

Clean Seas Seafood Limited

# Annual Report 2016-17



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# Company Overview

## Background

Clean Seas is the global leader in full cycle breeding, production and sale of Yellowtail Kingfish, and is renowned world wide for its exceptionally high quality fish. Formed in 2000, and publicly listed in 2005, Clean Seas has become the largest producer of aquaculture Yellowtail Kingfish outside Japan. As well as our superb quality, we are recognised for our innovations in Yellowtail Kingfish farming, and our reliability in supplying fresh fish to markets all over the world 52 weeks of the year. In 2016-17 our Yellowtail Kingfish was voted “Best Fish” at the Australian Food awards for second year in a row.

## World Class Product

Spencer Gulf Hiramasa Yellowtail Kingfish’s firm white-to-light-pink flesh boasts a sweet, rich, clean flavour of consistently high standard. Spencer Gulf Hiramasa Yellowtail Kingfish has long been renowned as a superb sashimi fish, but it’s increasingly being acclaimed worldwide for its extraordinary versatility. Japanese sushi masters consider it the best fish in the world for sashimi.

## Key Highlights 2016-17

### New Processing Facility

- Completion of our newly built production facility in Royal Park, Adelaide.

### Marketing Strategy

- Strategic review of brand.
- Rebrand of Spencer Gulf Hiramasa Kingfish.
- New marketing campaign Tale of Two Fish.
- Chef Ambassador program development and expansion.

### Sales Re-structure

- Strategic review and re-structure of sales.

### Awards

- Awarded “Best Fish” by Australian Seafood Awards for second year in a row.

### Finance

- Returned to profitability one year ahead of Turnaround Strategy
- \$9.2 million increase in after-tax profit
- Sales revenue increased 18% to \$35.4 million
- Share purchase plan and Placement raised \$8.7 million.



Spencer Gulf Hiramasa Kingfish, a world class product

# Company Overview

## Our Hatchery

Our hatchery is located at Arno Bay and our sea farm operations are located in the Spencer Gulf, in a remote location off the Eyre Peninsula town of Port Lincoln in South Australia. At our hatchery, the cycle of life commences with eggs from our selectively bred brood stock. The eggs are carefully transferred to an incubator where they hatch 48 hours later, before being transferred to custom-designed larval rearing tanks.

For the next 21 days, the larvae enjoy a diet of live feeds (rotifers and artemia) until they are 0.1 grams. They are then transferred to the nursery for weaning, where they move to a specially formulated feed which replicates the ideal diet they would eat in the wild. They remain in this nursery until they reach a weight of up to 35grams, at which point they are transferred to sea.

## Farm Operations

Once transferred to sea, the Yellowtail Kingfish reside in the Spencer Gulf. By any measure, Spencer Gulf is one of the cleanest bodies of water in Australia. There is nothing between the water where the Yellowtail Kingfish are raised and the Antarctic but the icy, vast expanse of the Southern Ocean.

While at sea, they continue to be fed specially formulated feed which is balanced for optimal nutrition and growth. Safeguarded against predators and encountering minimal stress along the way (which is key to producing healthy, delicious fish), our fish remain at sea until they are 16-24 months and are harvested humanely once they reach the highly sought after sashimi grade size of 4+kgs.

## Sustainable Aquaculture Practices

Clean Seas is one of Australia's leading producers of sustainable seafood, and are globally reputed for championing world's best practice in Aquaculture. Clean Seas has certification from internationally renowned Friend of the Sea and are working towards achieving accreditation from the world's leading certification, The Aquaculture Stewardship Council (ASC) in early 2018.

Our sustainable operations include compliance with waste water parameters, reduction of escapes and bycatches to a negligible level, no impact on critical habitat (e.g. mangroves and wetlands), no use of harmful antifoulants or growth hormones, compliance with social accountability and gradual reduction of carbon footprint. We are focused on safe work practices and have recently been re-accredited for HACCP.



The Arno Bay hatchery, Port Lincoln farm and our dedicated team.









# Company Overview

## Fully Integrated Supply Chain

Spencer Gulf Hiramasa Kingfish is delivered fresh within 4-7 days of harvest. Our product is delivered to thousands of restaurants and chefs in 25 countries world wide, through more than 150 distributors.

Our world class hatchery infrastructure and farm leases have potential to more than triple production from the current 2,500 tonnes per year. With 15 years of experience in breeding and farming, Clean Seas has an entrenched first-mover advantage in Australia and key export markets.

## New Production Facility

In June 2017 Clean Seas commissioned a new in house processing facility in Adelaide. This state of the art facility provides end to end quality control across the supply chain from hatchery to customer.

The facility has a significant capacity for future expansion, including production of new “value added” products planned from 2018/2019.

## Latest Technology

The Royal Park Processing Facility will include the latest rapid freezing technology (liquid nitrogen) and Adelaide’s first minus 40° degree freezer facility.



Clean Seas new Adelaide based production facility.



# Company Overview

## 2017 Marketing Campaign

In July 2017, Clean Seas rebranded and launched a new marketing campaign for Spencer Gulf Hiramasa Kingfish. This followed a strategic review in 2016, which identified current branding did not reflect the product's key attributes and personality. The new marketing campaign is focused on three strategic pillars:

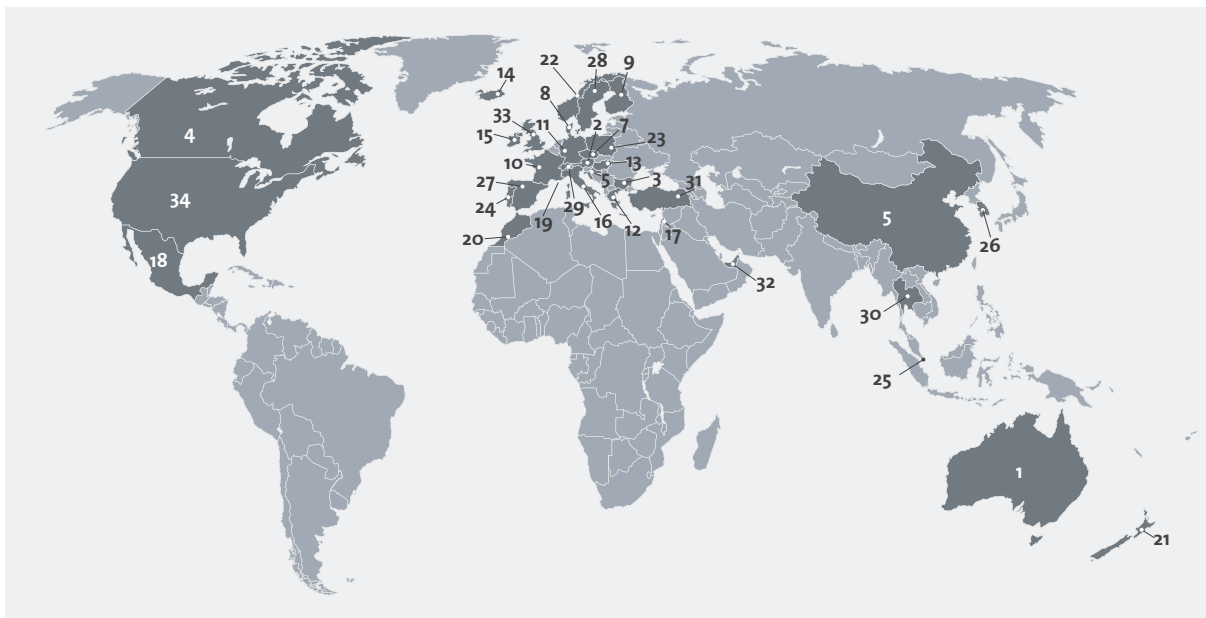
Provenance, Culinary Excellence (including cold water benefits), and Sustainability.

