

# **CLEAN SEAS SEAFOOD LIMITED**

ABN 61 094 380 435

## **APPENDIX 4E STATEMENT - FULL YEAR REPORT**

### **RESULTS FOR ANNOUNCEMENT TO THE MARKET**

**FULL-YEAR ENDED 30 JUNE 2019**

(Comparative figures being the full-year ended 30 June 2018)

	Full-Year ended 30 June 2019	Full-Year ended 30 June 2018	Period Movement up/(down)	Period Movement up/(down)
	\$ '000	\$ '000	\$ '000	%
Revenue from ordinary activities	46,149	41,650	4,499	11
EBITDA	4,781	5,930	(1,149)	(19)
EBIT	1,702	3,391	(1,689)	(50)
Profit / (Loss) from ordinary activities before tax	1,446	3,380	(1,934)	(57)
Income tax credit / (expense)	0	0	0	0
Profit / (Loss) from ordinary activities after tax attributable to members	1,446	3,380	(1,934)	(57)
Net tangible asset backing per ordinary share	84.5	82.5	2.0	2.4

	Amount per security
<b>Dividends (Ordinary Shares)</b>	
Final dividend	cents/share Nil
Interim dividend	cents/share Nil

Record date for determining entitlements to dividends.

No dividend declared

Details of the Group's performance for the twelve months of FY 2019 are attached to this notice.

This report is all the full year information provided to the Australian Securities Exchange under listing rule 4.3A. The report also satisfies the full-year reporting requirements of the Corporations Act 2001.



**Clean Seas Seafood Limited**  
**Consolidated Financial Statements**  
For the year ended 30 June 2019  
ABN 61 094 380 435

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## Directors' Report

The Directors of Clean Seas Seafood Limited ('Clean Seas') present their Report together with the financial statements of the Consolidated Entity, being Clean Seas Seafood Limited ('the Company') and its Controlled Entities ('the Group') for the for the year ended 30 June 2019.

### Directors

The following persons held office as Directors of Clean Seas during and since the end of the financial year:

- Mr Terry O'Brien - Chairman;
- Mr Nick Burrows;
- Mr Marcus Stehr;
- Ms Raelene Murphy (Appointed 1 July 2018);
- Ms Helen Sawczak (Appointed 1 July 2018); and
- Mr David Head (Managing Director & CEO).

### Company Secretary

The following persons were Company Secretary of Clean Seas during and since the end of the financial year:

- Mr Wayne Materne (retired 26 February 2019);
- Helga Linacre (appointed 26 February 2019 and retired 4 June 2019);
- Rob Gratton (Joint Company Secretary) (appointed 4 June 2019); and
- David Brown (Joint Company Secretary) (appointed 4 June 2019).

### Principal activities

The principal activities of the consolidated Group during the financial year were:

- The propagation of Spencer Gulf Hiramasa Yellowtail Kingfish, producing fingerlings for sale and growout;
- The growout of Spencer Gulf Hiramasa Yellowtail Kingfish for harvest and sale; and
- Research and development activities for the future aquaculture production of Southern Bluefin Tuna.

The Group continues to enhance its operations through new research and the application of world's best practice techniques to deliver Spencer Gulf Hiramasa Kingfish of premium quality.

There have been no significant changes in the nature of these activities during the year.

## Review of operations and financial results

The Board and Management of Clean Seas report a statutory profit after tax for the year of \$1.446 million, which compares to a \$3.380 million statutory profit after tax in FY18. Underlying profit after tax for the year of \$2.588 million, which compares to a \$2.279 million in FY18.

The financial results from FY19 are summarised below:

- FY19 underlying EBITDA improved 23% to \$5.9 million
- FY19 Revenue increased by 16% (excluding frozen clearance) to \$46.1 million;
- Total sales volumes in FY19 was 2,698 tonnes;
- Sales volumes increased 13% in FY19, excluding the impact of clearance sales in both years;
- As the Company continues to scale for future growth, significant investment in Sales and Marketing was made during FY19, which included:
  - Recruitment of sales executives in US, Asia, Europe and Australia;
  - Targeted brand awareness campaigns focusing on strategic priorities; and
  - Continue evaluation of potential geographic expansion.
- Significant progress building the Company's leadership team through the recruitment of new or replacement roles during FY19, including:
  - New Chief Financial Officer
  - New Joint Company Secretaries
  - New General Manager Sales
  - New Group Human Resources Manager
  - New Market Manager Americas
  - New Sales Manager Asia
  - New Marketing Activation Manager
- New Processing Manager
- Positive underlying cash flow from operations of \$3.2m, a 73% increase on the prior year, excluding the investment in future biomass
- Continued excellent Yellowtail Kingfish survival rates, health and growth;
- Yellowtail Kingfish biomass at year end increased 15% to 4,136 tonnes;
- Further development of the **Spencer Gulf Hiramasa Kingfish** branding which reflects strong and unique provenance;
- Significant penetration of the premium frozen market in Europe through **SensoryFresh** products, utilising Clean Seas Liquid Nitrogen Rapid Freezing technology
- Completion of Aquaculture Stewardship Council (ASC) accreditation, which has strengthened Clean Seas' environmental and social credentials particularly in key export markets.

<b>Underlying Earnings</b>		
<i>\$'000</i>	<b>FY19</b>	<b>FY18</b>
<b>Statutory Profit after tax</b>	<b>1,446</b>	<b>3,380</b>
Add back: Net interest	256	11
<b>Statutory EBIT</b>	<b>1,702</b>	<b>3,391</b>
Add back: Depreciation & amortisation	3,079	2,539
<b>Statutory EBITDA</b>	<b>4,781</b>	<b>5,930</b>
<b>Non-Recurring items</b>		
Deduct: Frozen clearance stock	(5)	(1,312)
Add back: Litigation	535	211
Add back: Whyalla establishment	612	-
<b>Underlying EBITDA</b>	<b>5,923</b>	<b>4,829</b>
<b>Underlying Profit after tax</b>	<b>2,588</b>	<b>2,279</b>

1. Underlying earnings in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by the Company's external auditors.

Adjustments to statutory EBITDA include the following:

- **Frozen clearance stock:** eliminates earnings associated with the sale of frozen clearance stock, which was written down in FY16, but sold during FY18 and FY19.
- **Litigation:** The Company continued its legal action against Gibson's Ltd (trading as Skretting Australia), in respect of what the Company maintains were defective feeds supplied to the Company and fed to the Company's Yellowtail Kingfish between December 2008 and July 2012.
- **Whyalla farm establishment:** During FY19 the Company progressed its plans to re-establish farming at its Fitzgerald Bay leases in Whyalla, which resulted in a number of non-recurring costs, including the training of new Whyalla based employees at our Arno Bay farm.

<b>Sales Growth (by market, excluding frozen clearance sales)</b>					
<i>Tonnes (WWE)</i>	<b>Q1 FY19 v FY18</b>	<b>Q2 FY19 v FY18</b>	<b>Q3 FY19 v FY18</b>	<b>Q4 FY19 v FY18</b>	<b>Full Year FY19 v FY18</b>
Australia	2%	19%	20%	27%	17%
Europe	(16%)	32%	19%	(5%)	4%
North America	13%	24%	30%	50%	30%
Asia/China	(8%)	64%	152%	41%	50%
<b>Total</b>	<b>(6%)</b>	<b>24%</b>	<b>23%</b>	<b>12%</b>	<b>13%</b>

Global Sales Revenue and Volume (excluding frozen clearance) for FY19 exceeded FY18 by 16% and 13% respectively.

Sales Volume in the core Australian market was up 17% for the full year. This reflects new customer growth from the Company's ongoing chef activation program, and recaptured market share from competitors. This result is especially encouraging as this has been achieved while Farm Gate prices have also been increased, discussion of which follows below.

The Company continues to pursue international expansion, with all regions recording significant volume growth in FY19. Europe is up 4%, North America is up 30% and Asia is up 50% versus FY18.

The Company has achieved growth in Europe despite increased competition from local European land-based farms with selling prices significantly below Clean Seas. The Company has driven this positive result through the superior quality of its Spencer Gulf Hiramasa product, its investment in the Spencer Gulf brand marketing campaign, the chef activation program and recent visits to the Clean Seas operations in the Spencer Gulf by major European distributors and leading chefs.

During FY19, competitors operating European land-based farms increased their Sales Volumes to approximately 800 tonnes per annum; encouragingly, this has not impeded the Company's ability to grow its Sales Volumes in this market. The Company is encouraged by the growth in the European Kingfish market as it demonstrates that investment in sales and marketing is building an increased awareness of the species and expanding the market opportunity for Clean Seas.

In FY19, the Company continued to achieve Farm Gate price increases in Australia, North America and Asia. Europe Farm Gate prices remained in line with FY18 despite the significant increase in competitive pressure from local land-based farms and the recently introduced EU-Japan Free Trade Agreement.

Clean Seas achieved strong growth in both North America and Asia while increasing Farm Gate selling prices. Over the course of FY19, Clean Seas' Large Fresh Farm Gate prices increased by 24% in North America and 16% in Asia.

The Company's Farm Gate price is its selling price less processing costs, freight and handling, sales commissions and packaging materials, reported on a whole weight equivalent (WWE) basis.

Fish husbandry costs increased 25% to \$30.1 million due in part to Whyalla establishment costs and a more normalised biomass profile (FY18 had an unusually young age profile). Biomass increased 15% to 4,136 tonnes and live fish net growth increased 6% to 3,513 tonnes. The biomass growth positions the Company well for further sales growth in FY20 and beyond as Clean Seas continues to expand sales of **Spencer Gulf Hiramasa Kingfish** in global markets.

The Company continues to progress plans to return to farming at its Fitzgerald Bay leases, at the top of the Spencer Gulf near Whyalla in South Australia. This will facilitate further expansion of the Company's **Spencer Gulf Hiramasa Kingfish** production within an additional 4,250 tonnes of farm capacity. Importantly, it will also further improve sustainability practices, including fallowing of farm sites and help mitigate and reduce biosecurity risk through further geographic diversification.

The Royal Park processing plant has given Clean Seas full control of processing, delivering opportunities to improve the freshness and quality of product delivered to customers, explore new product development and reduce processing costs. Production of **SensoryFresh** using Clean Seas' Liquid Nitrogen Rapid Freezing technology re-commenced in Q1 FY19, following the previously advised flood incident in Q4 FY18.

The launch of **SensoryFresh** has seen the premium frozen category increase by 38% on a volume basis for FY19 compared to FY18. This is particularly significant for North America and Asia where the frozen category represents circa 75% of the total Kingfish market, and validates the Company's strategic investment in its world's best practice freezing technology to achieve a clear competitive advantage in these key growth markets. Consistent with this, growth in frozen inventory reflects building volumes to support the ongoing growth of **SensoryFresh** products into our current markets and underpinning market penetration into the targeted North Americana and Asian growth markets.

Research and development activities into Southern Bluefin Tuna continued during the year on a scaled back basis, with the broodstock being maintained and options for future development continuing to be under review.

Clean Seas formally received ASC certification in July 2019.

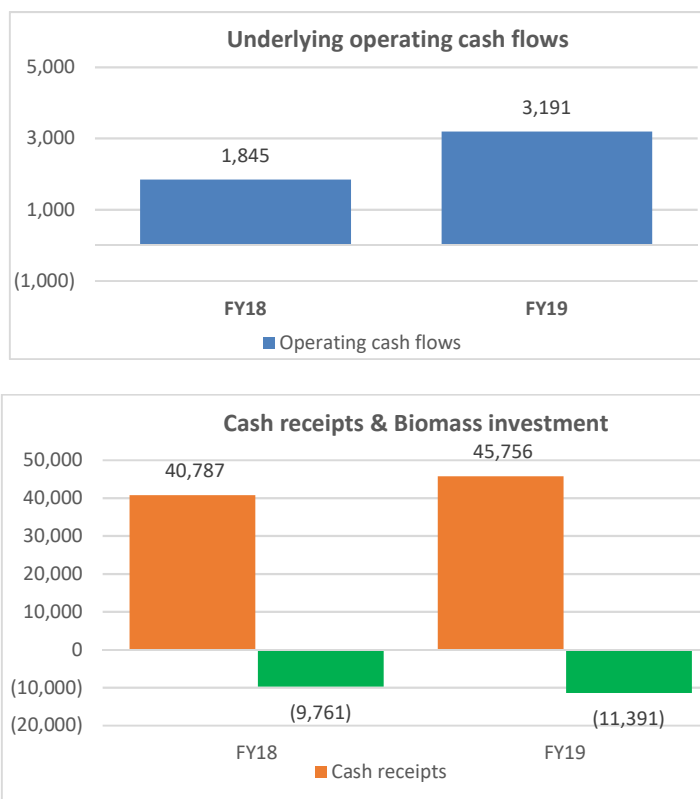


The Aquaculture Stewardship Council is an independent, international non-profit organisation that manages the world's leading certification and labelling programme for responsible aquaculture.

