
	Barramundi \$	Prawns \$	
Balance at 1 July 2005	-	-	-
Increase due to livestock growth	639,881	459,129	1,099,010
Decrease due to sales	(65,808)	(245,882)	(311,690)
Harvested stock transferred to inventories	(8,495)	(197,142)	(205,637)
Balance at 30 June 2006	565,578	16,105	581,683
Balance at 1 July 2006	565,578	16,105	581,683
Increase due to livestock growth	1,879,626	33,108	1,912,734
Increase due to livestock acquisitions	109,095	20,000	129,095
Decrease due to sales	(124,303)	(69,213)	(193,516)
Balance at 30 June 2007	2,429,996	-	2,429,996

Notes to the Financial Statements for the year ended 30 June 2007

9. Assets classified as held for sale

The carrying amount of assets held for disposal in the prawn business segment is \$4,323,116. The assets have been classified as held for sale in the balance sheet. The measurement of the recoverable amount for these assets was made based on the estimated net value the consolidated entity could realise on the sale of the assets.

Discontinued operation

The prawn farming operation located in Darwin is classified as a discontinued operation with the associated assets classified as assets held for sale in the balance sheet. This resulted from the decision of the consolidated entity's Board in December 2006 to consider the sale of the associated assets due to the prawn farm being uneconomical at 12 hectares of renovated ponds. Negotiations to sell these associated assets have commenced. As at 30 June 2007 the disposal assets and liabilities comprised:

	Consolidated		The Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Property plant & equipment	4,325,122	-	-	-
Trade and other payables	(5,763)	-	-	-
	4,319,359	-	-	-

Results of discontinued operation

	Consolidated		The Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Revenue	232,880	-	-	-
Other income	1,134,978	-	-	-
Expenses	(762,020)	-	-	-
Results from operating activities	605,838	-	-	-
Income tax expense	-	-	-	-
Results from operating activities, net of income tax	605,838	-	-	-
Basic earnings per share (cents)	0.1	-	-	-
Diluted earnings per share (cents)	0.1	-	-	-

Notes to the Financial Statements for the year ended 30 June 2007

10. Property, plant and equipment

	Land and buildings	Consolidated Plant and equipment	Infra-structure	Total
Cost				
Balance at 1 July 2005	1,709,000	810,874	1,896,879	4,416,753
Acquisitions	-	1,946,055	282,273	2,228,328
Disposals	(43,000)	(637,097)	-	(680,097)
Transfer to subsidiary	-	-	-	-
Balance at 30 June 2006	1,666,000	2,119,832	2,179,152	5,964,984
Balance at 1 July 2006	1,666,000	2,119,832	2,179,152	5,964,984
Prior year adjustment	683,000	143,015	-	826,015
	2,349,000	2,262,847	2,179,152	6,790,999
Acquisitions	-	1,249,241	218,892	1,468,133
Transfer from subsidiary	-	-	-	-
Transfer to assets held for sale	(2,349,000)	(785,045)	(2,398,044)	(5,532,089)
Disposals	-	(43,643)	-	(43,643)
Balance at 30 June 2007	-	2,683,400	-	2,683,400

Notes to the Financial Statements for the year ended 30 June 2007

	Land and buildings	Plant and equipment	Infra-structure	Total
Depreciation and impairment losses				
Balance at 1 July 2005	60,844	98,689	56,350	215,883
Depreciation charge for the year	40,585	415,060	53,055	508,700
Transfer to subsidiary	-	-	-	-
Impairment losses	202,027	250,932	681,791	1,134,750
Disposals	(7,800)	(314,833)	-	(322,633)
Balance at 30 June 2006	295,656	449,848	791,196	1,536,700
Balance at 1 July 2006	295,656	449,848	791,196	1,536,700
Prior year adjustment	683,000	143,015	-	826,015
	978,656	592,863	791,196	2,362,715
Depreciation charge for the year	18,060	240,895	53,664	312,619
Reversal of impairment losses	(202,027)	(250,932)	(681,791)	(1,134,750)
Transfer to assets held for sale	(794,689)	(251,217)	(163,069)	(1,208,975)
Disposals	-	(23,466)	-	(23,466)
Balance at 30 June 2007	-	308,143	-	308,143
Carrying Amounts				
At 1 July 2005	1,648,156	712,185	1,840,529	4,200,870
At 30 June 2006	1,370,344	1,771,754	1,387,956	4,428,284
At 1 July 2006	1,370,344	1,771,754	1,387,956	4,428,284
At 30 June 2007	-	2,375,257	-	2,375,257