## Our Customers

Our customers are leading seafood distributors and wholesalers in key cities across the world. We have direct relationships with more than 150 distributors and wholesalers world wide. Together, we develop long term relationships with restaurants and key chefs.

Our brand is featured on menus in the best restaurants world wide. We have a long standing culture of working closely with high end chefs in Australia and around the world.

## Global Reach Map



### Countries we distribute to:

- |              |             |                 |              |
|--------------|-------------|-----------------|--------------|
| 1. Australia | 8. Denmark  | 18. Mexico      | 28. Sweden   |
| 2. Austria   | 9. Finland  | 19. Monaco      | 29. Switz    |
| 3. Bulgaria  | 10. France  | 20. Morocco     | 30. Thailand |
| 4. Canada    | 11. Germany | 21. New Zealand | 31. Turkey   |
| 5. China     | 12. Greece  | 22. Norway      | 32. UAE      |
| 6. Croatia   | 13. Hungary | 23. Poland      | 33. UK       |
| 7. Czechia   | 14. Iceland | 24. Portugal    | 34. USA      |
|              | 15. Ireland | 25. Singapore   |              |
|              | 16. Italy   | 26. South Korea |              |
|              | 17. Lebanon | 27. Spain       |              |





POWERFUL



DELICATE





Chef Nicky Riemer



Chef Giovanni Pilu



Chef Victor Liong



# Company Overview

## Brand Ambassadors

Clean Seas have established close relationships with a number of leading chefs who have become ambassadors for Spencer Gulf Hiramasa Kingfish.

### Spencer Gulf Hiramasa Kingfish chef ambassadors include:

**Nicky Riemer** - Bellota, Melbourne, Australia

**Giovanni Pilu** - Pilu at Freshwater, Sydney, Australia

**Victor Liong** - Lee Ho Fook, Melbourne, Australia

**Shaun Presland** - Rockpool Dining Group - Sake Brand Executive Chef, Sydney, Australia

**Frank Shek** - China Doll, Sydney, Australia

**Juan Amador** - Amador, Vienna, Austria

## Our Story: Best In Class with a compelling narrative

Sensory research has confirmed our product as “Best in Class” with clear and distinct preference to competitive offering including Japanese product. In 2016-17 we were voted “Best Fish” – by the Australian Food Awards for the second year.

Leading international chefs get inspiration from Spencer Gulf Hiramasa Kingfish. Whether served raw, cured, smoked, grilled, fried, roasted or poached, chef’s worldwide revere Hiramasa for its unparalleled quality and consistency and versatility.

Its high fat content is superbly moist unadorned as sashimi, yet rich enough to hold its own when paired with more robust flavours. This high fat content also ensures that Hiramasa’s skin crisps brilliantly too. The versatility of Hiramasa Kingfish makes it a fish for every season.



Chef Shaun Presland



# Chairman & Managing Director's Report



Terry O'Brien – Chairman



David Head – Managing Director & CEO

**On behalf of our Board and Management, we are pleased to present the 2017 Annual Report for Clean Seas Seafood Limited (ASX: CSS), formerly Clean Seas Tuna Ltd.**

The past year has been a strong one for Clean Seas as the Company has further consolidated its position as the global leader in full cycle breeding, production and sale of premium Yellowtail Kingfish.

The year to 30 June 2017 has seen our Company achieve improvements in several important areas: we returned to profit; sales increased by 29% on a normalised basis with growth in key export markets; and we undertook measures to address our historic inventory imbalance.

Clean Seas' return to full-year profitability has come one year ahead of the timetable outlined in the Turnaround Strategy released in October 2016. This

reflects growth in volume and selling prices while driving new levels of operational efficiency, for which Clean Seas' staff and management deserve our thanks.

At the end of the period, the Company launched a new marketing campaign with improved branding to support sales growth in Australia, Europe and the US and re-branded our premium grade product "Spencer Gulf Hiramasa Kingfish". This rebrand leverages our unique story and is showing customers that Clean Seas is best in class with a compelling narrative.

Customers' perception of quality is all-important in the premium market segments in which we operate. In this light, it is pleasing that sensory research conducted during the year has confirmed consumers' clear and distinct preference for our Spencer Gulf Hiramasa Kingfish over competitor products.



# Chairman & Managing Director's Report



Board of Directors – From top left; Mr. Marcus Stehr, Dr. Hagen Stehr, Mr. Nick Burrows, Mr. Paul Robinson, Mr. Paul Steere, From bottom left; Mr. David Head, Mr. Terry O'Brien

## Financial Results

We achieved strong improvement in receipts from customers and net operating cash flow in FY17. Receipts from customers increased by \$9.5 million (+35%).

Net operating cash flow, excluding the FY 16 R&D Tax Incentive Refund, improved by \$5.1 million (+60%) compared to FY16 as we achieved strong sales growth and efficiency gains on farm.

## Sales

Double-digit sales growth in Australia, Europe and North America in FY17 resulted in a 29% increase in annual sales volumes on a normalised basis (excluding the impact of one-off clearance sales in FY16):

- Australian sales increased 16% to 1,268 tonnes; and
- Export sales increased 10% to 1,019 tonnes.

The Company has achieved this sales growth at a time when farm gate prices have lifted in all markets. Net farm gate prices for large fresh fish, which represented 75% of the Company's volume, increased by 18% in from June 2016 to June 2017, to \$13.56 per kg whole weight equivalent.

While sales to Asia declined in FY17 due to Clean Seas' discontinuation of its planned distribution arrangement with Beston Global Food Company Limited (ASX: BFC), the Company is actively exploring new distribution opportunities in the region.

In Australia, Clean Seas saw the first farm gate price increases since April 2013. Export market prices increased progressively, with both European and US farm gates for large fresh Kingfish increasing by more than 20%.







# Chairman & Managing Director's Report

## Fish Health and Fish Growth

Clean Seas' Kingfish continued to maintain excellent health and survival rates which are consistently at world's best practice levels.

Fish growth is seasonal and is usually minimal in the July to October period due to lower seawater temperatures in the Spencer Gulf. Growth early in the year was below average, influenced by seawater temperatures that were more than one degree cooler than average. This appears to have been a "once in a generation" event caused by the failure of the warmer waters of the Leeuwin Current, which flows from the Indian Ocean down the Western Australian Coastline along the Great Australian Bight, to reach the Spencer Gulf and provide the warmer Spring water to the Gulf.