Clean Seas is delighted to achieve this important certification and recognises that customers around the world are increasingly looking for sustainable and responsibly farmed seafood products.

### Review of Cash Flow from Operations and Investment in Future Growth

In FY19, the Company achieved positive underlying cash from operations of \$3.2 million excluding investment in biomass to support growth in sales in future years. Full year FY19 cash receipts increased by \$4.9 million or 12% to \$45.7 million in comparison to FY18, and there was a \$1.6 million increase in the investment in biomass growth versus the prior year. Progress in the Company's key cash flow metrics is outlined in the chart below.



The Company has achieved this ongoing improvement in its cash flow dynamics, net of investment in biomass growth, despite significant additional investment in sales and marketing to support future growth.

Total statutory cash used in operating activities was down on FY18 by \$2.6 million, primarily driven by:

- reduced receipts from frozen clearance sales of \$1.3 million
- incremental investment in sales and marketing of circa \$1.0 million
- additional \$0.3 million on feed litigation costs.

Investment in biomass increased by 17% year-on-year in FY19, which is essential to support future sales growth and achieve the scale required to efficiently leverage overheads and deliver sustainably growing profitability.

The Company retains flexibility to vary its cash commitment to biomass, and the source of its funding for this investment, as part of its growth planning to align biomass levels with sales objectives.

Operating cash flows reconciliation	FY18	FY19
Cash Flow from Operations	1,845	3,191
Investment in Biomass Growth	(9,761)	(11,391)
Cash flows for Litigation costs, Whyalla establishment costs & frozen clearance	1,101	(1,142)
<b>Statutory cash used in operating activities</b>	<b>(6,815)</b>	<b>(9,342)</b>

1. Underlying cash flows in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by the Company's external auditors.

### Feed litigation Update

The Company's legal action against Gibson's Ltd in the Supreme Court of South Australia, in respect of what the Company maintains were defective feeds supplied to the Company and the Company's Yellowtail Kingfish between December 2008 and July 2012, continues. Gibson's Ltd, trading as Skretting Australia, is defending the proceedings and has denied all liability to the Group. In its 21st August 2019 announcement to the ASX, the Company made reference to an application by the Company in the proceedings to amend the Company's claim and the potential for the trial to be deferred.

On Friday 23 August 2019, the Supreme Court of South Australia granted the Company leave to file an amended claim in light of documents recently disclosed in the litigation by Gibson's Ltd. By that amended claim the Company now alleges that Gibson's Ltd substituted a proportion of the Prime Fish Meal required to be included in the feed, and by reference to which the feed prices were calculated, with a cheaper Tuna by-product meal which the Company alleges further prejudiced the Taurine content of the feeds. Gibson's Ltd have until 13 September 2019 to respond to the amended claim. The commencement of the trial has been deferred from 30 September 2019 to 24 February 2020.

### Significant changes in the state of affairs

Ms Raelene Murphy and Ms Helen Sawczak were appointed as Independent Non-Executive Directors with effect from 1 July 2018. Further details are provided later in this report.

Consolidation of the Group's share capital on a 1:20 basis was submitted to and approved by shareholders at the 2018 Annual General Meeting. Details were set out in the Notice of Meeting.

### Events arising since the end of the reporting period

On 21st August 2019, the Company announced a two-stage funding program: an equity Placement to its major shareholder Bonafide Asset Management AG raising \$6.6m and a proposed convertible note Entitlement Offer to qualifying existing shareholders to raise a further \$15.3m. With this funding in place the Company expects to be able to fund and implement its "Vision 2025" Strategic Plan. Details of the strategic plan, which is in the final stages of completion, will be released as part of an Investor Roadshow in September 2019. The key elements of the funding encompass:

- The Company's major shareholder, Bonafide and its related entities took up a placement of shares ("Placement") which increased its combined shareholding from 9.5% to 17.7%. Under the Placement announced on 21 August 2019, Clean Seas issued 8,241,506 shares at \$0.8008 per share raising \$6.6 million, with all shares issued under the Company's existing placement capacity pursuant to ASX Listing Rule 7.1
- The Company will undertake a non-renounceable entitlement offer of Convertible Notes to be made to existing shareholders to raise up to approximately \$15.3 million ("Entitlement Offer"). The convertible notes will be offered on a pro-rata basis to all qualifying shareholders, with key terms including interest payable at an annual rate of 8%, an 8% conversion discount and three-year term to maturity ("Convertible Notes").

The full details of the Entitlement Offer (including terms and conditions of the Convertible Notes) will be disclosed in a prospectus for the offer. The Company is targeting lodgement in September 2019 with offer closure expected by the end of October 2019. The actual timetable will be set out in the prospectus and is subject to ASX approval.

Following Board approval, on the 30 August 2019, 678,898 Share Rights vested and 132,696 lapsed.

There are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the entity's operations in future financial years;
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial years.

#### **Likely developments, business strategies and prospects**

The Company is continuing to implement its strategic plan, with significant growth and profit improvement initiatives identified. These initiatives include:

- Continued international roll out of the *Spencer Gulf Hiramasa Kingfish* branding and associated marketing campaign;
- Continuing an international activation program targeting leading dining establishments and their chefs;
- Continue to build *SensoryFresh* inventory volumes to support the ongoing growth of *SensoryFresh* products into our current markets and underpinning market penetration into the targeted North American and Asian growth markets.
- Further increases in farm gate revenue, with price increases supported by the new marketing campaign and cost reductions across the supply chain;
- Progressing new product development initiatives;
- Improved farming efficiencies from scale, technology and ongoing research and development;
- Leveraging in-house infrastructure at Arno Bay for targeted research to underpin improving feed conversion ratios (FCR) and diet formulations for inclusion in contractual arrangements with feed suppliers.

#### **Information on Directors and Key Management**

##### **Mr Terrence (Terry) O'Brien – Chairman, Independent Non-Executive Director**

Mr O'Brien was appointed to the Company Board on 3 February 2017 and was elected Chairman by the Board on 10 May 2017. He is also Chairman of the Remuneration and Nominations Committee and a member of the Audit and Risk Committee.

Mr O'Brien was, from 2001 until 2017, the Managing Director of Simplot Australia Pty Limited, the US owned, but Australian centric, food processor and marketer. Amongst Simplot's stable of brands are John West, Birdseye, Leggo's, Edgell and Lean Cuisine. He was also the Chairman of the Australian Food and Grocery Council for five years to August 2017.

An accountant by training, Mr O'Brien was active in finance and management roles in the textile industry for ten years and in the food industry for over thirty years having spent approximately nine years at Cadbury Schweppes and twenty-four years at Simplot. At Simplot he was responsible for a number of divestments and acquisitions, which alongside organic growth saw Simplot sales increase nearly threefold during his tenure as Managing Director to become approximately 25% of the global JR Simplot agribusiness company.

Mr O'Brien also holds the following positions;

- Chairman of Bundaberg Brewed Drinks Pty Ltd
- Chairman of Kookaburra Sport Pty Ltd
- Non-Executive Director of Bega Cheese Ltd (ASX: BGA)
- Non-Executive Director of Foodbank Australia
- Member of East Asia Review Commission (Advisory Board) of Societe d'Oxygene et d'Acetylene d'Extreme-Orient, a member of the Air Liquide Group

Mr O'Brien is a Fellow of CPA Australia and a Fellow of the Australian Institute of Company Directors.

**Mr Nick Burrows – Independent Non-Executive Director**

Mr Burrows was appointed to the Company Board on 18 April 2012. He is also Chairman of the Audit and Risk Committee and a member of the Remuneration and Nominations Committee.

Mr Burrows is a respective Fellow of the Australian Institute of Company Directors, Chartered Accountants Australia and New Zealand, Governance Institute of Australia Ltd and the Financial Services Institute of Australasia and is a Chartered Accountant and Registered Company Auditor.

Mr Burrows was Chief Financial Officer and Company Secretary of Tassal Group Limited for 21 years from 1988 to 2009 and accordingly brings to the Board the benefits of an extensive and contemporary senior executive ASX200 aquaculture listed entity background.

Mr Burrows' Directorship background encompasses a multi-sector portfolio of Chair, Non-Executive Directorship, Board Committee and Advisory Board positions spanning local and state government, not-for-profit and major private companies. He currently is:

- Non-Executive Director of Tasmanian Water & Sewerage Corporation Pty Ltd;
- Non-Executive Director of Metro Tasmania Pty Ltd;
- Non-Executive Director of Australian Seafood Industries Pty Ltd; and
- Non-Executive Director of PFG Group Pty Ltd & and MIC Pty Ltd.

He also has significant experience as an Audit and Risk Committee Chair across his multi-sector Board portfolio.

Mr Burrows has had a long involvement with Governance Institute of Australia including serving as National President and serving on the Tasmanian Branch Council

**Mr Marcus Stehr - Non-Executive Director**

Mr Stehr was appointed to the Company Board on incorporation in September 2000. He is also a member of the Remuneration and Nominations Committee.

Mr Stehr's technical qualifications include Master Class 4 Fishing/Trading Skippers certificates, MED 1 and Dive Master certificates. Commercial qualifications include business management courses spanning post graduate studies in Business and completion of the Company Director's Course. He is a Fellow of the Australian Institute of Company Directors.

Mr. Stehr has more than 25 years hands on experience in marine finfish aquaculture operations encompassing Tuna, Kingfish and Mulloway.

In addition to being Managing Director of Australian Tuna Fisheries Pty Ltd (a major shareholder in Clean Seas), Stehr Group Pty Ltd and Sanchez Tuna Pty Ltd, Mr Stehr makes a strong contribution to the Australian fishing and aquaculture industries as:

- Board member of the Australian Southern Bluefin Tuna Industry Association Ltd;
- Director of the Australian Maritime and Fisheries Academy (Australian Fisheries Academy Ltd);
- Industry member of Southern Bluefin Tuna Fishery Management Advisory Committee;
- Industry representative on the Southern Bluefin Tuna Management Advisory Committee; and
- Director of Seafood Industry Australia

**Ms Raelene Murphy – Independent Non-Executive Director**

Ms Murphy was appointed to the Company Board on 1 July 2018. She is also a member of the Audit and Risk Committee from 1 July 2018.

Ms Murphy has over 35 years' experience in strategic, financial and operational leadership in both industry and professional advisory. Raelene specialised in operational and financial restructuring including merger and acquisition integration and was formerly a Managing Director at KordaMentha and a Partner in a national accounting firm. Her industry experience includes CEO of the Delta Group and senior executive roles in the Mars Group.

Ms Murphy is currently a Non-Executive Director of:

- Altium Limited (ASX: ALU)
- Bega Cheese Limited (ASX: BGA)
- Integral Diagnostics Limited (ASX: IDX)
- Service Stream Limited (ASX: SSM) and
- Ross House Investments Pty Ltd (Stillwell Motor Group).

She was previously a Non-Executive Director of Tassal Group Limited (ASX: TGR).

Ms Murphy is a Fellow of Chartered Accountants Australia and New Zealand and a graduate of the Australian Institute of Company Directors.

**Ms Helen Sawczak – Independent Non-Executive Director**

Ms Sawczak was appointed to the Company Board on 1 July 2018.

Ms Sawczak is the National CEO of the Australia China Business Council and an Advisory Board member of both the Monash Migration and Inclusion Centre, and the University of Melbourne Centre for Contemporary Chinese Studies.

Ms Sawczak has over 25 years' experience in international commercial law. Ms Sawczak started her career as a corporate lawyer at international law firms both in Australia and overseas. In Australia, Ms Sawczak worked in the China practice of MinterEllison and then moved to Moscow and Kazakhstan to work for Clifford Chance acting for US and European clients investing in the privatisation of former Soviet industries. After returning to Australia, Ms Sawczak worked as in-house counsel with Alcoa and Telstra and then moved into senior management roles at Australia Post and ANZ Bank.

Ms Sawczak is a graduate of the Australian Institute of Company Directors and holds a BA/LLB from Monash University and a Grad.DipArts (Chinese Language) First Class Honours from the University of Melbourne.

**Mr David Head – Managing Director and Chief Executive Officer**

Mr Head was appointed as Managing Director and Chief Executive Officer on 28 January 2016. He has over 30 years' experience as a CEO, Non-Executive Director and Corporate Advisor in a wide range of industry sectors in Australia, New Zealand, Asia and Europe in public and privately owned companies. This includes Chief Executive roles at Pepsi, Lion Nathan, Calum Textile Group and Leigh Mardon Group.

Mr Head has extensive Board experience as both Non-Executive and Executive Director including previously as Non-Executive Director of ASX listed Snack Brands Limited. He is currently a Director of Fairtrade Australia and New Zealand Limited.

### Mr Rob Gratton – Chief Financial Officer and Joint Company Secretary

Mr Gratton was appointed as Chief Financial Officer on 19 March 2019 and Joint Company Secretary on 4 June 2019. He has over 20 years' experience in Banking, Corporate Finance and Accounting roles in Australia, the United Kingdom and United States. Mr Gratton was CFO and Company Secretary at Jurlique and kikki.K, and has also held senior positions at JP Morgan Investment Bank in London and New York, after starting his career at Westpac in Australia.