Notes to the Financial Statements for the year ended 30 June 2007

11. Intangible assets

	Barramundi \$	Prawns \$	Total \$
Balance at 1 July 2005	400,000	893,743	1,293,743
Acquisitions	44,738	-	44,738
Balance at 30 June 2006	444,738	893,743	1,338,481
Balance at 1 July 2006	444,738	893,743	1,338,481
Acquisitions	114,600	-	114,600
Balance at 30 June 2007	559,338	893,743	1,453,081
Balance at 1 July 2005	-	138,601	138,601
Amortisation for the year	40,000	89,319	129,319
Impairment charge	-	665,823	665,823
Balance at 30 June 2006	40,000	893,743	933,743
Balance at 1 July 2006	40,000	893,743	933,743
Amortisation for the year	40,000	-	40,000
Balance at 30 June 2007	80,000	893,743	973,743
Carrying amounts			
At 1 July 2005	400,000	755,142	1,155,142
At 30 June 2006	404,738	-	404,738
At 1 July 2006	404,738	-	404,738
At 30 June 2007	479,338	-	479,338

Impairment charge

The directors have considered their obligations under the Australian International Financial Reporting Standards (AFIRS) and Accounting Standard AASB 136 Impairment of Assets and have reviewed that carrying value of assets and have reassessed the fair value of asset held for sale resulting in the write back in the provision for impairment of \$1,134,751.

Notes to the Financial Statements for the year ended 30 June 2007

12. Trade and other payables

	Consolidated 2007	2006
Trade payables	1,010,166	594,597
Other trade payables and accrued expenses	319,280	178,368
	1,329,446	772,965

13. Employee benefits

Current

	Consolidated 2007	2006
Liability for annual leave	45,852	40,088

14. Other transactions with the Company or its consolidated entities

During the year the following payments were made to directors or their associated entities:

- (i) RDC, a company related to Mr M Kennedy (former director) was paid a fee for company secretarial services of \$24,750 (2006: \$12,618)
- (ii) Broome office rent and expenses of \$12,365 (2006: \$32,781) was paid to Maxima Pearling Co Pty Ltd, a company associated with Mr J Hutton and Mr N Miller (directors).
- (iii) Amounts totaling \$2,057,305 (2006: \$1,697,036) were paid to Maxima Fish Farms Pty Ltd, a company associated with Mr J Hutton and Mr N Miller (directors) for reimbursement at cost of services rendered and materials supplied as the manager of our Barramundi Fish Farm in Cone Bay in the Kimberley region of Western Australia.
- (iv) Drummond Law, a company related to Mr J Drummond (director) was paid a fee for legal services of \$8,052 (2006: nil).

Notes to the Financial Statements for the year ended 30 June 2007

15. Capital and reserves

Reconciliation of movement in capital and reserves attributable to equity holders of the parent