These conditions, resulting in lower than expected biomass growth, helped to address the structural imbalance the Company experienced in FY16, which resulted from lower than expected mortality rates and high levels of fingerling intakes in 2013 and 2014 when Clean Seas was recovering from taurine-deficient feed and mortality rates that had peaked at around 80%.

Sea temperatures reverted closer to average in January with Q3 reporting average to above-average seawater temperatures. This, combined with ongoing improvements in farm practices, caused fish growth to increase significantly, and in H2 FY17, fish growth exceeded expectations. This saw the Company recover approximately 70% of the growth shortfall experienced in H1 FY17.

Clean Seas recorded net fish growth of 2,459 tonnes for FY17 with 30 June 2017 biomass of 2,699 tonnes. This positions the Company well to meet increasing demand in both the Australian and export markets.

## New Processing Facilities

Clean Seas developed new processing facilities with the latest processing capabilities during the year at Royal Park in Adelaide, South Australia. Site works are complete and the new processing facility was commissioned in June 2017 with processing commenced in late July 2017.

The Royal Park facility is now processing virtually all fish for the Australian market and has commenced phasing in export processing. This has brought end-to-end quality control and will generate significant cost savings from which the Company expects to benefit in H2 FY18 and beyond.

The Company has recently acquired, and in Q2 FY18 will install, the latest rapid-freezing technology. This offers the potential to materially increase the Company's market opportunities while lowering its cost of processing and freight. This technology significantly reduces the freezing time and temperature which will improve freshness, texture and quality.

While Clean Seas will remain focussed on its ability to deliver the highest quality fresh Kingfish product globally, the flexibility provided by rapid freezing will enable Clean Seas to meet customer demand for premium quality frozen product and help smooth out any future imbalances between the rate of biomass growth and the ongoing expansion of market demand as the Company continues to increase production.

The Company will commission its new rapid freezing technology later in 2017 ahead of first production in Q3 FY18.



# Chairman & Managing Director's Report

## Marketing and brand awareness

Clean Seas was recognised at the 2017 Australian Food Awards, with Spencer Gulf Hiramasa Kingfish voted "Best Fish" for the second consecutive year.

Clean Seas launched a new marketing campaign with improved branding and renewed focus on the Company's Spencer Gulf provenance and culinary excellence. The Company will support this campaign with a sales activation program in Australia and Europe in H1 FY18, after which it will expand to address the large US market opportunity.

The Company is also implementing new packaging, featuring high-quality printing on recyclable waxed cardboard. This new design will enable better branding opportunities compared to the previous unbranded white polystyrene boxes, and with considerable environmental benefits. While these boxes will be more expensive, improved design and strength will deliver overall reduction in freight costs.

## CORPORATE

### Share Purchase Plan and Placement

On 27 October 2016, the Company announced a Share Purchase Plan (SPP) underwritten to \$6 million and a Placement of up to \$2 million to sophisticated and professional investors once the SPP was complete.

The SPP closed in late November with applications received from shareholders for \$6.2 million,

exceeding the \$6.0 million target which had been fully underwritten. The Company also received commitments for a Placement to sophisticated and professional investors for \$2.5 million. The Placement was increased from the original target of \$2 million to accommodate an increased investment in the Company by a European-based global aquaculture fund and some key existing Australasian shareholders.

Proceeds from the SPP and Placement were used to establish our in-house processing facility currently operating in Adelaide, upgrade farm infrastructure, new sales and marketing initiatives, debt reduction and to supplement working capital.

## Board Changes

In December, Clean Seas' founder Dr Hagen Stehr announced his intention to retire by June 2018. Dr Stehr was re-elected to the Clean Seas Board at the 2016 AGM. Dr Stehr will provide ample notice of his retirement date.

Terry O'Brien was appointed to the Board in February 2017 and became Independent Non-Executive Chairman in May 2017. The Company's previous Chairman, Paul Steere, remains on the Board as an Independent Non-Executive Director and has also advised the Board of his intention to retire by June 2018, along with Dr Stehr.



Spencer Gulf Hiramasa Kingfish at Lee Ho Fook,  
Melbourne Australia





# Chairman & Managing Director's Report

## **Name change**

Clean Seas Tuna Ltd became Clean Seas Seafood Limited after shareholders approved the change at the 2016 AGM. Although Clean Seas retains Southern Bluefin Tuna broodstock and undertakes R&D on a scaled back basis with the option for future development, the name change reflects the Company's immediate focus on addressing the attractive opportunity to grow sales and profits as the world's leading fully integrated breeder, producer and marketer of Yellowtail Kingfish.

## **Outlook**

The Company anticipates further increases in sales, farm gate prices and profit in FY18.

Our revenue growth, which we have guided at +21% to +33% in FY18, will be driven by our targeted customer activation program, passionate sales representation in Australia, Europe and North America and innovation in new products, made possible through our new state-of-the-art facilities in Adelaide.

At the same time, we expect a significant further improvement in profitability as revenue growth combines with improved farm gates from higher selling prices and cost reductions in processing and logistics.

Live fish growth of circa 3,100 tonnes – 600 tonnes more than FY17 – will support growth in future sales targets, but will require further investment in working capital.

The Board remain confident there is a great opportunity to continue the Company's profitable growth for what shapes as an exciting future over the coming months and years.

We take this opportunity to thank our management and staff for their efforts over the past year, as well as our fellow Directors for their support. The momentous effort put in by everyone has been clear in what we have been able to achieve operationally, which has exceeded all expectations.

We look forward to updating you as Clean Seas' growth initiatives and operational turnaround continue to build shareholder value over the coming months.

**Terry O'Brien**  
**Chairman**

**David J Head**  
**Managing Director and CEO**



# 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 Entity ('the Group') for the for the year ended 30 June 2017.

## Directors

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

- Mr Terry O'Brien - Appointed as Director on 3 February 2017 and elected Chairman on 10 May 2017;
- Mr Paul Steere (Chairman to 10 May 2017);
- Mr Nick Burrows;
- Dr Hagen Stehr;
- Mr Marcus Stehr;
- Mr David Head (Managing Director & CEO); and
- Mr Paul Robinson – Alternate Director for Dr Hagen Stehr.

## Company Secretary

The following person was Company Secretary of Clean Seas during and since the end of the financial year:

- Mr Wayne Materne

## Principal activities

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

- The propagation of Hiramasa Yellowtail Kingfish, producing fingerlings for sale and growout;
- The growout of 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 profit after tax for the year of \$0.202 million which compares to a \$8.982 million loss in FY16.

Significant positive outcomes of the FY17 year included:

- Sales volumes increased 13% to 2,287 tonnes, which was a 29% increase on a normalised basis excluding the impact of one-off clearance sales in FY16;
- Revenue increased 18% to \$35.4 million;
- Improvement in farm gate revenue with price increases in the Company's major markets;
- Achieved a H2 FY17 profit after tax of \$5.2 million, up from \$1.8 million in H2 FY16;
- Continued excellent Yellowtail Kingfish survival rates, health and growth;
- Yellowtail Kingfish biomass at year end increased 8% to 2,699 tonnes;

- Establishment of an in-house processing plant at Royal Park in Adelaide, South Australia, with commissioning commenced in June 2017 and phased in production commenced in late July 2017; and
- Development of a new marketing campaign and **Spencer Gulf Hiramasa Kingfish** branding reflecting strong and unique provenance. A new brand video, **the Tale of Two Fish**, and a series of short videos with Australian and internationally acclaimed chefs, combined with an international activation program will be key contributors to planned sales growth in FY18 and beyond.