### Mr David Brown – Group Financial Controller and Joint Company Secretary

Mr Brown was appointed as Group Financial Controller on 9 January 2018 and Joint Company Secretary on 4 June 2019. He has over 10 years' experience in Corporate Finance and Accounting roles across breadth of industries and is a Chartered Accountant. Prior to commencing with Clean Seas, Mr Brown held senior positions at KPMG and Grant Thornton specialising in Corporate Finance.

### Directors' meetings

The number of Board meetings and meetings of Board Committees held during the year, and the number of meetings attended by each Director is as follows:

Director's name	Board Meetings		Audit and Risk Committee		Remuneration and Nominations Committee	
	A	B	A	B	A	B
Terry O'Brien	14	14	6	6	4	4
Nick Burrows	14	14	6	6	4	4
Marcus Stehr	14	11	-	3	4	3
Raelene Murphy	14	14	6	6	-	2
Helen Sawczak	14	13	-	3	-	1
David Head	14	14	-	6	-	3

Where:

**column A** is the number of meetings the Director was entitled to attend as a member

**column B** is the number of meetings the Director attended (all Directors are entitled to attend Committee meetings)

### Unissued shares under option

There are no unissued ordinary shares of Clean Seas under option at the date of this report. The Company issued 684,099 share rights during the financial year as part of the FY19 LTI Equity Incentive Plan. Further details are provided in the Remuneration Report. None of these share rights have vested as at the date of this report.

### Shares issued during or since the end of the year as a result of exercise

The Company issued 130,766 shares during or since the end of the financial year as a result of the exercise of options or share rights.

### Remuneration Report (audited)

The Directors of Clean Seas Seafood Limited ('the Group') present the Remuneration Report for Non-Executive Directors and other Key Management Personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The Remuneration Report is set out under the following main headings:

- a Principles used to determine the nature and amount of remuneration
- b Details of remuneration
- c Service agreements
- d Bonuses included in remuneration; and
- e Other information.

**a Principles used to determine the nature and amount of remuneration**

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- to attract and retain high calibre senior executives to deliver the Group's ambitious Vision 2025 Strategic Plan;
- to align rewards to business outcomes that deliver value to shareholders;
- to drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- to ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

The Board has established a Remuneration and Nominations Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Team.

**Non-Executive Director Remuneration**

In accordance with best practice corporate governance, the remuneration of Non-Executive Directors is structured separately from that of Executive Directors and Senior Executives.

The Company's Non-Executive Directors receive only fees (including statutory superannuation where applicable) for their services and the reimbursement of reasonable expenses. The Board reviews its fees to ensure the Company's Non-Executive Directors are fairly remunerated for their services, recognising the level of skill and experience required to conduct the role and to have in place a fee scale which enables the Company to attract and retain talented Non-Executive Directors.

The advice of independent remuneration consultants is taken from time to time so as to establish that Directors' fees are in line with market standards.

Non-Executive Directors do not receive any shares, options or other securities in addition to their remuneration and are not eligible to participate in any Company share plans or any other incentive plans that may be in operation. They do not receive any retirement benefits other than compulsory superannuation where applicable.

The aggregate remuneration paid to all the Non-Executive Directors (inclusive of statutory superannuation) may not exceed the current "fee pool" limit of \$600,000, which was set at the 2018 AGM on 13 November 2018. This 'fee pool' is only available to Non-Executive Directors, as Board membership is taken into account in determining the remuneration paid to Executive Directors as part of their normal employment conditions.

During the Financial Year, the Company sought an independent assessment and comparison of the Company's Director and Committee fees structure in comparison of current remuneration arrangements with the market. Following the review the following structure was put in place:

- Increasing the Chairman fee to \$150,000 (and removing Committee fees of approximately of \$21,000) approximating the 75th percentile of the peer group, and acknowledging the Chairman's incremental workload, which includes Chair of Remuneration and Nomination Committee and member of the Audit and Risk Committee.
- Increasing the Non-Executive Director fee to \$70,000 to bring the main Board fee more in line with the median of the peer group.
- Increasing the Remuneration and Nomination committee chair fee to \$12,000 (if a chair other than the board chairman) and the member fee to \$6,000.
- Increasing the Audit and Risk committee chair fee to \$15,000 and the member fee to \$7,500.
- This brings the committee fees approximately in line with the median of the peer group.

The changes in Non-Executive Director and Committee fees are summarised below:

Changes in Non-Executive Directors and Committee fees			
	2018	2019	Change
Chairman	\$120,000 <sup>1</sup>	\$150,000 <sup>2</sup>	\$30,000 <sup>3</sup>
Non-Executive Director	\$60,000	\$70,000	\$10,000
Audit and Risk Committee Chair	\$7,500	\$15,000	\$7,500
Audit and Risk Committee member	\$5,000	\$7,500	\$2,500
Remuneration & Nomination Committee Chair	\$7,500	\$12,000	\$4,500
Remuneration & Nomination Committee member	\$5,000	\$6,000	\$1,000

Notes:

1. In 2018, the Chairman received committee fees on top of the base fee.
2. In 2019, the Chairman's base fees is inclusive of committee fees.
3. The net change in Chairman's fees in FY19, including committee fees was \$9,000.

The remuneration structure adopted by the Group for FY19 consists of the following components:

- fixed remuneration being annual salary and benefits;
- short term incentives, being cash bonuses; and
- long term incentives, being share based remuneration, in the case of the Managing Director & CEO and the CFO & Company Secretary.

The Remuneration and Nominations Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Executive Team.

The payment of bonuses is reviewed by the Remuneration and Nominations Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses must be linked to pre-determined performance criteria.

During the Financial Year the Company sought independent advice relating to an appropriate target and maximum remuneration opportunity for the Managing Director and CEO, which incorporated comparison with a peer group of 16 ASX-listed companies primarily from the consumer staples sector. In conjunction with this advice, seeking to achieve a broad 40% fixed and 60% at risk / incentive component split, and to position the Managing Director and CEOs Total Remuneration Package broadly in line with the peer group median, the Directors re-based the incentive components as follows:

- STI – Maximum set at 50% of base salary (Previously 40%)
- LTI – Maximums set at 100% of base salary (Previously 140%)

A consequent uplift in the base, incorporating a CPI adjustment, was then made.

#### Short Term Incentive (STI)

The Group's performance measures involve the use of annual performance objectives, metrics and performance appraisals. Financial targets are based on net profit after tax (NPAT). Non-financial targets are based on strategic goals set in relation to the main priorities for the position.

The performance measures are set annually after consultation with the Directors and executives and are specifically tailored to the areas where each executive has a level of control. The measures target areas the Board believes hold the greatest potential for business improvement, expansion and profit and cover financial and non-financial measures.

The Key Performance Indicators ('KPI's') for the Executive Team in FY19 are summarised as follows:

- Managing Director and CEO: NPAT in FY19, statutory cash flow, growth of **SensoryFresh** and key Executive appointments.

#### Long Term Incentive (LTI)

A share based LTI Equity Incentive Plan for the Managing Director and CEO (Mr David Head) was submitted to and approved by shareholders at the 2018 Annual General Meeting. Details were set out in the Notice of Meeting. The LTI is based on share rights being granted and further details are provided in section (e) of the Remuneration Report.

The Company's LTI Plan for the Managing Director and CEO has primarily been linked to Net Profit After Tax ("NPAT") delivery over a three year performance period and is underpinned by the Company's longer term vision. Given the significant targeted growth trajectory and in recognition of the volatility and inherent operational risks in aquaculture and their impact on future results, the Company has elected to include annual vesting assessments. The annual vesting is weighted towards the delivery of NPAT each year (For example, the FY2019 Offer was weighted as follows – year 1 at 45%, year 2 at 30% and year 3 at 25%). If a year NPAT target is not achieved, vesting for that year lapses and is not "trued up" at the end of the three-year performance period.

At the date of this report, the Company is reviewing the structure of the Managing Director and CEO's future LTI offer in conjunction with the finalisation of the Company's "Vision 2025" Strategic Plan.

### Performance Reviews

Management have regular annual performance reviews in accordance with established procedures.

Pursuant to the Board's and Board Committee's respective Charters, the Board conducts annual evaluations of its performance, the performance of its Committees, the Chairman, individual Directors and the key governance processes that support the Board's work. The respective Board Committee Charters also require the Committees to evaluate their performance and composition at least annually to determine whether they are functioning effectively by reference to current best practice. This evaluation is presented to the Board for review.

### Voting and comments made at the Company's last Annual General Meeting

At the 2018 Annual General Meeting (AGM), the majority of shareholder votes cast (74.1%) were in favour of adopting the 2018 Remuneration Report. However, 25.9% of the total votes received were against the remuneration report, constituting a 'first strike' under the Corporations Act 2001.

Following the AGM we made a number of immediate changes to address the concerns raised, implementing a number of initiatives including those designed to further improve the alignment of remuneration with the creation of value for shareholders. These changes were:

- Engaged with Shareholders of various sizes to elicit feedback;
- Engaged Investor Relations to discuss with Shareholders concerns;
- Engaged Independent Advisors to provide benchmark analysis on the Board Remuneration and Senior Management; and
- Sought feedback from Proxy Advisors as to their view on Remuneration policies and Executive incentive structuring trends.

The Directors consider that the relevant remuneration packages of the Board and Senior Executives are appropriate.

### Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following measures in respect of the current financial year and the previous five financial years:

Item	2019	2018(2)	2017	2016	2015	2014(1)
Basic EPS (cents)	1.73	4.33	0.02	(0.81)	0.37	0.94
Profit / (loss) before tax (\$'000)	1,446	3,380	202	(9,928)	1,033	6,597
Profit / (loss) after tax (\$'000)	1,446	3,380	202	(8,982)	4,108	9,156
Net Assets (\$'000)	73,542	71,769	51,553	42,917	51,899	47,791
Share price at 30 June (cents) (2)	90.5	5.0	4.6	3.4	5.9	4.9

(1) Restated to reflect change in R&D tax incentive refund accounting

(2) Earnings per share for the period ended 30 June 2018 was restated in order for the calculation to incorporate the 20:1 share consolidation, which was completed on 3 December 2018

## b Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel ('KMP') of the Group are shown in the table below:

Director and other Key Management Personnel remuneration (\$)										
Employee	Year	Short term employee benefits			Post-employment benefits	Long-term benefits	Termination benefits	Share-based payments	Total	Performance based percentage of remuneration
		Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Long service leave	Termination payments	Share rights		
Non-Executive Directors										
Terry O'Brien Chairman, Independent	2019	145,625	-	-	-	-	-	-	145,625	-
	2018	132,500	-	-	-	-	-	-	132,500	-
Nick Burrows Independent	2019	86,375	-	-	-	-	-	-	86,375	-
	2018	72,500	-	-	-	-	-	-	72,500	-
Marcus Stehr	2019	66,895	-	-	6,355	-	-	-	73,250	-
	2018	59,361	-	-	5,639	-	-	-	65,000	-
Raelene Murphy <sup>(1)</sup> Independent	2019	74,375	-	-	-	-	-	-	74,375	-
	2018	-	-	-	-	-	-	-	-	-
Helen Sawczak <sup>(1)</sup> Independent	2019	61,644	-	-	5,856	-	-	-	67,500	-
	2018	-	-	-	-	-	-	-	-	-
Paul Steere <sup>(2)</sup> Independent	2019	-	-	-	-	-	-	-	-	-
	2018	65,000	-	-	-	-	-	-	65,000	-
Hagen Stehr <sup>(2)</sup>	2019	-	-	-	-	-	-	-	-	-
	2018	60,000	-	-	-	-	-	-	60,000	-
Paul Robinson <sup>(2)</sup> Alternate Director	2019	-	-	-	-	-	-	-	-	-
	2018	-	-	-	-	-	-	-	-	-
Other Key Management Personnel										
David Head Managing Director & CEO	2019	482,962	203,150	-	25,269	11,892	-	300,981	1,024,254	49%
	2018	435,632	155,905	-	25,529	4,329	-	349,979	971,374	52%
Rob Gratton - CFO & Joint Company Secretary <sup>(3)</sup>	2019	90,000	-	-	6,923	272	-	-	97,195	0%
	2018	-	-	-	-	-	-	-	-	-
Wayne Materne - CFO & Company Secretary <sup>(4)</sup>	2019	49,615	-	-	10,528	5,695	-	-	65,838	0%
	2018	212,576	61,210	-	25,595	5,248	-	46,709	351,338	31%
2019 Total	2019	1,057,491	203,150	-	54,931	17,859	-	300,981	1,634,412	31%
2018 Total	2018	1,037,569	217,115	-	56,763	9,577	-	396,688	1,717,712	36%

(1) Appointed Director on 1 July 2018.