Consolidated	Share capital \$	Retained losses \$	Total equity \$
Balance at 1 July 2005	16,195,314	(7,280,364)	8,914,950
Loss for the year	-	(5,306,600)	(5,306,600)
Shares issued	3,336,280	-	3,336,280
Share issue costs	(206,475)	-	(206,475)
Balance at 30 June 2006	19,325,119	(12,586,964)	6,738,155
Balance at 1 July 2006	19,325,119	(12,586,964)	6,738,155
Total recognised income and expense		(2,470,795)	(2,470,795)
Shares placement	6,177,818		6,177,818
Share issue costs	(376,785)		(376,785)
Balance at 30 June 2007	25,126,152	(15,057,759)	10,068,393
Share capital	2005	2006	2007
Reconciliation of equity issued			
Balance at 1 July	77,464,249	142,809,692	226,214,538
Shares issued	65,345,443	83,404,846	289,332,342
Balance at 30 June	142,809,692	226,214,538	515,546,880

Notes to the Financial Statements for the year ended 30 June 2007

16. Reconciliation of cash flows from operating activities

	Consolidated	
	2007	2006
Cash flows from operating activities		
Loss for the period	(2,470,796)	(5,306,600)
<i>Adjustments for:</i>		
Depreciation and amortisation	371,660	637,642
Impairment (reversal)/loss	(1,134,751)	1,800,573
(Gain)/loss on sale of property, plant and equipment	(227)	333
Operating profit before changes in working capital and provisions	(3,234,114)	(2,868,052)
(Increase)/decrease in biological assets	(1,848,313)	(581,683)
(Increase)/decrease in trade and other receivables	(317,258)	(284,273)
(increase)/decrease in inventories	200,995	(340,618)
(Increase)/decrease in other assets	(6,597)	-
increase/(decrease) in trade and other payables	308,637	363,501
Increase/(decrease) in provisions and employee benefits	5,764	(5,185)
Net deficit from operating activities	4,890,886	3,716,310

17. Significant accounting policies

Marine Produce Australia Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 11/38 Colin Street, West Perth WA 6005 Ph: +61 8 9321 9200. The consolidated financial report of the Company for the financial year end 30 June 2007 comprise the Company and its subsidiaries (together referred to as the 'consolidated entity').

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*.

The consolidated financial statements and notes of Marine Produce Australia Limited comply with IFRSs and interpretations adopted by the International Accounting Standards Board. The company's financial statements and notes do not comply with IFRSs as the company has elected to apply the relief provided to parent entities by AASB 132 Financial Instruments: Presentation and Disclosure in respect of certain disclosure requirements.

Notes to the Financial Statements for the year ended 30 June 2007

(b) Basis of preparation

The financial report is presented in Australian dollars which is the company's functional currency.

Going concern

The consolidated entity incurred a loss of \$2,470,795 (2006: \$5,306,600) for the year ended 30 June 2007.

At 30 June 2007 the consolidated entity had working capital of \$7,085,906 (2006: \$1,933,574). Subsequent to balance date the company continued its capital and operational expenditure, which required interim loan funding.

The directors are confident that the company and consolidated entity will continue as a going concern for the following reasons:

- During the financial year 2008, the consolidated entity plans to complete the sale of its prawn farming operation and further develop its barramundi fish farm operation. The successful implementation of commercialisation and development plans requires significant additional investment to be incurred.
- The consolidated entity expects present working capital, together with funding from increased sales, debt and equity financing and asset sales will be sufficient to continue planned operations. However, should the consolidated entity require additional funding, further equity raisings or debt financing or a combination of both, may be required.

Should the company not be successful in raising additional funding by an equity issue or other capital raisings or other alternative funding arrangements fail to eventuate, there is significant uncertainty as to whether the company and consolidated entity will be able to continue as a going concern

If the consolidated entity is unable to continue as a going concern, it will be required to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts that may be different to those stated in the final report.