Sales expansion was achieved in the key Australian, European and North American markets with strong sales of fresh **Spencer Gulf Hiramasa Kingfish** to premium markets reflecting continued recognition of the quality of our product. Sales to Asia declined due to the distribution arrangement with Beston Global Foods that was announced in July 2016 not yielding any material sales in FY17 following the 176 tonne sale in June 2016. The Company is exploring new options for distribution in the Asian region and resolution of the dispute with Beston remains in progress.

Fish husbandry costs reduced 6% to \$19.5 million whilst biomass increased 8% to 2,699 tonnes. This cost reduction was mainly attributable to reduced feed costs and other efficiencies.

The Royal Park processing plant is a major strategic initiative for the Company. This will, for the first time, give Clean Seas full control of this part of the supply chain, delivering opportunities to improve the freshness and quality of product delivered to customers, explore new product development and reduce processing costs. In August 2017 all whole fish processing for the Australian market is being undertaken at Royal Park and when international accreditations are finalised over coming months, all global processing will take place at Royal Park. We are also introducing industry leading technology with rapid freezing and a minus 40 storage freezer being installed, which is expected to create new distribution opportunities in premium global 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.

The litigation against Gibson's Limited, trading as Skretting Australia, in relation to taurine deficient feed supplied from December 2008 to July 2012 has progressed during FY17, with discovery and other necessary processes advancing. Gibson's Limited is defending the proceedings and has denied all liability to the Group. A trial date is yet to be set. As noted in the accounts, no amounts have been included for potential compensation to be received or potential costs in undertaking this litigation. Costs of advancing this litigation claim have been expensed as incurred.

### Significant changes in the state of affairs

Mr Terry O'Brien was appointed as a Director on 3 February 2017 and elected by the Board as Chairman on 10 May 2017. In line with the announcement at the Company's 2016 AGM, Mr Paul Steere will continue as a Non-Executive Director prior to retiring from the Board. Dr Hagen Stehr also announced at the 2016 AGM that he would retire from the Board during his current term. The Board will be progressing the identification of potential new Directors over the coming year.



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

There are no 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:

- International roll out of the new **Spencer Gulf Hiramasa Kingfish** branding and associated marketing campaign;
- An international activation program targeting leading dining establishments and their chefs;
- Further increases in farm gate revenue, with price increases supported by the new marketing campaign and cost reductions across the supply chain;
- Transfer of global processing to the Company's Royal Park facility, upon receipt of international accreditations. This will further reduce post-farm gate costs and facilitate new product development and improvements in quality;
- Improved farming efficiencies from scale, technology and ongoing research and development;
- Aquaculture Stewardship Council Accreditation to strengthen Clean Seas environmental and social credentials and provide an early adopter competitive advantage in Australia and key export markets;
- 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; and
- Strengthening the Senior Executive team, including the recruitment of a General Manager of Aquaculture.

Clean Seas is targeting sales volumes in FY18 of 2,650 to 2,850 tonnes, a 15%+ increase from the 2,287 tonnes in FY17. This is targeted to generate sales revenue of \$43 to \$47 million, a 21%+ increase from the \$35.4 million in FY17. Over subsequent years the company expects to further increase sales to 3,500 tonnes and beyond. The Group currently has the water leases and licences and hatchery capacity to produce up to 7,300 tonnes per annum.

### 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, from 1 July 2017, Chairman of the Remuneration and Nominations Committee and a member of the Finance, Audit and Risk Management ('FARM') 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.

Since announcing his retirement in early 2017, Terry is transitioning to a portfolio career. He is a Director of Food Innovation Australia Limited, a Government company supporting the food and agribusiness

sector. He is also a Director of Foodbank Australia, a not for profit provider of food aid to Australian families in need.

An accountant by training, Terry has been 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 Terry has been responsible for a number of divestments and acquisitions, which alongside organic growth has seen 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 is a Fellow of CPA Australia and a Fellow of the Australian Institute of Company Directors.

#### **Mr Paul Steere – Independent Non-Executive Director**

Mr Steere was appointed to the Company Board on 20 May 2010 and was Chairman from 22 May 2012 to 10 May 2017. He was also Chairman of the Remuneration and Nominations Committee to 30 June 2017 (ceased being a member from 1 July 2017) and continues as a member of the Finance, Audit and Risk Management ('FARM') Committee.

Mr Steere was Chief Executive of New Zealand King Salmon for 15 years from 1994 to 2009. NZ King Salmon is the leading aquaculture company in New Zealand and globally the largest Chinook salmon farmer with an international reputation for quality, service, process/product innovation and professionalism.

Prior to joining NZ King Salmon, Mr Steere served in senior executive roles with the NZ Dairy Board and a British International Trader, including a range of sole charge stewardship and Directorships.

Mr Steere remains a Director of NZ King Salmon and also holds the following positions:

- Chair of Nelson Airport Limited;
- Chair of Allan Scott Family Winemakers Limited of Marlborough NZ;
- Government appointed Councillor of the Nelson Marlborough Institute of Technology; and
- Director of Kaynemaile Limited, a company producing unique ring linked curtains for architectural applications and aquaculture farm netting.

Mr Steere is a member of the New Zealand Institute of Directors.

#### **Dr Hagen Stehr – Non-Executive Director**

Appointed to the Company Board at incorporation in September 2000, Dr Stehr continues as one of the founding Directors. Dr Stehr was Chairman from September 2000 to December 2009.

Dr Stehr's extensive knowledge of and experience in the fishing and aquaculture industries are well documented, having been a co-founder of the world's first Southern Bluefin Tuna offshore ranching industry in 1990 and a major player in the Tuna industry since 1960 in Australia and other parts of the world.

In addition to being a Director of Australian Tuna Fisheries Pty Ltd (a major shareholder in Clean Seas), Stehr Group Pty Ltd and Sanchez Tuna Pty Ltd, Dr Stehr is currently:

- Chairman of the Australian Maritime and Fisheries Academy (Australian Fisheries Academy Ltd) since 1997, a major institution for training of fishermen and seafarers;
- Board member of Primary Industries Skills Council SA Inc;
- Member of the Australian Maritime Safety Authority (AMSA) Advisory Committee; and
- Member of the Waite Independent Industry Leaders Club.

Dr Stehr has previously also held the following positions:

- Founding member of Australian Bight Seafood in 1971;
- Chair of the South Australian Marine Finfish Farmers Association Inc, the peak body for the sea farming industry;



- Chairman of the South Australian Fishing and Seafood Industry Training Council for over 20 years, being the longest serving Chairman;
- Member of the South Australian Government's Aquaculture Advisory Committee;
- Founding Board member of the Australian Tuna Boat Owners Association (now Australian Southern Bluefin Tuna Industry Association Ltd); and
- Founder of Fishing Industry House.

In 1997 Dr Stehr became a Justice of the Peace and was awarded the Officer of the Order of Australia (AO) for services to the Seafood Industry.