(2) Retired on 30 June 2018.

(3) Commenced as a KMP on 19 March 2019.

(4) Ceased to be a KMP on the 19 September 2018.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration	At risk – STI	At risk – LTI
<i>Other Key Management Personnel</i>			
David Head	40%	20%	40%
Rob Gratton	N/A	N/A	N/A

### c Service agreements

Remuneration and other terms of employment for the Other Key Management Personnel are formalised in a Service Agreement. The major provisions of the agreements relating to remuneration are set out below:

Name	Base salary \$	Motor Vehicle / Allowance	Term of agreement	Notice period
David Head (CEO)	\$453,000	Yes	Ongoing	9 months
Rob Gratton (CFO)	\$325,000	No	Ongoing	3 months

#### d Bonuses included in remuneration

Details of the short-term incentive cash bonuses awarded as remuneration to each Key Management Personnel for FY19, the percentage of the available bonus that was awarded in the financial year and the percentage that was forfeited because the performance criteria were not achieved is set out below. No part of the bonus carries forward to future years. The awarded bonuses have been recognised in FY19 and will be paid in FY20.

	Included in remuneration (\$)	Percentage vested during the year	Percentage forfeited during the year
<i>Other Key Management Personnel</i>			
David Head	203,150	85%	15%
Rob Gratton	-	0%	0%

#### e Other information

##### Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2019 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

Year ended 30 June 2019 – Ordinary Shares						
Personnel	Balance at start of year	Share consolidation 1:20 (3)	Granted as remuneration	Received on exercise	Other changes	Held at the end of reporting period
T O'Brien <sup>(1)</sup>	3,000,000	(2,850,000)	-	-	5,000	155,000
N Burrows	967,149	(918,791)	-	-	-	48,358
M Stehr	1,295,879	(1,231,085)	-	-	-	64,794
R Murphy <sup>(2)</sup>	-	-	-	-	25,000	25,000
H Sawczak <sup>(2)</sup>	-	-	-	-	5,000	5,000
D Head <sup>(1)</sup>	10,127,213	(9,620,852)	-	-	4,237	510,598
R Gratton <sup>(2)</sup>	-	-	-	-	48,695	48,695
W Materne <sup>(4)</sup>	-	-	-	-	-	-
<b>Totals</b>	<b>15,390,241</b>	<b>(14,620,728)</b>	<b>-</b>	<b>-</b>	<b>87,932</b>	<b>857,445</b>

(1) Changes are on market purchases

(2) Commenced as a KMP during FY19

(3) On 3 December 2018, the Group's shares were consolidated on a 1:20 basis.

(4) Ceased to be a KMP on the 19 September 2018.

None of the shares included in the table above are held nominally by Key Management Personnel. No options to acquire shares are held by Key Management Personnel.

### Share Rights held by Key Management Personnel

Share rights granted under the LTI Equity Incentive Plan are set out below:

Year ended 30 June 2019 – Share Rights							
Personnel	Balance at start of year	Share consolidation 1:20 <sup>(1)</sup>	Other changes <sup>(3)</sup>	Granted as remuneration	Exercised <sup>(2)</sup>	Lapsed <sup>(2)</sup>	Held at the end of reporting period
D Head	29,265,897	(27,802,603)	-	471,113	-	-	1,934,407
R Gratton	-	-	-	-	-	-	-
W Materne	4,764,137	(4,525,930)	(238,207)	-	-	-	-
<b>Totals</b>	<b>34,030,034</b>	<b>(32,328,533)</b>	<b>(238,207)</b>	<b>471,113</b>	<b>-</b>	<b>-</b>	<b>1,934,407</b>

(1) On 3 December 2018, the Group's shares were consolidated on a 1:20 basis.

(2) Subsequent to 30 June 2019, 678,898 Share Rights were exercised and 132,696 lapsed.

(3) Ceased to be a KMP on the 19 September 2018.

The share rights will vest if specified performance targets are achieved and the executive remains employed by the Company for three years including the year for which the share rights were granted, or in other circumstances agreed with the executive or at the discretion of the Board. Each share right on exercise converts to one ordinary share, subject to adjustment in specified circumstances. No amount is payable on vesting or exercise.

### Other Transactions with Key Management Personnel

The Group's related parties comprise its key management and entities associated with key management.

A major shareholder in Clean Seas Seafood Limited is Australian Tuna Fisheries Pty Ltd (ATF). ATF and its associated entities controlled 7.1% of issued shares at 30 June 2019 (2018: 7.1%) and it is associated with Stehr Group Pty Ltd, H & A Stehr Superannuation Fund and Sanchez Tuna Pty Ltd.

All transactions with related parties are negotiated on a commercial arms-length basis. These transactions were as follows:

	2019 \$'000	2018 \$'000
Australian Tuna Fisheries Pty Ltd:		
• Receipts for ice, expenses, SBT quota lease and contract labour	5	9
• Payments for towing, contract labour, fish feed, marina and net shed rent and electricity	495	486
Stehr Group Pty Ltd		
• Payments for office rent	36	32
• Other payments	30	-
PSMMR Pty Ltd (associated with Paul Robinson – Alternate Director) <sup>(1)</sup>		
• Payments for consulting services and associated expenses	-	137

(1) Paul Robinson Retired as an Alternate Director and related party on 30 June 2018.

The following balances are outstanding as at the reporting date in relation to transactions with related parties:

	2019 \$'000	2018 \$'000
Current payables		
• Australian Tuna Fisheries Pty Ltd	22	21
• PSMMR Pty Ltd <sup>(1)</sup>	-	18
Current receivables		
• Australian Tuna Fisheries Pty Ltd	-	17

(1) Paul Robinson Retired as an Alternate Director and related party on 30 June 2018.

## End of audited Remuneration Report.

### Environmental legislation

The Group's operations are subject to Commonwealth and State regulations governing marine and hatchery operations, processing, land tenure and use, environmental requirements including site specific environmental licences, permits and statutory authorisations, workplace health and safety and trade and export.

The Group's management regularly and routinely monitor compliance with the relevant environmental regulations and compliance is regularly reported to the Board.

The Group has well established procedures to monitor and manage compliance with existing environmental regulations and new regulations as they come into force.

The Directors believe that all regulations have been met during the period covered by this Annual Financial Report and are not aware of any significant environmental incidents arising from the operations of the consolidated entity during the financial year.

Further information in relation to specific regulated areas of the operation is as follows:

- The Arno Bay and Port Augusta Hatcheries are licensed to operate under an Aquaculture Land based Category C License issued by the South Australian Minister for Agriculture, Food and Fisheries under the Aquaculture Act 2001. The licensee is required to comply with the requirements of all statutes, regulations, by-laws, ordinances, rules, notices or orders lawfully given pursuant to the Aquaculture Act 2001, Aquaculture Regulations 2005, Environment Protection (Water Quality) Policy 2003 and the Livestock Act 1997. Clean Seas has not recorded any breaches of the license requirements.
- The Group operates 28 marine aquaculture licences issued by The South Australian Minister for Agriculture, Food and Fisheries under the Aquaculture Act 2001. The licensee is required to comply with the requirements of all statutes, regulations, by-laws, ordinances, rules, notices or orders lawfully given pursuant to the Aquaculture Act 2001, Aquaculture Regulations 2005, Environment Protection (Water Quality) Policy 2003 and the Livestock Act 1997. There have been no material recorded breaches of the license requirements.
- The Royal Park processing plant is licensed by the South Australian Environment Protection Authority under Part 6 of the Environment Protection Act 1993 to operate as a fish processing works. The Licensee must be aware of and comply with their obligations under the Environment Protection Act 1993, the Environment Protection Regulations 2009, the Environment Protection Policies made under the Environment Protection Act 1993 and the requirements of any National Environment Protection Measure which operates as an Environment Protection Policy under the Environment Protection Act 1993. Clean Seas has not recorded any breaches of the licence requirements.

### **Indemnities given to and insurance premiums paid for Directors and officers**

Under rules 50 and 51 of the Company's Constitution, each of the Company's Directors, the Company Secretary and every other person who is an officer is indemnified to the extent permitted by law and Directors and Officers Liability Insurance has been implemented. The terms of the insurance contract prohibit the Company from disclosing the level of premium paid.

Each Director and the Company Secretary has entered into a Deed of Indemnity and Access which indemnifies a Director or officer against liabilities arising as a result of acting as a Director or officer subject to certain exclusions and provides for related legal costs to be paid by the Company. The Deed requires the Company to maintain an insurance policy against any liability incurred by a Director or officer in his or her capacity as a Director or officer during that person's term of office and seven years thereafter. It also provides a Director or officer with a right of access to Board papers and other documentation while in office and for seven years thereafter.

### **Non-audit services**

During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 24 to the Financial Statements.

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 25 of this financial report and forms part of this Directors' Report.

### **Proceedings of behalf of the Company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

**Rounding of amounts**

Clean Seas is a type of Company referred to in ASIC Class Order 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the Class Order.

Signed in accordance with a resolution of the Directors.



Terry O'Brien  
Chairman

30 August 2019

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## Auditor's Independence Declaration

### To the Directors of Clean Seas Seafood Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Clean Seas Seafood Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J L Humphrey  
Partner – Audit & Assurance

Adelaide, 30 August 2019

## Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Clean Seas Seafood Limited and its Controlled Entity (‘the Group’) have adopted the third edition of the *Corporate Governance Principles and Recommendations* which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Group’s Corporate Governance Statement for the financial year ending 30 June 2019 is dated as at 30 June 2019 and was approved by the Board on 30 August 2019. The Corporate Governance Statement is available on Clean Seas’ website at <http://www.cleanseas.com.au/investors/corporate-governance/>

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

### For the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Revenue	6	46,149	41,650
Other income		287	86
Net gain arising from changes in fair value of biological assets	13	23,325	18,183
Fish husbandry expense		(30,194)	(24,210)
Employee benefits expense	20.1	(12,166)	(10,218)
Fish processing and selling expense		(12,136)	(10,959)
Cost of goods sold – frozen inventory		(8,553)	(5,977)
Depreciation and amortisation expense	14	(3,079)	(2,539)
Other expenses		(1,931)	(2,625)
<b>Profit before finance items and tax</b>		<b>1,702</b>	<b>3,391</b>
Finance costs	7	(262)	(75)
Finance income	7	6	64
<b>Profit before tax</b>		<b>1,446</b>	<b>3,380</b>
Income tax benefit / (expense)	8	-	-
<b>Profit for the year after tax</b>		<b>1,446</b>	<b>3,380</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>1,446</b>	<b>3,380</b>
<b>Earnings per share from continuing operations:</b>			
Basic earnings per share (cents per share)	22.1	1.73	4.33
Diluted earnings per share (cents per share)	22.1	1.69	4.22

Note: This statement should be read in conjunction with the notes to the financial statements.

Earnings per share for the period ended 30 June 2018 was restated in order for the calculation to incorporate the 20:1 share consolidation, which was completed on 3 December 2018.

## Consolidated Statement of Financial Position

**As at 30 June 2019**

	Notes	2019 \$'000	2018 \$'000
<b>Assets</b>			
<i>Current</i>			
Cash and cash equivalents	9	1,004	5,534
Trade and other receivables	10	5,764	5,133
Inventories	12	9,465	5,484
Prepayments		1,047	581
Biological assets	13	56,585	45,229
<b>Current assets</b>		<b>73,865</b>	<b>61,961</b>
<i>Non-current</i>			
Property, plant and equipment	14	16,869	16,500
Biological assets	15	244	244
Intangible assets	16	2,957	2,957
<b>Non-current assets</b>		<b>20,070</b>	<b>19,701</b>
<b>TOTAL ASSETS</b>		<b>93,935</b>	<b>81,662</b>
<b>Liabilities</b>			
<i>Current</i>			
Trade and other payables	17	6,982	6,504
Bank overdraft	9	7,275	-
Borrowings	18	1,585	622
Provisions	19	977	862
<b>Current liabilities</b>		<b>16,819</b>	<b>7,988</b>
<i>Non-current</i>			
Borrowings	18	3,356	1,727
Provisions	19	218	178
<b>Non-current liabilities</b>		<b>3,574</b>	<b>1,905</b>
<b>TOTAL LIABILITIES</b>		<b>20,393</b>	<b>9,893</b>
<b>NET ASSETS</b>		<b>73,542</b>	<b>71,769</b>
<b>Equity</b>			
Equity attributable to owners of the Parent:			
• share capital	21	182,436	182,345
• share rights reserve	21	897	661
• accumulated losses		(109,791)	(111,237)
<b>TOTAL EQUITY</b>		<b>73,542</b>	<b>71,769</b>

Note: This statement should be read in conjunction with the notes to the financial statements.