Notes to the Financial Statements for the year ended 30 June 2007

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- AASB 7 *Financial Instruments: Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Group's financial instruments and share capital.
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2008 and is expected to only impact disclosures contained within the consolidated financial report.
- AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB 114 *Segment Reporting*. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company and Group as the standard is only concerned with disclosures.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued operations*, AASB 6 *Exploration for and Evaluation of Mineral Resources*, AASB 102 *Inventories*, AASB 107 *Cash Flow Statements*, AASB 134 *Interim Financial Reporting*, AASB 136 *Impairment Assets*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 *Operating Segments*. This standard is only expected to impact disclosures contained within the financial report.
- Interpretation 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or financial asset carried at cost. Interpretation 10 will become mandatory for the Group's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of AASB 136 and AASB 139 respectively (ie 1 July 2004 and 1 July 2005 respectively). The adoption of Interpretation 10 will result in a decrease in retained earnings and goodwill of \$320 thousand, related to an impairment loss on goodwill that was recognised initially in the fourth quarter of 2004 and reversed in the first quarter of 2005.
- Interpretation 11 AASB 2 *Share-based Payment – Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving its services. Interpretation 11 is not expected to have any impact on the financial report. The potential effect on the Interpretation on the Company's financial report has not yet been determined.

Notes to the Financial Statements for the year ended 30 June 2007

- AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11 amends AASB 2 *Share-based Payments* to insert the transitional provisions of IFRS 2, previously contained in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007 and is not expected to have any impact on the consolidated financial report. The potential impact on the Company has not yet been determined.
- Interpretation 12 *Service Concession Arrangements* addresses the accounting for service concession operators, but not grantors, for public to private service concession arrangements. Interpretation 12 will apply for the Group's 2009 financial report. The potential effect of the interpretation on the financial report has not yet been determined. At this time an entity must adopt the revised Interpretation 4 *Determining when an arrangement contains a lease* and Interpretation 129 *Service Concession Arrangements: Disclosures*.
- AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1 *First-time adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 120 *Accounting for Government Grants and Disclosure for Government Assistance*, AASB 121 *The Effects of Changes in Foreign Exchange Rates*, AASB 127 *Consolidated and Separate Financial Statement*, AASB 131 *Interest in Joint Ventures*, and AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as Interpretation 12 *Service Concession Arrangements*.
- AASB 2007-2 Amendments to Australian Accounting Standards also amends references to "UIG Interpretation" to interpretations. This amending standard is applicable to annual reporting periods ending on or after 28 February 2007.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments held for trading, financial instruments classified as available-for-sale and biological assets.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

Notes to the Financial Statements for the year ended 30 June 2007

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year.

The accounting policies set out below have been applied consistently by all entities in the consolidated entity.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(d) Property plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy j). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2004, the date of transition to Australian Accounting Standards – AIFRSs, are measured on the basis of deemed cost, being the carrying amount at that date.

(ii) Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense incurred.

Notes to the Financial Statements for the year ended 30 June 2007

(iii) Depreciation

With the exception of freehold land and development assets, depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

- | | |
|-------------------------|--------------|
| • buildings | 40 years |
| • plant and equipment | 5 - 12 years |
| • fixtures and fittings | 5 – 10 years |
| • major components | 3 – 5 years |

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(e) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see accounting policy d(iii)) and impairment losses (see accounting policy (j)).

(ii) Other intangible assets

Other intangible assets that are acquired by the consolidated entity are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy j).

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Notes to the Financial Statements for the year ended 30 June 2007

(iv) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful life of intangible assets in the current and comparative periods is 10 years.

(f) Biological assets

Biological assets are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

As the fair value of the assets is based on its present location and condition, the costs necessary to get the assets to market is deducted from the market price in order to determine its fair value.

(g) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (j)).

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost attributed to harvested barramundi and prawns is equal to the fair value less estimated point of sale costs previously recorded in biological assets at the date of harvest, determined in accordance with the accounting policy for biological assets (see accounting policy (f)). Any change in value at the date of harvest is recognised in the income statement. Once harvested, barramundi and prawn inventories are accounted for as normal inventories.

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories cost includes an appropriate share of overheads based on normal operating capacity.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, and call deposits.