In 2000 Dr Stehr was awarded the Australian Centenary Medal.

In 2010 Dr Stehr received an honorary doctorate from the University of the Sunshine Coast in recognition of his internationally significant contribution to sustainable fishing industries.

In 2014 Dr Stehr was awarded the title of Food Ambassador for South Australia by the South Australian Government.

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

Mr Stehr was appointed to the Company Board on incorporation in September 2000. He is also a member and the Remuneration and Nominations Committee and was a member of the FARM Committee to 30 June 2017.

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

He has also previously held the following positions;

- Board member of the South Australian Marine Finfish Farmers Association Inc; and
- Deputy member of the South Australian Government's Aquaculture Advisory Committee.

#### **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 FARM 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 and Board Committee positions spanning local and state government, not-for-profit and major private companies. He is:

- Chairman of TasTAFE;
- 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;
- Director of Peloton Global Pty Ltd (parent entity of Value Adviser Associates Pty Ltd) and its subsidiary Climate Capital Pty Ltd;
- Director of TAFE Directors Australia Inc; and
- Member of the Australian China Business Council – Tasmanian Chapter.

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

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

**Mr Paul Robinson – Non-Executive Alternate Director**

Mr Robinson was appointed Alternate Director for Dr Hagen Stehr in December 2005. He is also a consultant to the FARM Committee.

Mr Robinson is a Fellow of Chartered Accountants Australia and New Zealand with 15 years' experience as a partner of a leading international accounting practice. He is Chairman and Non-Executive Director for a number of private property and investment companies. He was appointed a Non-Executive Director of Australian Tuna Fisheries Pty Ltd, a major Clean Seas shareholder which is associated with Dr Hagen Stehr, in May 2006. He is also a Director of PSMMR Pty Ltd which provides consulting services to Clean Seas.

**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 25 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 Wayne Materne – Company Secretary and Chief Financial Officer**

Mr Materne was appointed Company Secretary and Chief Financial Officer on 22 August 2014.

Mr Materne is a Fellow of CPA Australia and a Graduate Member of the Australian Institute of Company Directors. He has extensive experience in CFO and senior finance roles in the agribusiness and manufacturing sectors with ASX listed and unlisted companies. This includes experience in livestock, forestry and wine / viticulture with companies including Elders, SA Forestry Corporation, Southcorp and Nepenthe.



### 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		FARM Committee (2)		Remuneration and Nominations Committee	
	A	B	A	B	A	B
Paul Steere	12	12	4	4	3	3
Nick Burrows	12	11	4	4	3	3
Hagen Stehr (1)	12	12	-	4	-	2
Marcus Stehr	12	11	4	3	3	3
David Head	12	12	-	4	-	3
Terry O'Brien (3)	5	6	-	2	-	2

- (1) Paul Robinson attended 12 Board meetings and 4 FARM meetings by invitation as Alternate Director for Hagen Stehr.
- (2) FARM Committee is the Finance, Audit and Risk Management Committee.
- (3) Appointed 3 February 2017, however was invited to attend 1 Board meeting as observer prior to appointment.

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 18,847,188 share rights during the financial year as part of the FY17 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

No shares have been issued 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 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.

The Committee engages independent remuneration consultants to provide any necessary information to assist in the discharge of its responsibilities. During FY17 Guerdon Associates Pty Ltd provided advice and Value Adviser Associates Pty Ltd provided independent valuation services in relation to the LTI Equity Incentive Plan.

### 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 \$500,000, which was set at the 2016 AGM on 28 November 2016. 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.

Annual Directors' fees are currently set at \$120,000 for the Chairman of the Board and \$60,000 for all other Directors. No separate fees were paid for Board Committee membership in FY17, however from 1 July 2017 Committee fees will be paid at \$7,500 per annum for a Committee Chairman and \$5,000 per annum for other Committee members.

### **Senior Executive Remuneration**

The remuneration structure adopted by the Group for FY17 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.

### **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 operating profit after tax (NOPAT). 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 FY17 are summarised as follows:

- Managing Director and CEO: NOPAT in FY17, sales volume, sales farm gate, processing plant establishment and capital raise outcome; and
- CFO and Company Secretary: NOPAT in FY17, capital raise outcome, processing plant establishment and personal targets related to the position.

### **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 2016 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.

### 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

The resolution for adoption of the Remuneration Report for the financial year ending 30 June 2016 was passed by 83.8% of votes in a poll at the Company's 2016 Annual General Meeting. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

### 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 four financial years:

Item	2017	2016	2015	2014(*)	2013(*)
Basic EPS (cents)	0.02	(0.81)	0.37	0.94	(5.18)
Profit / (loss) before tax (\$'000)	202	(9,928)	1,033	6,597	(32,405)
Profit / (loss) after tax (\$'000)	202	(8,982)	4,108	9,156	(28,301)
Net Assets (\$'000)	51,553	42,917	51,899	47,791	29,433
Share price at 30 June (cents)	4.6	3.4	5.9	4.9	1.3

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



## 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		Performance based percentage of remuneration		
		Cash salary and fees	Cash bonus	Non-monetary benefits				Superannuation	Long service leave		Termination payments	Share rights
<b>Non-Executive Directors</b>												
Terry O'Brien (1) Chairman, Independent	2017	35,000	-	-	-	-	-	-	-	35,000	-	-
	2016	-	-	-	-	-	-	-	-	-	-	-
Paul Steere (2) Independent	2017	115,000	-	-	-	-	-	-	-	115,000	-	-
	2016	120,000	-	-	-	-	-	-	-	120,000	-	-
Nick Burrows Independent	2017	60,000	-	-	-	-	-	-	-	60,000	-	-
	2016	60,000	-	-	-	-	-	-	-	60,000	-	-
Hagen Stehr (3)	2017	60,000	-	-	-	-	-	-	-	60,000	-	-
	2016	60,000	-	-	-	-	-	-	-	60,000	-	-
Marcus Stehr	2017	54,794	-	5,206	-	-	-	-	-	60,000	-	-
	2016	54,794	-	5,206	-	-	-	-	-	60,000	-	-
Paul Robinson Alternate Director	2017	-	-	-	-	-	-	-	-	-	-	-
	2016	-	-	-	-	-	-	-	-	-	-	-
<b>Other Key Management Personnel</b>												
David Head (4) Managing Director & CEO	2017	388,369	147,533	-	35,000	1,718	-	147,994	-	720,614	-	41%
	2016	150,422	80,000	-	14,808	433	-	-	-	245,663	-	33%
Craig Foster (5) Chief Executive	2017	-	-	-	-	-	-	-	-	-	-	-
	2016	201,690	-	-	20,967	-	-	-	-	222,657	-	-
Wayne Materne - CFO & Company Secretary	2017	204,384	56,844	-	19,416	2,526	-	23,845	-	307,015	-	26%
	2016	207,684	-	-	20,680	1,123	-	-	-	229,487	-	-
Miles Toomey – GM Sales & Marketing (6)	2017	81,221	-	-	7,033	-	-	-	-	88,254	-	-
	2016	197,305	-	-	16,771	764	-	-	-	214,840	-	-
<b>2017 Total</b>	<b>2017</b>	<b>998,768</b>	<b>204,377</b>	<b>-</b>	<b>66,655</b>	<b>4,244</b>	<b>-</b>	<b>171,839</b>	<b>-</b>	<b>1,445,883</b>	<b>-</b>	<b>26%</b>
<b>2016 Total</b>	<b>2016</b>	<b>1,051,895</b>	<b>80,000</b>	<b>-</b>	<b>78,432</b>	<b>2,320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,212,647</b>	<b>-</b>	<b>7%</b>

(1) Appointed Director on 3 February 2017 and elected Chairman 10 May 2017 (2) Chairman to 10 May 2017 (3) Directors fees paid to a company associated with the Director

(4) Appointed 28 January 2016 (5) Retired 28 January 2016 (6) Resigned 4 November 2016

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	36%	14%	50%
Wayne Materne	59%	18%	23%

### 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	373,000	Yes	Ongoing	9 months
Wayne Materne	206,000	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 FY17, 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 FY17 and will be paid in FY18.