## Consolidated Statement of Changes in Equity

### For the year ended 30 June 2019

	Notes	Share capital \$'000	Share rights reserve \$'000	Accumulated Losses \$'000	Total equity \$'000
<b>Balance at 1 July 2017</b>		<b>165,998</b>	<b>172</b>	<b>(114,617)</b>	<b>51,553</b>
Profit for the year		-	-	3,380	3,380
Share purchase plan and placement	21.1	16,347	-	-	16,347
Share rights reserve movement	21.2	-	489	-	489
<b>Balance at 30 June 2018</b>		<b>182,345</b>	<b>661</b>	<b>(111,237)</b>	<b>71,769</b>
Profit for the year		-	-	1,446	1,446
Share issue	21.1	91	-	-	91
Share rights reserve movement	21.2	-	236	-	236
<b>Balance at 30 June 2019</b>		<b>182,436</b>	<b>897</b>	<b>(109,791)</b>	<b>73,542</b>

Note: This statement should be read in conjunction with the notes to the financial statements.

## Consolidated Statement of Cash Flows

### For the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
<b>Operating activities</b>			
Receipts from customers		45,756	40,787
Payments to suppliers excluding feed		(23,645)	(22,172)
Payments for feed		(21,317)	(17,141)
Payments to employees		(10,136)	(8,318)
Government grants received		-	29
<b>Net cash used in operating activities</b>	23	<b>(9,342)</b>	<b>(6,815)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(3,226)	(4,917)
Interest received		6	63
<b>Net cash used in investing activities</b>		<b>(3,220)</b>	<b>(4,854)</b>
<b>Financing activities</b>			
Gross proceeds from issue of shares		-	17,656
Share issue expenses		-	(1,309)
Proceeds from borrowings		2,480	1,220
Repayment of borrowings		(1,474)	(818)
Interest paid		(249)	(70)
<b>Net cash from financing activities</b>		<b>757</b>	<b>16,679</b>
Net change in cash and cash equivalents		<b>(11,805)</b>	<b>5,010</b>
Cash and cash equivalents at beginning of year		<b>5,534</b>	<b>524</b>
<b>Cash and cash equivalents at end of year</b>	9	<b>(6,271)</b>	<b>5,534</b>

Note: This statement should be read in conjunction with the notes to the financial statements.

# Notes to the Consolidated Financial Statements

## 1 Nature of operations

Clean Seas Seafood Limited and its subsidiaries ('the Group') principal activities include finfish sales and tuna operations. These activities comprise the following:

- **Finfish sales** – The propagation, growout and sale of Yellowtail Kingfish; and
- **Tuna operations** – Research and development activities relating to Southern Bluefin Tuna.

## 2 General information and statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). Clean Seas Seafood Limited is a for-profit entity for the purpose of preparing the financial statements.

Clean Seas Seafood Limited is the Group's Ultimate Parent Company and is an ASX listed Public Company (ASX: CSS) incorporated and domiciled in Australia. The address of its registered office and its principal place of business is 7 Frederick Road, Royal Park, SA, Australia, 5014.

The consolidated financial statements for the year ended 30 June 2019 were approved and authorised for issue by the Board of Directors on 30 August 2019.

## 3 Changes in accounting policies

### 3.1 New and revised standards that are effective for these financial statements

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2018. Information on the more significant standard(s) is presented below.

The Group has adopted AASB 9 and AASB 15 at 1 July 2018. AASB 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time and over time. AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

There have been no significant changes to the Group's financial performance and position as a result of the adoption of the new and amended accounting standards and interpretations.

### **AASB 9 Financial Instruments (2014)**

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement requirements. AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging and a new impairment model for financial assets. The Group adopted AASB 9 from 1 July 2018 and the standard has been applied retrospectively.

### **AASB 15 Revenue from Contracts with Customers.**

AASB 15 provides new guidance for determining when the Group should recognise revenue. The new revenue recognition model is based on the principle that revenue is recognised when control of a good or service is transferred to a customer – either at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, or how much revenue is recognised.

The Group's revenue is largely comprised of contracts with customers for the sale of fresh and frozen fish products. The Group has concluded that revenue from the sale should be recognised at the point in time when a customer obtain control of goods. Revenue is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates and trade discounts.

There has been no impact on the Group's previously reported financial performance or financial position following the adoption of AASB 15.

### **3.2 Accounting Standards issued but not yet effective and not being adopted early by the Group**

The accounting standards that have not been early adopted for the year ended 30 June 2019, but will be applicable to the Group in future reporting periods, are detailed below. Apart from these standards, other accounting standards that will be applicable in future periods have been reviewed, however they have been considered to be insignificant to the Group.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below.

#### **AASB 16 Leases**

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

Based on the entity's assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements, in particular:

- lease assets and financial liabilities on the balance sheet will increase by \$0.27 million and \$0.28 million respectively (based on the facts at the date of the assessment)
- there will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

## **4 Summary of accounting policies**

### **4.1 Overall considerations**

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

### **4.2 Basis of consolidation**

The Group financial statements consolidate those of the Parent Company and its subsidiaries as of 30 June 2019. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

### **4.3 Foreign currency translation**

#### **Functional and presentation currency**

The consolidated financial statements are presented in Australian Dollars ("AUD"), which is also the functional currency of the Parent Company.

#### **Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

#### 4.4 Segment reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Group's two operating segments are:

- **Finfish Sales:** All finfish grow out and sales other than propagated Southern Bluefin Tuna ("SBT"). Currently the segment includes Yellowtail Kingfish, Mulloway and some wild caught Tuna. All fish produced are aggregated as one reportable segment as the fish are similar in nature, they are grown and distributed to similar types of customers and they are subject to a similar regulatory environment.
- **Tuna Operations:** Propagated Southern Bluefin Tuna operations are treated as a separate segment. All costs associated with the breeding, grow out and sales of SBT are aggregated into one reportable segment. This segment is currently scaled back apart from some strategic research projects.

Each of these operating segments is managed separately as they require different technologies, resources and capabilities and are at a different stage of development. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under AASB 8 are the same as those used in its financial statements.

Corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

#### 4.5 Revenue

Revenue arises from the sale of goods and recognised at the point in time when a customer obtains control of goods (satisfaction of the performance obligation). Revenue is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates and trade discounts.

##### Interest income

Interest income and expenses are reported on an accrual basis using the effective interest method.

#### 4.6 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

#### 4.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs (see Note 7).

#### 4.8 Intangible assets

##### Recognition of intangible assets

##### *Acquired intangible assets*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software. Acquired fish quotas and water leases and licences are capitalised on the basis of costs incurred to acquire.

##### Subsequent measurement

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, where these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 4.11.

The following useful lives are applied:

- Primary Industries and Regions South Australia (PIRSA) water leases and licences: indefinite
- Southern Bluefin Tuna quota: indefinite

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

#### 4.9 Property, plant and equipment

##### Land and buildings

Freehold land and buildings are recognised at their cost less accumulated depreciation and impairment losses.

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

##### Plant and equipment

Plant and equipment is initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. Plant and equipment also includes leasehold property held under a finance lease (see Note 4.10). These assets are subsequently measured using the cost model, being cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, plant and equipment. The following depreciation rates are applied:

- buildings: 2.5% - 13%
- vessels: 5% – 7.5%
- cages and nets: 10% - 33%
- motor vehicles: 12.5% - 15%
- computers: 25% - 33%
- other plant and equipment: 5% - 33%

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

#### **4.10 Leased assets**

##### **Finance leases**

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

See Note 4.9 for the depreciation methods and useful lives for assets held under finance lease. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

##### **Operating leases**

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

#### **4.11 Impairment testing of other intangible assets and property, plant and equipment**

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

#### **4.12 Financial instruments**

##### **Recognition and derecognition**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

##### **Classification and initial measurement of financial assets**

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

##### **Subsequent measurement of financial assets**

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

##### **Financial assets at amortised cost**

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category. The change in classification has not impacted the carrying value of the Group's financial assets.

#### Impairment of financial assets

The Group uses a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group have assessed the impact of the impairment model and no adjustment was required in Group's financial statements.

#### Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

#### 4.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

#### 4.14 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office ('ATO') and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full. The Group does not currently recognise deferred tax assets and liabilities due to uncertainty regarding the utilisation of prior year losses in future years.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Clean Seas Seafood Limited and its wholly-owned Australian controlled entity have implemented the tax consolidation legislation from 1 July 2007. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

#### **4.15 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **4.16 Equity and reserves**

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Share rights reserve represents, in accordance with AASB 2 *Share-based Payment*, the allocated fair value at grant date of share rights that have been granted and remain outstanding at the reporting date. The value determined is recognised evenly over the financial years in which services are provided as specified by the performance period for each grant of share rights, subject to subsequent revision of the number of share rights expected to vest and the number that ultimately vest. The recognised value of share rights that vest and are exercised is transferred to share capital on the issue of shares.

Retained earnings / accumulated losses include all current and prior period retained profits and losses.

All transactions with owners of the Parent are recorded separately within equity.

#### **4.17 Employee benefits**

##### **Short-term employee benefits**

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and annual leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

##### **Other long-term employee benefits**

The Group's liabilities for long service leave are included in other long term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

##### **Post-employment Benefit Plans**

The Group provides post-employment benefits through various defined contribution plans.

##### **Defined Contribution Plans**

The Group pays fixed contributions into independent entities in relation to various plans for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

#### **4.18 Share-based employee remuneration**

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and earnings per share growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share rights reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share rights expected to vest.

Non-market vesting conditions are included in assumptions about the number of share rights that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share rights expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share rights ultimately exercised are different to that estimated on vesting.

Upon exercise of share rights, the proceeds received and the accumulated amount in the share rights reserve applicable to those share rights, net of any directly attributable transaction costs, are allocated to share capital.

#### **4.19 Provisions, contingent liabilities and contingent assets**

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

#### **4.20 Biological assets**

Biological assets comprise live fish held for sale and broodstock.

Live fish held for sale are valued at their fair value less costs to sell in accordance with *AASB141 Agriculture*. Estimated fair values are based on the number and size of fish held at the reporting date, actual selling prices achieved in the three weeks following the reporting date and other relevant factors, including allowance for future mortality, assessed as impacting fair value in accordance with *AASB141*.

Broodstock are valued at their fair value less costs to sell in accordance with *AASB141 Agriculture*. Estimated fair values take into account the valuation of live fish held for sale and estimated value as broodstock. As the tuna research program is currently scaled back, the Board has adopted a conservative approach by valuing southern bluefin tuna broodstock at estimated market value.

In the Directors' opinion, insurance cover is currently not available at commercially acceptable rates for the live Yellowtail Kingfish held for sale or the broodstock. The Directors have therefore chosen to actively manage the risks as the preferred alternative and review this on an annual basis.

#### **4.21 Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

#### **4.22 Rounding of amounts**

The Parent Entity has applied the relief available to it under ASIC Class Order 2016/191 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest \$1,000, or in certain cases, the nearest dollar.

#### **4.23 Significant management judgement in applying accounting policies**

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

##### **Significant management judgement**

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

##### ***Fair value of live fish held for sale and broodstock***

Management values live fish held for sale at their fair value less costs to sell in accordance with *AASB141 Agriculture*. Estimated fair values are based on the number and size of fish held at the reporting date, actual selling prices achieved in the three weeks following the reporting date and other relevant factors, including allowance for future mortality, assessed as impacting fair value in accordance with *AASB141*. These estimates may vary from net sale proceeds ultimately achieved.

Broodstock has been held at the same value as the prior year as Directors believe it is representative of its fair value as at the reporting date.

##### ***Recognition of deferred tax assets***

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in relevant tax jurisdictions in relation to the value of accessible carried forward losses into future years (see Note 4.14).

#### Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

#### Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 4.11).

#### Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and other forms of obsolescence.

#### Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by market-driven changes that may reduce future selling prices.

## 5 Operating Segments

Management currently identifies the Group's two segments as finfish sales and tuna operations as detailed in Note 1. These operating segments are monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results.

Segment information for the reporting period is as follows:

	Finfish Sales 2019 \$'000	Tuna Operations 2019 \$'000	Unallocated 2019 \$'000	Total 2019 \$'000
<b>Revenue</b>				
From external customers	46,149	-	-	46,149
<b>Segment revenues</b>	46,149	-	-	46,149
Other income	287	-	-	287
Net gain from changes in value of fish	23,325	-	-	23,325
Fish husbandry expense	(30,194)	-	-	(30,194)
Employee benefits expense	(12,166)	-	-	(12,166)
Fish processing and selling expense	(12,136)	-	-	(12,136)
Frozen Inventory COGS	(8,553)	-	-	(8,553)
Depreciation and amortisation	(3,045)	(34)	-	(3,079)
Other expenses	(1,656)	(275)	-	(1,931)
Finance costs and income	-	-	(256)	(256)
<b>Segment operating profit / (loss) before tax</b>	2,011	(309)	(256)	1,446
<b>Segment assets 2019</b>	92,476	455	1,004	93,935

	Finfish Sales 2018 \$'000	Tuna Operations 2018 \$'000	Unallocated 2018 \$'000	Total 2018 \$'000
<b>Revenue</b>				
From external customers	41,650	-	-	41,650
<b>Segment revenues</b>	41,650		-	41,650
Other income	86	-	-	86
Net gain from changes in value of fish	18,183	-	-	18,183
Fish husbandry expense	(24,210)	-	-	(24,210)
Employee benefits expense	(10,218)	-	-	(10,218)
Fish processing and selling expense	(10,959)	-	-	(10,959)
Frozen Inventory COGS	(5,977)	-	-	(5,977)
Depreciation and amortisation	(2,509)	(30)	-	(2,539)
Other expenses	(2,195)	(430)	-	(2,625)
Finance costs and income	-	-	(11)	(11)
<b>Segment operating profit / (loss) before tax</b>	3,851	(460)	(11)	3,380
<b>Segment assets 2018</b>	75,673	455	5,534	81,662

No segment liabilities are disclosed because there is no measure of segment liabilities regularly reported to the chief operating decision maker. Unallocated operating income and expense consists of net interest and unallocated assets consist of cash and cash equivalents.