Notes to the Financial Statements for the year ended 30 June 2007

(j) Impairment

The carrying amounts of the consolidated entity's assets, other than biological assets (see accounting policy f), inventories (see accounting policy h) and deferred tax assets (see accounting policy s) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy j(i)).

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Goodwill and intangible assets were tested for impairment at 1 July 2004, the date of transition to AIFRS, even though no indication of impairment existed.

(i) Calculation of recoverable amount

The recoverable amount of the consolidated entity's investments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (ie the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of receivables that are not impaired individually is performed by placing them into portfolios of receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles based on objective evidence from historical experience adjusted to for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their 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.

Notes to the Financial Statements for the year ended 30 June 2007

(ii) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss has decreased or no longer exists and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event after the impairment loss was recognised via profit and loss.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

(k) Non-current assets held for sale and discontinued operations

Immediately before classification as held for sale, the measurement of the assets and liabilities in the disposal group is brought up-to-date in accordance with applicable accounting standards. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the consolidated entity's business that represents a separate major line of business or geographical area of operations.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

(l) Share capital

(i) Ordinary share capital

Ordinary share capital is classified as equity.

(ii) Dividends

Dividends are recognised as a liability in the period the dividend is declared being appropriately authorised and no longer at the discretion of the entity on or before the end of the financial year but not distributed at balance date.

Notes to the Financial Statements for the year ended 30 June 2007

(iii) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(m) Interest bearing liabilities

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(n) Employee benefits

(i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

(ii) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation, insurance and payroll tax. Non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

(iii) Share-based payment transactions

The share option programme allows consolidated entity employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to options. The fair value of the options granted is measured using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Notes to the Financial Statements for the year ended 30 June 2007

(o) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(p) Trade and other payables

Trade and other payables are stated initially at fair value and subsequently at their amortised cost. Trade payables are non-interest bearing and are normally settled on 60 day terms.

(q) Revenue

(i) Goods sold

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

(ii) Government grants

Research and development government grant related to a biological asset is recognised in profit or loss as other income when the grant becomes receivable.

Other government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which expenses are recognised. Grants that compensate the Group for the cost of an assets are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

(r) Expenses

(i) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested that are recognised in the income statement. Borrowing costs are expensed as incurred and included in net financing costs.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

Notes to the Financial Statements for the year ended 30 June 2007

(s) Income tax

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Marine Produce Australia Limited.

Current tax expense/income and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity and are recognised in the separate financial statements of the members of the tax consolidated group using the "separate tax payer within group" approach by reference to the carrying amount of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Notes to the Financial Statements for the year ended 30 June 2007

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has not entered into a tax funding arrangement with members of the tax-consolidated group in respect of tax amounts.

The head entity in conjunction with other members of the tax-consolidated group has also not entered into a tax sharing agreement.

(t) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(u) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(v) Accounting estimates and judgments

Management discussed with the board the development, selection and disclosure of the consolidated entities critical accounting policies and estimates in the application of these policies and estimates. The estimates and judgments that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Financial Statements for the year ended 30 June 2007

(w) Earnings per share

The Group presents basic and diluted earning per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

18. Events subsequent to balance date

On 10 August 2007 the Company obtained a two year loan facility of \$3,000,000 secured against the prawn farm, with interest payable at 9.25% monthly. The Company has also granted the lender 50 million options exercisable at \$0.02 at any time, expiring 5 years from the date of issue. The issue of these options is subject to shareholder approval in accordance with ASX listing rules.

Compliance statement

- 1 This report has been prepared in accordance with AASB standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to the ASX.
- 2 This report, and the accounts upon which the report is based, uses the same accounting policies.
- 3 This report gives a true and fair view of the matters disclosed.
- 4 This report is based on accounts which are in the process of being audited.
- 5 It is not anticipated that the audit report will be qualified. If the audit report is qualified, that qualification will be lodged immediately when it is available.
- 6 The entity does not have a formally constituted audit committee.



J Hutton
DIRECTOR
31 August 2007