	Included in remuneration (\$'000)	Percentage vested during the year	Percentage forfeited during the year
<i>Other Key Management Personnel</i>			
David Head	147,533	90.4%	9.6%
Wayne Materne	56,844	84.0%	16.0%

**e Other information****Shares held by Key Management Personnel**

The number of ordinary shares in the Company during the 2017 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

Year ended 30 June 2017 – Ordinary Shares'000					
Personnel	Balance at start of year	Granted as remuneration	Received on exercise	Other changes	Held at the end of reporting period
T O'Brien (1)	-	-	-	2,000	2,000
P Steere (2)	457	-	-	448	905
H Stehr (3)	101,115	-	-	4,925	106,040
N Burrows (2)	431	-	-	448	879
M Stehr (2)	730	-	-	448	1,178
P Robinson (2)	1,750	-	-	448	2,198
D Head (3)	3,881	-	-	4,925	8,806
W Materne	-	-	-	-	-
<b>Totals</b>	<b>108,364</b>	-	-	<b>13,642</b>	<b>122,006</b>

- (1) Changes are on market purchases
- (2) Changes arise from participation in Share Purchase Plan
- (3) Changes arise from participation in Share Purchase Plan and Director Placement

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 2017 – Share Rights'000					
Personnel	Balance at start of year	Granted as remuneration	Exercised	Lapsed	Held at the end of reporting period
D Head	-	16,232	-	-	16,232
W Materne	-	2,615	-	-	2,615
<b>Totals</b>	-	<b>18,847</b>	-	-	<b>18,847</b>

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. No share rights have vested or been exercised as at the date of this report.

#### Other Transactions with Key Management Personnel

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

The largest shareholder in Clean Seas Seafood Limited is Australian Tuna Fisheries Pty Ltd (ATF). ATF and its associated entities controlled 7.7% of issued shares at 30 June 2017 (2016: 9.1%) and it is associated with Stehr Group Pty Ltd and Sanchez Tuna Pty Ltd.

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

	2017 \$'000	2016 \$'000
Australian Tuna Fisheries Pty Ltd:		
• Receipts for ice, expenses, SBT quota lease and contract labour	17	11
• Payments for towing, contract labour, fish feed, marina and net shed rent, fish and electricity	350	380
Stehr Group Pty Ltd		
• Payments for office rent	19	13
PSMMR Pty Ltd (associated with Paul Robinson – Alternate Director)		
• Payments for consulting services and associated expenses	77	56

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

	2017 \$'000	2016 \$'000
Current Payables		
• Australian Tuna Fisheries Pty Ltd	40	37
• Stehr Group Pty Ltd	7	-
• PSMMR Pty Ltd	9	15

**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 licenced 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 29 marine aquaculture licenses 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 with temporary approval having been received to carry additional biomass in the Port Lincoln licences.
- The Royal Park processing plant is licenced 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 FARM 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 FARM 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 25 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 20 of this financial report and forms part of this Directors' Report.

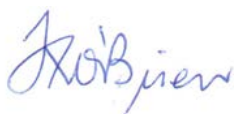
### Proceedings of behalf of the Company

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

31 August 2017



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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 Tuna Limited for the year ended 30 June 2017, 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.

A handwritten signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in blue ink, appearing to be "J.L. Humphrey".

J L Humphrey  
Partner - Audit & Assurance

Adelaide, 31 August 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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# 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 2017 is dated as at 30 June 2017 and was approved by the Board on 31 August 2017. The Corporate Governance Statement is available on Clean Seas' website at [www.cleanseas.com.au/main/investor-information/corporate-governance](http://www.cleanseas.com.au/main/investor-information/corporate-governance).

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Revenue	6	35,397	30,089
Other income	7	-	473
Net gain arising from changes in fair value of biological assets	14	9,941	1,986
Fish husbandry expense		(19,529)	(20,894)
Employee benefits expense	21.1	(7,181)	(6,293)
Fish processing and selling expense		(8,999)	(7,026)
Cost of goods sold – Frozen inventory		(3,031)	(2,148)
Write-down to net realisable value - Frozen inventory		(1,343)	(1,247)
Depreciation and amortisation expense	15	(1,997)	(1,821)
Other expenses		(2,956)	(2,959)
<b>Profit / (Loss) before finance items and tax</b>		<b>302</b>	<b>(9,840)</b>
Finance costs	8	(112)	(95)
Finance income	8	12	7
<b>Profit / (Loss) before tax</b>		<b>202</b>	<b>(9,928)</b>
Income tax benefit / (expense)	9	-	946
<b>Profit / (Loss) for the year from continuing operations</b>		<b>202</b>	<b>(8,982)</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income / (loss) for the year</b>		<b>202</b>	<b>(8,982)</b>
<b>Earnings per share from continuing operations:</b>			
Basic earnings per share (cents per share)	23.1	0.02	(0.81)
Diluted earnings per share (cents per share)	23.1	0.02	(0.81)

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

# Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
<b>Assets</b>			
<i>Current</i>			
Cash and cash equivalents	10	524	598
Trade and other receivables	11	3,832	3,699
Inventories	13	3,521	4,088
Prepayments		418	188
Biological assets	14	32,105	25,036
<b>Current assets</b>		<b>40,400</b>	33,609
<i>Non-current</i>			
Property, plant and equipment	15	13,985	13,003
Biological assets	16	244	244
Intangible assets	17	3,027	3,027
<b>Non-current assets</b>		<b>17,256</b>	16,274
<b>TOTAL ASSETS</b>		<b>57,656</b>	49,883
<b>Liabilities</b>			
<i>Current</i>			
Trade and other payables	18	4,083	3,101
Borrowings	19	330	3,063
Provisions	20	726	545
<b>Current liabilities</b>		<b>5,139</b>	6,709
<i>Non-current</i>			
Borrowings	19	832	68
Provisions	20	132	189
<b>Non-current liabilities</b>		<b>964</b>	257
<b>TOTAL LIABILITIES</b>		<b>6,103</b>	6,966
<b>Net assets</b>		<b>51,553</b>	42,917
<b>Equity</b>			
Equity attributable to owners of the Parent:			
• share capital	22	165,998	157,736
• share rights reserve	22	172	-
• accumulated losses		(114,617)	(114,819)
<b>Total equity</b>		<b>51,553</b>	42,917