Revenues from external customers in the Group's domicile, Australia, as well as its major other markets have been identified on the basis of the customer's geographical location. Non-current assets are allocated based on their physical location.

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

	Revenue 2019 \$'000	Non-current assets 2019 \$'000	Revenue 2018 \$'000	Non-current assets 2018 \$'000
Australia	23,732	20,070	20,970	19,701
Other countries	22,417	-	20,680	-
<b>Total</b>	<b>46,149</b>	<b>20,070</b>	<b>41,650</b>	<b>19,701</b>

During 2019 \$5.7 million or 12% (2018: \$5.7 million or 14%) of the Group's revenues depended on a single customer in the finfish sales segment.

## 6 Revenue

Revenue for the reporting periods consist of the following:

	2019 \$'000	2018 \$'000
Sale of fresh fish products	37,124	33,619
Sale of frozen fish products	9,025	8,031
Other revenue	-	-
<b>Total</b>	<b>46,149</b>	<b>41,650</b>

## 7 Finance income and finance costs

Finance income for the reporting periods consist of the following:

	2019 \$'000	2018 \$'000
Interest income from cash and cash equivalents	6	64
<b>Total</b>	<b>6</b>	<b>64</b>

Finance costs for the reporting periods consist of the following:

	2019 \$'000	2018 \$'000
Interest expenses for borrowings at amortised cost:		
• finance leases	114	64
• other borrowings	148	11
<b>Total</b>	<b>262</b>	<b>75</b>

## 8 Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of 27.5% (2018: 30%) and the reported tax expense in profit or loss are as follows:

	2019 \$'000	2018 \$'000
Profit / (Loss) before tax	1,446	3,380
Domestic tax rate for Clean Seas Seafood Limited	27.5% <sup>1</sup>	30%
<b>Expected tax expense / (income)</b>	<b>398</b>	<b>1,014</b>
Adjustment for R&D tax incentive refund – 30% corporate tax rate component	-	-
Current year tax expense added to / (offset against) prior year tax losses	(398)	(1,014)
Adjustment for tax-exempt income	-	-
<b>Actual tax expense / (income)</b>	<b>-</b>	<b>-</b>
Tax expense comprises:		
• R&D tax incentive refund – 30% corporate tax rate component	-	-
• Deferred tax expense	-	-
<b>Tax expense / (income)</b>	<b>-</b>	<b>-</b>

Note:

- Domestic tax rate reduced to 27.5% in FY19, as aggregated turnover is less than \$50 million.

Due to uncertainty regarding the utilisation of prior year tax losses in future years, the tax losses are not recognised as an asset. At 30 June 2019, carried forward tax losses are estimated to be \$60.3 million (2018: \$68.3 million) and non-refundable R&D tax offsets are estimated to be \$10 million (2018: \$7.4 million).

## 9 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2019 \$'000	2018 \$'000
Cash at bank	1,004	5,534
<b>Cash and cash equivalents in the statement of financial position</b>	<b>1,004</b>	<b>5,534</b>
Bank overdraft used for cash management purposes	(7,275)	-
<b>Cash and cash equivalents in the statement of cash flow</b>	<b>(6,271)</b>	<b>5,534</b>

In January 2019, the Group secured a \$2 million increase to the Trade Finance Facility with Commonwealth Bank of Australia, which increased the facility limit to \$12 million. This is an ongoing facility subject to annual review and is secured against all Group assets. At 30 June 2019 this facility was drawn down by \$7.28 million.

## 10 Trade and other receivables

Trade and other receivables consist of the following:

	2019 \$'000	2018 \$'000
Trade receivables, gross	5,260	4,939
Allowance for credit losses	(50)	(50)
<b>Trade receivables</b>	<b>5,210</b>	<b>4,889</b>
Other receivables	554	244
<b>Total</b>	<b>5,764</b>	<b>5,133</b>

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

The movement in the allowance for credit losses can be reconciled as follows:

Reconciliation of allowance for credit losses	2019 \$'000	2018 \$'000
<b>Balance at 1 July</b>	<b>50</b>	<b>50</b>
Amounts written off / (uncollectable)	(22)	(24)
Additional provision recognised	22	24
Impairment loss reversed	-	-
<b>Balance 30 June</b>	<b>50</b>	<b>50</b>

An analysis of unimpaired trade receivables that are past due is given in Note 30.3.

## 11 Financial assets and liabilities

### 11.1 Categories of financial assets and liabilities

Note 4.12 provides a description of each category of financial assets and financial liabilities and the related accounting policies.

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Notes	Assets at FVTOCI \$'000	Assets at FVTPL \$'000	Derivatives used for hedging \$'000	Financial assets at amortised cost \$'000	Total \$'000
<b>30 June 2019</b>						
<b>Financial assets</b>						
Cash and cash equivalents	9	-	-	-	1,004	1,004
Trade and other receivables	10	-	-	-	5,764	5,764
<b>Totals</b>		-	-	-	6,768	6,768

	Notes	*Derivatives used for hedging \$'000	*Designated at FVTPL \$'000	*Other liabilities at FVTPL \$'000	#Other liabilities \$'000	Total \$'000
<b>30 June 2019</b>						
<b>Financial liabilities</b>						
Trade and other payables	17	-	-	-	6,982	6,982
Bank overdraft	9	-	-	-	7,275	7,275
Borrowings	18	-	-	-	4,941	4,941
<b>Totals</b>		-	-	-	19,198	19,198

\* Carried at fair value

# Carried at amortised cost

	Notes	Assets at FVTOCI \$'000	Assets at FVTPL \$'000	Derivatives used for hedging \$'000	Financial assets at amortised cost \$'000	Total \$'000
<b>30 June 2018</b>						
<b>Financial assets</b>						
Cash and cash equivalents	9	-	-	-	5,534	5,534
Trade and other receivables	10	-	-	-	5,133	5,133
Totals		-	-	-	10,667	10,667

	Notes	*Derivatives used for hedging \$'000	*Designated at FVTPL \$'000	*Other liabilities at FVTPL \$'000	#Other liabilities \$'000	Total \$'000
<b>30 June 2018</b>						
<b>Financial liabilities</b>						
Trade and other payables	17	-	-	-	6,504	6,504
Borrowings	18	-	-	-	2,349	2,349
Totals		-	-	-	8,853	8,853

\* Carried at fair value

# Carried at amortised cost

A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 30.

## 11.2 Other financial assets and liabilities

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

- cash and cash equivalents;
- trade and other receivables;
- trade and other payables; and
- borrowings.

## 12 Inventories

Inventories consist of the following:

	2019 \$'000	2018 \$'000
Frozen fish products	7,202	2,518
Fish feed	1,776	2,839
Other	487	127
<b>Total</b>	<b>9,465</b>	<b>5,484</b>

## 13 Biological assets - current

	2019 \$'000	2018 \$'000
<b>Live Yellowtail Kingfish – Held for Sale</b>		
<b>Carrying amount at beginning of period</b>	<b>45,229</b>	<b>32,105</b>
Adjusted for:		
Gain from physical changes at fair value less costs to sell	52,268	43,915
Decrease due to harvest for sale as fresh	(28,943)	(25,732)
Net gain recognised in profit and loss	23,325	18,183
Decrease due to harvest for processing to frozen inventory	(11,969)	(5,059)
<b>Carrying amount at end of period</b>	<b>56,585</b>	<b>45,229</b>

The closing biomass comprised 4,136 tonnes at an average weight of 2.57kg. This comprised 2,783 tonnes of 2018 year class (YC18) at an average weight of 4.3kg and 1,353 tonnes of YC19 at an average weight of 1.4 kg (2018: 3,606 tonnes at an average weight of 2.1kg comprising 2,133 tonnes of YC17 at 3.9kg and 1,473 tonnes of YC18 at 1.5 kg). During FY19 harvests totalled 3,010 tonnes (FY18: 2,454 tonnes).

There is inherent uncertainty in the biomass estimate and resultant live fish valuation. This is common to all such valuations and best practice methodology is used to facilitate reliable estimates. Biomass is estimated using a model that simulates fish growth. Actual growth will invariably differ to some extent, which is monitored and stock records adjusted via harvest counts and weights, periodic sample weight checks, physical counts on transfer to sea cages and subsequent splitting of cages, mortality counts and reconciliation of the perpetual records after physical counts and on cage closeout.

## 14 Property, plant and equipment

Details of the Group's property, plant and equipment and their carrying amount are as follows:

	Land & Buildings \$'000	Plant & Equipment \$'000	Total \$'000
<b>Gross carrying amount</b>			
Balance 1 July 2018	4,028	33,546	37,574
Additions	158	3,290	3,448
Disposals	-	-	-
Balance 30 June 2019	4,186	36,836	41,022
<b>Depreciation and impairment</b>			
Balance 1 July 2018	(1,403)	(19,671)	(21,074)
Disposals	-	-	-
Depreciation	(101)	(2,978)	(3,079)
Balance 30 June 2019	(1,504)	(22,649)	(24,153)
<b>Carrying amount 30 June 2019</b>	<b>2,682</b>	<b>14,187</b>	<b>16,869</b>

	Land & Buildings \$'000	Plant & Equipment \$'000	Total \$'000
<b>Gross carrying amount</b>			
Balance 1 July 2017	3,913	28,607	32,520
Additions	115	4,939	5,054
Disposals	-	-	-
Balance 30 June 2018	4,028	33,546	37,574
<b>Depreciation and impairment</b>			
Balance 1 July 2017	(1,313)	(17,222)	(18,535)
Disposals	-	-	-
Depreciation	(90)	(2,449)	(2,539)
Balance 30 June 2018	(1,403)	(19,671)	(21,074)
<b>Carrying amount 30 June 2018</b>	<b>2,625</b>	<b>13,875</b>	<b>16,500</b>

All depreciation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

The Property, Plant and Equipment has been pledged as security for the Group's bank borrowings (see Note 9 and 18).

## 15 Biological assets – non-current

	2019 \$'000	2018 \$'000
<b>Finfish Broodstock</b>		
<b>Carrying amount at beginning of period</b>	<b>244</b>	<b>244</b>
Purchases	-	-
Sales	-	-
<b>Carrying amount at end of period</b>	<b>244</b>	<b>244</b>

## 16 Intangible assets

Details of the Group's intangible assets and their carrying amounts are as follows:

	PIRSA Leases and Licences \$'000	Southern Bluefin Tuna Quota \$'000	Total \$'000
<b>Net carrying amount</b>			
Balance at 1 July 2018	2,827	130	2,957
Amortisation and impairment	-	-	-
<b>Net carrying amount 30 June 2019</b>	<b>2,827</b>	<b>130</b>	<b>2,957</b>
Balance at 1 July 2017	2,827	200	3,027
Amortisation and impairment	-	(70)	(70)
<b>Net carrying amount 30 June 2018</b>	<b>2,827</b>	<b>130</b>	<b>2,957</b>

At each reporting date the Directors review intangible assets for impairment. No impairment was necessary in 2019 (2018: \$70,000).

## 17 Trade and other payables

Trade and other payables consist of the following:

	2019 \$'000	2018 \$'000
<b>Current:</b>		
• trade payables	5,407	4,243
• related party payables	22	40
• other payables	1,553	2,221
<b>Total trade and other payables</b>	<b>6,982</b>	<b>6,504</b>

All amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

## 18 Borrowings

Borrowings consist of the following:

	2019 \$'000	2018 \$'000
<b>Current:</b>		
• Finance lease (note 29)	1,018	475
• Other – insurance premium funding	567	147
<b>Total borrowings – current</b>	<b>1,585</b>	<b>622</b>
<b>Non-current:</b>		
• Finance lease (note 29)	3,356	1,727
<b>Total borrowings – non-current</b>	<b>3,356</b>	<b>1,727</b>

The Group also has a \$6.0m secured Lease Finance Facility with Commonwealth Bank of Australia, of which \$4.3m was utilised at 30 June 2019.