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 2017

	Notes	Share capital \$'000	Share rights reserve \$'000	Accumulated Losses \$'000	Total equity \$'000
<b>Balance at 1 July 2015</b>		<b>157,736</b>	<b>-</b>	<b>(105,837)</b>	<b>51,899</b>
Loss for the year		-	-	(8,982)	(8,982)
<b>Balance at 30 June 2016</b>		<b>157,736</b>	<b>-</b>	<b>(114,819)</b>	<b>42,917</b>
Profit for the year		-	-	202	202
Share purchase plan and placement		8,262	-	-	8,262
Share rights reserve movement		-	172	-	172
<b>Balance at 30 June 2017</b>		<b>165,998</b>	<b>172</b>	<b>(114,617)</b>	<b>51,553</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 2017

	Notes	2017 \$'000	2016 \$'000
<b>Operating activities</b>			
Receipts from customers		36,130	26,674
Payments to suppliers excluding feed		(19,657)	(14,405)
Payments for feed		(13,333)	(14,521)
Payments to employees		(6,464)	(6,133)
R&D tax incentive refund		-	6,031
<b>Net cash used in operating activities</b>	24	<b>(3,324)</b>	(2,354)
<b>Investing activities</b>			
Purchase of property, plant and equipment		(2,453)	(1,391)
Interest received		14	7
<b>Net cash used in investing activities</b>		<b>(2,439)</b>	(1,384)
<b>Financing activities</b>			
Gross proceeds from issue of shares		8,970	-
Share issue expenses		(708)	-
Proceeds from borrowings		1,648	8,580
Repayment of borrowings		(4,138)	(5,669)
Interest paid	8	(83)	(88)
<b>Net cash from financing activities</b>		<b>5,689</b>	2,823
Net change in cash and cash equivalents		(74)	(915)
Cash and cash equivalents at beginning of year		598	1,513
<b>Cash and cash equivalents at end of year</b>	10	<b>524</b>	598

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 subsidiary's ('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 North Quay Boulevard, Port Lincoln South Australia 5606 Australia.

The consolidated financial statements for the year ended 30 June 2017 were approved and authorised for issue by the Board of Directors on 31 August 2017.

## 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 2016. Information on the more significant standards is presented below.

#### **AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

- the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or



- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

AASB 2014-4 is applicable to annual reporting periods beginning on or after 1 January 2016.

The adoption of these amendments has not had a material impact on the Group.

**AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101**

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.

The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated
- add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy

AASB 2015-2 is applicable to annual reporting periods beginning on or after 1 January 2016.

The adoption of these amendments has not had a material impact on the Group.

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 2017, 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 9 Financial Instruments (2014)**

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- a. Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.
- b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- d. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- e. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
  - the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
  - the remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

The entity is yet to undertake a detailed assessment of the impact of AASB 9, however the preliminary assessment is that it will not have a material impact.

**AASB 15 Revenue from Contracts with Customers (1 January 2018)**

**AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (1 January 2018)**  
**AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15 (1 January 2017)**

AASB 15:

- replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:
  - establishes a new revenue recognition model
  - changes the basis for deciding whether revenue is to be recognised over time or at a point in time
  - provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)

- expands and improves disclosures about revenue

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

#### **AASB 16 Leases (1 January 2019)**

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

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:

- there will be a significant increase in lease assets and financial liabilities recognised on the balance sheet
- the reported equity will reduce 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. Interest can also be included within financing activities.

#### **AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (1 January 2017)**

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements.

#### **AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share based Payment Transactions**

This Standard amends AASB 2 Share-based Payment to address:

- The accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- The classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
- The accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.



## 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 subsidiary as of 30 June 2017. 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. 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 the rendering of services. It is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

##### **Sale of goods**

Sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership.

##### **Rendering of services**

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

##### **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 8).

#### **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 4.12.

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% - 5%
- 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, Initial Measurement and Derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

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

#### Classification and 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 categories upon initial recognition:

- loans and receivables
- financial assets at Fair Value Through Profit or Loss ('FVTPL')
- Held-To-Maturity ('HTM') investments; or
- Available-For-Sale ('AFS') financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

#### *Financial assets at FVTPL*

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

*HTM investments*

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

*AFS financial assets*

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income' (see Note 4.5).

Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments impairment reversals are not recognised in profit loss and any subsequent increase in fair value is recognised in other comprehensive income.

## 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 Research and development tax incentive refund**

Refund amounts received or receivable under the Federal Government's Research and Development Tax Incentive are recognised on an accrual basis. The corporate tax rate component is recognised as a tax expense credit. Any additional component, being the incentive component, is recognised as a government grant.

#### **4.22 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.

#### **4.23 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.

#### **4.24 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 (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 4.5. 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 2017 \$'000	Tuna Operations 2017 \$'000	Unallocated 2017 \$'000	Total 2017 \$'000
<b>Revenue</b>				
From external customers	35,397	-	-	35,397
<b>Segment revenues</b>	<b>35,397</b>	<b>-</b>	<b>-</b>	<b>35,397</b>
Other income	-	-	-	-
Net gain from changes in value of fish	9,941	-	-	9,941
Fish husbandry expense	(19,529)	-	-	(19,529)
Employee benefits expense	(7,181)	-	-	(7,181)
Fish processing and selling expense	(8,999)	-	-	(8,999)
Frozen Inventory COGS	(3,031)	-	-	(3,031)
Frozen Inventory Adjustment to NRV	(1,343)	-	-	(1,343)
Depreciation and amortisation	(1,980)	(17)	-	(1,997)
Other expenses	(2,609)	(347)	-	(2,956)
Finance costs and income	-	-	(100)	(100)
<b>Segment operating profit / (loss) before tax</b>	<b>666</b>	<b>(364)</b>	<b>(100)</b>	<b>202</b>
<b>Segment assets 2017</b>	<b>56,690</b>	<b>442</b>	<b>524</b>	<b>57,656</b>

	Finfish Sales 2016 \$'000	Tuna Operations 2016 \$'000	Unallocated 2016 \$'000	Total 2016 \$'000
<b>Revenue</b>				
From external customers	30,089	-	-	30,089
From other segments	-	-	-	-
<b>Segment revenues</b>	<b>30,089</b>	<b>-</b>	<b>-</b>	<b>30,089</b>
Other income	436	37	-	473
Net gain from changes in value of fish	1,986	-	-	1,986
Fish husbandry expense	(20,894)	-	-	(20,894)
Employee benefits expense	(6,283)	(10)	-	(6,293)
Fish processing and selling expense	(7,026)	-	-	(7,026)
Frozen Inventory COGS	(2,148)	-	-	(2,148)
Frozen Inventory Adjustment to NRV	(1,247)	-	-	(1,247)
Depreciation and amortisation	(1,721)	(100)	-	(1,821)
Other expenses	(2,735)	(224)	-	(2,959)
Finance costs and income	-	-	(88)	(88)
<b>Segment operating loss before tax</b>	<b>(9,543)</b>	<b>(297)</b>	<b>(88)</b>	<b>(9,928)</b>
<b>Segment assets 2016</b>	<b>48,874</b>	<b>411</b>	<b>598</b>	<b>49,883</b>