## 19 Provisions

The carrying amounts and movements in the provisions account are as follows:

	Annual Leave \$'000	Long Service Leave \$'000	Total \$'000
<b>Carrying amount 1 July 2018</b>	<b>634</b>	<b>406</b>	<b>1,040</b>
Additional provisions	525	95	620
Amount utilised	(439)	(26)	(465)
<b>Carrying amount 30 June 2019</b>	<b>720</b>	<b>475</b>	<b>1,195</b>
<b>Current employee benefit provision</b>	<b>720</b>	<b>257</b>	<b>977</b>
<b>Non-current employee benefit provision</b>	<b>-</b>	<b>218</b>	<b>218</b>

## 20 Employee remuneration

### 20.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

	2019 \$'000	2018 \$'000
Salaries and wages	8,997	7,354
Superannuation – Defined contribution plans	781	632
Leave entitlement accrual adjustment	720	639
Short term incentive	412	315
Long term incentive – Share rights	327	489
Other on-costs	929	789
<b>Total</b>	<b>12,166</b>	<b>10,218</b>

## 20.2 Share-based employee remuneration

The Company granted a total of 684,099 FY19 LTI Share Rights to senior executives during the year (2018: 1,172,559). The share rights will vest if specified performance targets are achieved and the executive remains employed by the Company for three years including the year for which the share rights were granted, or in other circumstances agreed with the executive or at the discretion of the Board. Each share right on exercise converts to one ordinary share, subject to adjustment in specified circumstances. On exercise of share rights, a dividend equivalent issue of additional shares replicates the benefit of any dividends paid on ordinary shares during the performance period. No amount is payable on vesting or exercise. During FY19 130,766 fully paid ordinary shares were issued on the exercise of vested Share Rights and 243,192 Share Rights lapsed.

The FY19 LTI Share Rights were valued by the Directors on a basis consistent with the FY18 and FY17 LTI Share Rights, which were independently valued by Value Adviser Associates Pty Ltd on 16 August 2017. One-third of the valuation at the end of the first year is expensed in the first year. Two-thirds of the valuation in the second year, less the amount expensed in the first year, is expensed in the second year. The final valuation at the end of the third year, less amounts expensed in the previous two years, is expensed or written back in the third year. Each year is subject to further review of the number of Share Rights expected to vest, in accordance with AASB 2 *Share Based Payment*.

The Share Rights valuation is based on the fair value at grant date of the equity instruments granted. For the FY19 LTI Share Rights this includes the Clean Seas share price on 29 June 2018 being 5.0 cents and on 13 November 2018 (AGM date) being 5.6 cents with no adjustment being required for future dividends, achievement of one of the three performance targets in FY19 and assessment of the probability of achievement of the second and third (NPAT) performance targets in FY20 and FY21.

## 21 Equity

### 21.1 Share capital

The share capital of Clean Seas Seafood Limited consists only of fully paid ordinary shares; the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at a shareholders' meeting.

	2019 Shares	2018 Shares	2019 \$'000	2018 \$'000
Shares issued and fully paid:				
• at beginning of the year	1,667,314,190	1,373,043,448	182,345	165,998
• consolidation of share capital (1:20)(i)	(1,584,012,279)	-	-	-
• share issue (ii)	130,766	294,270,742	91	16,347
<b>Total contributed equity at 30 June</b>	<b>83,432,677</b>	<b>1,667,314,190</b>	<b>182,436</b>	<b>182,345</b>

Notes:

- (i) On 3 December 2018, the Group's shares were consolidated on a 1:20 basis.
- (ii) On 21 December 2018, the Group issued 130,766 fully paid ordinary shares on the exercise of vested Share Rights.

## 21.2 Share rights reserve

The Company has granted share rights to certain executives as part of their remuneration arrangements as a Long Term Incentive (LTI). Share rights outstanding are as follows:

	2019 Share rights	2018 Share rights	2019 \$'000	2018 \$'000
Share rights outstanding:				
• at beginning of the year	42,298,373	18,847,188	661	172
• consolidation of share capital (1:20)(i)	(40,183,453)	-	-	-
• granted during the year	684,099	23,451,185	373	489
• exercised during the year	(130,766)	-	(91)	-
• lapsed during the year	(243,192)	-	(46)	-
<b>Total share rights at 30 June</b>	<b>2,425,061</b>	<b>42,298,373</b>	<b>897</b>	<b>661</b>

Notes:

(i) On 3 December 2018, the Group's shares were consolidated on a 1:20 basis.

Details of these Share Rights are provided at note 20.2.

## 22 Earnings per share and dividends

### 22.1 Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of Clean Seas Seafood Limited as the numerator (i.e. no adjustments to profit were necessary in 2019 or 2018).

The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2019 '000	2018 '000
Amounts in thousand shares:		
• weighted average number of shares used in basic earnings per share	83,370	78,020
• shares deemed to be issued for no consideration in respect of share based payments	2,426	1,848
<b>Weighted average number of shares used in diluted earnings per share</b>	<b>85,796</b>	<b>79,868</b>

The weighted average number of shares used in basic and diluted earnings for the period ended 30 June 2018 has been restated in order for the calculation to incorporate the 20:1 share consolidation, which was completed on the 3 December 2018.

### 22.2 Dividends

Dividends Paid and Proposed

	2019 \$'000	2018 \$'000
<b>Dividends declared during the year</b>	<b>-</b>	<b>-</b>

### 22.3 Franking credits

	Parent	
	2019 \$'000	2018 \$'000
The amount of the franking credits available for subsequent reporting periods are:		
• balance at the end of the reporting period	-	-
• franking credits that will arise from the payment of the amount of provision for income tax	-	-
• franking debits that will arise from the payment of dividends recognised as a liability at the end of the reporting period	-	-
• franking credits that will arise from the receipt of dividends recognised as receivables at the end of reporting period	-	-
	-	-

### 23 Reconciliation of cash flows from operating activities

	2019 \$'000	2018 \$'000
<b>Profit for the year</b>	<b>1,446</b>	<b>3,380</b>
Adjustments for:		
• Depreciation and amortisation	<b>3,079</b>	2,539
• LTI share rights expense	<b>327</b>	489
• net interest expense included in investing and financing	<b>256</b>	11
• impairment of non-current assets	-	70
• write back of non-cash provision	<b>667</b>	-
Net changes in working capital:		
• change in inventories	<b>(3,981)</b>	(1,963)
• change in trade and other receivables	<b>(631)</b>	(1,301)
• change in prepayments	<b>(466)</b>	(162)
• change in biological assets	<b>(11,356)</b>	(13,124)
• change in trade and other payables	<b>478</b>	2,421
• change in other employee obligations	<b>155</b>	182
• changes offset in investing	<b>684</b>	643
<b>Net cash used in operating activities</b>	<b>(9,342)</b>	<b>(6,815)</b>

### 24 Auditor remuneration

	2019 \$	2018 \$
<b>Audit and review of financial statements</b>	<b>96,679</b>	97,131
<b>Other services</b>		
• taxation compliance	<b>11,900</b>	9,500
• other tax services	<b>15,004</b>	20,750
<b>Total other service remuneration</b>	<b>26,904</b>	30,250
<b>Total auditor's remuneration</b>	<b>123,583</b>	127,381

## 25 Related party transactions and key management personnel disclosures

The Group's related parties comprise its key management and entities associated with key management. The Remuneration Report in the Directors' Report sets out the remuneration of directors and specified executives.

A major shareholder in Clean Seas Seafood Limited is Australian Tuna Fisheries Pty Ltd (ATF). ATF and its associated entities controlled 7.1% of issued shares at 30 June 2019 (2018: 7.1%) and it is associated with Stehr Group Pty Ltd, H & A Stehr Superannuation Fund and Sanchez Tuna Pty Ltd.

All transactions with related parties are negotiated on a commercial arms-length basis. These transactions were as follows:

	2019 \$'000	2018 \$'000
Australian Tuna Fisheries Pty Ltd:		
• Receipts for ice, expenses, SBT quota lease and contract labour	5	9
• Payments for towing, contract labour, fish feed, marina and net shed rent and electricity	495	486
Stehr Group Pty Ltd		
• Payments for office rent	36	32
• Other payments	30	-
PSMMR Pty Ltd (associated with Paul Robinson – Alternate Director) <sup>(1)</sup>		
• Payments for consulting services and associated expenses	-	137

(1) Paul Robinson Retired as an Alternate Director and related party on 30 June 2018.

The following balances are outstanding as at the reporting date in relation to transactions with related parties:

	2019 \$'000	2018 \$'000
Current payables		
• Australian Tuna Fisheries Pty Ltd	22	21
• PSMMR Pty Ltd (1)	-	18
Current receivables		
• Australian Tuna Fisheries Pty Ltd	-	17

(1) Paul Robinson Retired as an Alternate Director and related party on 30 June 2018.

The totals of remuneration paid or payable to the key management personnel of the Group during the year are as follows:

	2019 \$	2018 \$
Short-term employee benefits	1,260,641	1,254,684
Post-employment benefits	54,931	56,763
Long-term benefits	318,840	406,265
Termination benefits	-	-
Total Remuneration	1,634,412	1,717,712

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2019.

## 26 Contingent assets and liabilities

The Company's legal action against Gibson's Ltd in the Supreme Court of South Australia, in respect of what the Company maintains were defective feeds supplied to the Company and the Company's Yellowtail Kingfish between December 2008 and July 2012, continues. Gibson's Ltd, trading as Skretting Australia, is defending the proceedings and has denied all liability to the Group. In its 21st August 2019 announcement to the ASX, the Company made reference to an application by the Company in the proceedings to amend the Company's claim and the potential for the trial to be deferred.

On Friday 23 August 2019, the Supreme Court of South Australia granted the Company leave to file an amended claim in light of documents recently disclosed in the litigation by Gibson's Ltd. By that amended claim the Company now alleges that Gibson's Ltd substituted a proportion of the Prime Fish Meal required to be included in the feed, and by reference to which the feed prices were calculated, with a cheaper Tuna by-product meal which the Company alleges further prejudiced the Taurine content of the feeds. Gibson's Ltd have until 13 September 2019 to respond to the amended claim. The commencement of the trial has been deferred from 30 September 2019 to 24 February 2020.

The Group also has unrecognised carry forward tax losses. This contingent asset is discussed in Note 8.

There are no other material contingent assets or liabilities.

## 27 Capital commitments

	2019 \$'000	2018 \$'000
Property, plant and equipment	262	56

Capital commitments relate to items of plant and equipment and site works where funds have been committed but the assets not yet received

## 28 Interests in subsidiaries

### 28.1 Composition of the Group

Set out below are details of the subsidiary held directly by the Group:

Name of the Subsidiary	Country of incorporation and principal place of business	Principal activity	Group proportion of ownership interests	
			30 June 2019	30 June 2018
Clean Seas Aquaculture Growout Pty Ltd	Australia	Growout and sale of Yellowtail Kingfish	100%	100%
Clean Seas Seafood International Pty Ltd	Australia	Sale of Yellowtail Kingfish	100%	-

Clean Seas Seafood International Pty Ltd was incorporated on 15<sup>th</sup> of May 2019.

### 28.2 Interests in unconsolidated structured entities

The Group has no interests in unconsolidated structured entities.

## 29 Leases

### 29.1 Finance leases as lessee

The Group holds a number of motor vehicles and plant & equipment under finance lease arrangements. The net carrying amount of these assets is \$4,479k (2018: \$2,296k).

The Group's finance lease liabilities, which are secured by the related assets held under finance leases, are classified as follows:

Finance lease liabilities	2019 \$'000	2018 \$'000
Current:		
• finance lease liabilities	1,018	475
Non-current:		
• finance lease liabilities	3,356	1,727

Future minimum finance lease payments at the end of each reporting period under review were as follows:

	Minimum lease payments due			
	Within 1 year \$'000	1-5 years \$'000	After 5 years \$'000	Total \$'000
<b>30 June 2019</b>				
Lease payments	1,212	3,612	-	4,824
Finance charges	(194)	(256)	-	(450)
<b>Net present values</b>	<b>1,018</b>	<b>3,356</b>	<b>-</b>	<b>4,374</b>
<b>30 June 2018</b>				
Lease payments	581	1,896	-	2,477
Finance charges	(106)	(169)	-	(275)
<b>Net present values</b>	<b>475</b>	<b>1,727</b>	<b>-</b>	<b>2,202</b>

### 29.2 Operating leases as lessee

The Group leases a number of sites under operating lease arrangements. Future minimum lease payments are as follows:

	Minimum lease payments due			
	Within 1 year \$'000	1-5 years \$'000	After 5 years \$'000	Total \$'000
<b>Minimum lease payments – 30 June 2019</b>	<b>299</b>	<b>285</b>	<b>-</b>	<b>584</b>
Minimum lease payments – 30 June 2018	255	482	-	737

The operating lease expense in 2019 was \$295k (2018: \$315k).

The main leased site is the Royal Park processing plant in Adelaide, South Australia. This lease has a minimum term of 4 years to March 2021 with subsequent renewal options of 2 years, 3 years and 3 years and includes a right of first refusal to purchase.

### 30 Financial instrument risk

#### 30.1 Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 11.1. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its head office, in close cooperation with the Board of Directors, and focuses on actively managing those risks to secure the Group's short to medium-term cash flows.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

#### 30.2 Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

##### Foreign currency sensitivity

Most of the Group's transactions are carried out in Australian dollars (AUD). Exposures to currency exchange rates mainly arise from the Group's overseas sales, which are currently primarily denominated in Euro (EUR).

To mitigate the Group's exposure to foreign currency risk, non-AUD cash flows are monitored, customer payments are credited to foreign currency bank accounts and converted to AUD on a managed basis and forward exchange contracts may be entered into in accordance with the Group's risk management policies. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into AUD at the closing rate:

	Short term exposure			Long term exposure		
	EUR A\$'000	USD A\$'000	Other A\$'000	EUR A\$'000	USD A\$'000	Other A\$'000
<b>30 June 2019</b>						
• financial assets	2,997	29	14	-	-	-
• financial liabilities	(1,435)	(18)	(51)	-	-	-
<b>Total exposure</b>	<b>1,562</b>	<b>11</b>	<b>(37)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 June 2018</b>						
• financial assets	1,803	172	2	-	-	-
• financial liabilities	(614)	(49)	(105)	-	-	-
<b>Total exposure</b>	<b>1,189</b>	<b>123</b>	<b>(103)</b>	<b>-</b>	<b>-</b>	<b>-</b>

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the AUD / EUR exchange rate 'all other things being equal'. It assumes a +/- 5% change in this exchange rate for the year ended at 30 June 2019 (2018: +/- 5%). The sensitivity analysis is based on the impact on the Group's valuation of live fish held for sale.

Profit and Equity Increase / (Decrease)	Increase 5%	Decrease 5%
	A\$'000	A\$'000
30 June 2019	(1,171)	1,294
30 June 2018	(1,250)	1,380

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

#### Interest rate sensitivity

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing.

### 30.3 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting trade credit to customers and investing surplus funds. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2019 \$'000	2018 \$'000
<b>Classes of financial assets</b>		
Carrying amounts:		
• cash and cash equivalents	1,004	5,534
• trade and other receivables	5,764	5,133
<b>Total</b>	<b>6,768</b>	<b>10,667</b>

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all of the above financial assets that are not impaired or past due for each of the 30 June reporting dates under review are of good credit quality.

At 30 June, the Group has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at 30 June analysed by the length of time past due, are:

	2019 \$'000	2018 \$'000
Not more three (3) months	1,786	1,082
More than three (3) months but not more than six (6) months	77	92
More than six (6) months but not more than one (1) year	25	51
More than one (1) year	150	80
<b>Total</b>	<b>2,038</b>	<b>1,305</b>

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 24 months before 30 June 2019 and 1 July respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

The Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

On the above basis the expected credit loss for trade receivables as at 30 June 2019 and recognised a provision for \$50k.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

### 30.4 Liquidity risk analysis

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling monthly projection. Net cash requirements are compared to available cash and borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

As at 30 June 2019, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-current	
	Within 6 months \$'000	6 - 12 months \$'000	1 - 5 years \$'000	5+ years \$'000
<b>30 June 2019</b>				
Trade and other payables	6,982	-	-	-
Finance lease obligations	524	494	3,356	-
Bank overdraft	7,275	-	-	-
Other borrowings	567	-	-	-
<b>Total</b>	<b>15,348</b>	<b>494</b>	<b>3,356</b>	<b>-</b>

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting periods as follows:

	Current		Non-current	
	Within 6 months \$'000	6 - 12 months \$'000	1 - 5 years \$'000	5+ years \$'000
<b>30 June 2018</b>				
Trade and other payables	6,504	-	-	-
Finance lease obligations	242	233	1,727	-
Other borrowings	147	-	-	-
<b>Total</b>	<b>6,893</b>	<b>233</b>	<b>1,727</b>	<b>-</b>

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

### 31 Fair value measurement

#### 31.1 Fair value measurement of non-financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** inputs other than quoted prices included within **Level 1** that are observable for the asset or liability, either directly or indirectly
- **Level 3:** unobservable inputs for the asset or liability

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 30 June 2019:

<b>30 June 2019</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
Biological assets - current	-	56,585	-	56,585
Biological assets – non-current	-	244	-	244
Southern bluefin tuna quota	-	130	-	130
<b>Total</b>	<b>-</b>	<b>56,959</b>	<b>-</b>	<b>56,959</b>

30 June 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Biological assets - current	-	45,229	-	45,229
Biological assets – non-current	-	244	-	244
Southern bluefin tuna quota	-	130	-	130
<b>Total</b>	-	45,603	-	45,603

The fair values of the biological assets are determined in accordance with Note 4.20.

### 32 Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group considers the issue of new shares, dividends, return of capital to shareholders and sale of assets to reduce debt.

The Group has satisfied its covenant obligations for the Commonwealth Bank of Australia \$12m Trade Finance Facility at 30 June 2019.

### 33 Parent entity information

Information relating to Clean Seas Seafood Limited ('the Parent Entity'):

	2019 \$'000	2018 \$'000
<b>Statement of financial position</b>		
Current assets	610	5,591
Total assets	57,968	53,824
Current liabilities	10,438	1,749
Total liabilities	13,842	3,531
Net assets	44,126	50,293
Issued capital	182,437	182,345
Share rights reserve	897	661
Accumulated losses	(139,208)	(132,713)
Total equity	44,126	50,293
<b>Statement of profit or loss and other comprehensive income</b>		
Loss for the year	(6,495)	(5,421)
Other comprehensive income	-	-
Total comprehensive income	(6,495)	(5,421)

The Parent Entity has no capital commitments to purchase plant and equipment (2018: Nil). Refer Note 27 for further details of the commitment.

The Parent Entity has not entered into a Deed of Cross Guarantee. Refer Note 26 in relation to contingent assets and liabilities.

### 34 Post-reporting date events

On 21st August 2019, the Company announced a two-stage funding program deliver sufficient funding to fully implement its “Vision 2025” Strategic Plan. Details of the strategic plan, which is in the final stages of completion, will be announced as part of an Investor Roadshow in September 2019. The key elements of the funding encompass:

- The Company’s major shareholder, Bonafide and its related entities took up a placement of shares (“Placement”) which increased its combined shareholding from 9.5% to 17.7%. Under the Placement announced on 21 August 2019, Clean Seas issued 8,241,506 shares at \$0.8008 per share raising \$6.6 million, with all shares issued under the Company’s existing placement capacity pursuant to ASX Listing Rule 7.1
- The Company will undertake a non-renounceable entitlement offer of Convertible Notes to be made to existing shareholders to raise up to approximately \$15.3 million (“Entitlement Offer”). The convertible notes will be offered on a pro-rata basis to all qualifying shareholders, with key terms including interest payable at an annual rate of 8%, an 8% conversion discount and three-year term to maturity (“Convertible Notes”).

The full details of the Entitlement Offer (including terms and conditions of the Convertible Notes) will be disclosed in a prospectus for the offer. The Company is targeting lodgement in September 2019 with offer closure expected by the end of October 2019. The actual timetable will be set out in the prospectus and is subject to ASX approval.

Following Board approval, on the 30 August 2019, 678,898 Share Rights vested and 132,696 lapsed.

There are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the entity’s operations in future financial years;
- the results of those operations in future financial years; or
- the entity’s state of affairs in future financial years.

## Directors' Declaration

In the opinion of the Directors of Clean Seas Seafood Limited:

- The consolidated financial statements and notes of Clean Seas Seafood Limited are in accordance with the *Corporations Act 2001*, including:
  - Giving a true and fair view of its financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
  - Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- There are reasonable grounds to believe that Clean Seas Seafood Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2019.

Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



Terry O'Brien  
Chairman

Dated the 30<sup>th</sup> day of August 2019

# Independent Auditor's Report

To the Members of Clean Seas Seafood Limited

Report on the audit of the financial report

## Opinion

We have audited the financial report of Clean Seas Seafood Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

## Basis for opinion

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

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

## Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<b>Revenue recognition</b> <b>Note 4.5 &amp; 6</b> <p>Revenue is the key driver of the Group.</p> <p>The Group focuses on revenue as a key performance measure and revenue is also a key driver by which the performance of the Group is measured.</p> <p>This area is a key audit matter due to the volume of transactions and the total balance of revenue.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting the processes and assessing the internal controls relating to revenue processing and recognition;</li> <li>• Reviewing the revenue recognition policy to ensure it is in line with AASB 15 Revenue from Contracts with Customers;</li> <li>• Performing analytical procedures to understand the movements and trends in revenue for comparison against audit expectations;</li> <li>• Tracing a sample revenue transactions to supporting documentation to ensure revenue is being recognised in line with the revenue recognition policy and accounting standards;</li> <li>• Performing cut-off testing to ensure that revenue transactions at or around year end have been recorded in the correct period; and</li> <li>• Assessing the adequacy of the related disclosures within the financial statements.</li> </ul>
<b>Biological asset existence and valuation</b> <b>Note 4.20, 13 &amp; 15</b> <p>The Group's biological assets include Kingfish, which is measured at fair value less costs to disposal.</p> <p>Estimating the fair value is a complex process involving a number of judgements and estimates regarding various inputs. Due to the nature of the asset, the valuation technique includes a model that uses a number of inputs from internal sources.</p> <p>This area is a key audit matter due to the complex nature involving a number of judgements and estimates.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting the processes and assessing the internal controls relating to the valuation methodology applied to biological assets;</li> <li>• Reviewing the inputs used in the valuation model by comparing to actual performance subsequent to reporting date and comparing with historical performance of the Group;</li> <li>• Attending a physical fin fish count and grading;</li> <li>• Reviewing the historical accuracy of the Group's assessment of the fair value of Kingfish by comparing to actual outcomes; and</li> <li>• Assessing the adequacy of the related disclosures within the financial statements.</li> </ul>

### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

### Responsibilities of the Directors for the financial report

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

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

### Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

### Report on the remuneration report

#### Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Clean Seas Seafood Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J.L. Humphrey  
Partner – Audit & Assurance

Adelaide, 30 August 2019

## ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 26 August 2019.

### Ordinary share capital (quoted)

91,739,566 fully paid ordinary shares are held by 6,528 shareholders.

### Substantial shareholders

The number of shares held by substantial shareholders and their associates, as stated on their most recent Substantial Shareholder notice, are set out below:

Shareholder	Number of Shares
Bonafide Wealth Management AG (1)	16,200,139
Australian Tuna Fisheries Pty Ltd (2)	5,940,624

(1) Notice released to ASX on 26 August 2019.

(2) Notice released to ASX on 28 November 2016.

### Voting Rights

Ordinary Shares: On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each fully paid share shall have one vote.

Distribution of equity security holders – Ordinary shares	
Holding	Number of holders
1 - 1,000	2,276
1,001 - 5,000	2,559
5,001 - 10,000	675
10,001 - 100,000	927
100,001+	91
<b>Total</b>	<b>6,528</b>

Twenty (20) largest shareholders	Ordinary shares	
	Number of shares held	Percentage of issued shares
J P Morgan Nominees Australia Pty Limited	22,021,214	24.00%
Australian Tuna Fisheries Pty Ltd	5,162,837	5.63%
HSBC Custody Nominees (Australia) Limited	1,750,041	1.91%
Citicorp Nominees Pty Limited	1,519,449	1.66%
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	1,253,653	1.37%
Neweconomy Com AU Nominees Pty Limited <900 Account>	1,127,675	1.23%
UBS Nominees Pty Ltd	1,126,054	1.23%
3rd Wave Investors Ltd	1,000,005	1.09%
Mr Hagen Heinz Stehr & Mrs Anna Stehr <H & A Stehr Super Fund A/C>	699,573	0.76%
Demeta Pty Ltd	655,000	0.71%
Fernbow Pty Ltd <The Holland Super Account>	538,880	0.59%
Lidova Pty Ltd <T J A Dickson S/F A/C>	530,000	0.58%
BNP Paribas Noms PTY LTD <DRP>	525,775	0.57%
Morgan Stanley Australia Securities (Nominee) Pty Ltd <No 1 Account>	485,621	0.53%
DHC International Pty Limited <Donvale Super A/C>	461,344	0.50%
Mr Michael John O'Neill & Mrs Rebecca Joan O'Neill <Protea Software STF S/F A/C>	440,000	0.48%
Mr Ermanno Feliciani	361,361	0.39%
DMSF Pty Ltd <Dino Mazzocato super A/C>	347,005	0.38%
Rdlk Pty Ltd <Red Lake S/F A/C>	323,389	0.35%
Hans and Delwyn Pty Limited	317,474	0.35%
<b>Total Securities of Top 20 Holdings</b>	<b>40,646,350</b>	<b>44.31%</b>

### Securities Exchange

The Company is listed on the Australian Securities Exchange.

### On Market Buy Back

There is no current on market buy back.