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:

	<b>Revenue 2017 \$'000</b>	<b>Non-current assets 2017 \$'000</b>	Revenue 2016 \$'000	Non-current assets 2016 \$'000
Australia	19,916	17,256	17,011	16,274
Other countries	15,481	-	13,078	-
<b>Total</b>	<b>35,397</b>	<b>17,256</b>	30,089	16,274

During 2017 \$4.85 million or 14% (2016: \$3.03 million or 10%) 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:

	<b>2017 \$'000</b>	2016 \$'000
Sale of fresh fish products	31,269	25,972
Sale of frozen fish products	4,126	4,029
Other revenue	2	88
	<b>35,397</b>	30,089

## 7 Other income

Other income for the reporting periods consist of the following:

	<b>2017 \$'000</b>	2016 \$'000
R&D tax incentive refund – 15% incentive component	-	473
	-	473

## 8 Finance income and finance costs

Finance income for the reporting periods consist of the following:

	<b>2017 \$'000</b>	2016 \$'000
Interest income from cash and cash equivalents	12	7
	<b>12</b>	7



Finance costs for the reporting periods consist of the following:

	<b>2017</b> <b>\$'000</b>	2016 \$'000
Interest expenses for borrowings at amortised cost:		
• finance leases	<b>32</b>	7
• other borrowings	<b>80</b>	88
	<b>112</b>	95

## 9 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 30% (2016: 30%) and the reported tax expense in profit or loss are as follows:

	<b>2017</b> <b>\$'000</b>	2016 \$'000
Profit / (Loss) before tax	<b>202</b>	(9,928)
Domestic tax rate for Clean Seas Seafood Limited	<b>30%</b>	30%
<b>Expected tax expense / (income)</b>	<b>61</b>	(2,978)
Adjustment for R&D tax incentive refund – 30% corporate tax rate component	-	(946)
Current year tax expense added to / (offset against) prior year tax losses	<b>(61)</b>	3,120
Adjustment for tax-exempt income	-	(142)
<b>Actual tax expense / (income)</b>	-	(946)
Tax expense comprises:		
• R&D tax incentive refund – 30% corporate tax rate component	-	(946)
• Deferred tax expense	-	-
<b>Tax expense / (income)</b>	-	(946)

Due to uncertainty regarding the utilisation of prior year tax losses in future years, the tax losses are not recognised as an asset. Carried forward tax losses and non-refundable R&D tax offsets as at 30 June 2017 are approximately \$88.0 million (30 June 2016: \$85.0 million).

## 10 Cash and cash equivalents

Cash and cash equivalents include the following components:

	<b>2017</b> <b>\$'000</b>	2016 \$'000
Cash at bank and in hand	<b>524</b>	598
Deposits at call	-	-
<b>Total</b>	<b>524</b>	598

These at call amounts were not held in interest bearing accounts.

## 11 Trade and other receivables

Trade and other receivables consist of the following:

	<b>2017</b>	2016
	<b>\$'000</b>	\$'000
Trade receivables, gross	<b>3,571</b>	3,426
Allowance credit losses	<b>(50)</b>	(20)
<b>Trade receivables</b>	<b>3,521</b>	3,406
Other receivables	<b>311</b>	293
<b>Total</b>	<b>3,832</b>	3,699

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:

<b>Reconciliation of allowance credit losses</b>	<b>2017</b>	2016
	<b>\$'000</b>	\$'000
<b>Balance at 1 July</b>	<b>20</b>	20
Amounts written off / (uncollectable)	<b>(36)</b>	-
Additional provision recognised	<b>66</b>	-
Impairment loss reversed	-	-
<b>Balance 30 June</b>	<b>50</b>	20

An analysis of unimpaired trade receivables that are past due is given in Note 31.3.

## 12 Financial assets and liabilities

### 12.1 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 2017</b>						
<b>Financial assets</b>						
Cash and cash equivalents	10	-	-	-	524	524
Trade and other receivables	11	-	-	-	3,832	3,832
<b>Totals</b>		-	-	-	4,356	4,356

	Notes	* Derivatives used for hedging \$'000	* Designated at FVTPL \$'000	* Other liabilities at FVTPL \$'000	# Other liabilities \$'000	Total \$'000
<b>30 June 2017</b>						
<b>Financial liabilities</b>						
Trade and other payables	18	-	-	-	4,083	4,083
Borrowings	19	-	-	-	1,162	1,162
<b>Totals</b>		-	-	-	5,245	5,245

\* 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 2016</b>						
<b>Financial assets</b>						
Cash and cash equivalents	10	-	-	-	598	598
Trade and other receivables	11	-	-	-	3,699	3,699
<b>Totals</b>		-	-	-	4,297	4,297

	Notes	*Derivatives used for hedging \$'000	*Designated at FVTPL \$'000	*Other liabilities at FVTPL \$'000	#Other liabilities \$'000	Total \$'000
<b>30 June 2016</b>						
<b>Financial liabilities</b>						
Trade and other payables	18	-	-	-	3,101	3,101
Borrowings	19	-	-	-	3,131	3,131
<b>Totals</b>		-	-	-	6,232	6,232

\* 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 31.



## 12.2 Derivative financial instruments

The Group from time to time uses forward foreign exchange contracts to mitigate exchange rate exposure arising from forecast sales in EUR and other currencies. All forward exchange contracts are designated as hedging instruments in cash flow hedges in accordance with AASB 139. No forward foreign exchange contracts were in place at 30 June 2017 (2016: nil).

During FY17 no gains or losses were recognised in other comprehensive income or reclassified from equity into profit or loss within revenue (2016: nil).

## 12.3 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.

## 13 Inventories

Inventories consist of the following:

	2017 \$'000	2016 \$'000
Frozen fish products	2,175	2,640
Fish feed	1,248	1,274
Other	98	174
	<b>3,521</b>	4,088

## 14 Biological assets - current

	2017 \$'000	2016 \$'000
<b>Live Yellowtail Kingfish – Held for Sale</b>		
<b>Carrying amount at beginning of period</b>	<b>25,036</b>	27,598
Adjusted for:		
Gain from physical changes at fair value less costs to sell	<b>33,953</b>	22,116
Decrease due to harvest for sale as fresh	<b>(24,012)</b>	(20,130)
Net gain recognised in profit and loss	<b>9,941</b>	1,986
Decrease due to harvest for processing to frozen inventory	<b>(2,872)</b>	(4,548)
<b>Carrying amount at end of period</b>	<b>32,105</b>	25,036

The closing biomass comprised 2,699 tonnes at an average weight of 2.2kg. This comprised 98 tonnes of 2015 year class (YC15) at an average weight of 6.3kg, 1,504 tonnes of YC16 at an average weight of 4.3kg and 1,097 tonnes of YC17 at an average weight of 1.2kg (2016: 2,508 tonnes at 2.5kg comprising 1,730 tonnes of YC15 at 3.7kg and 778 tonnes of YC16 at 1.5kg). During FY17 harvests totalled 2,294 tonnes (FY16: 2,393 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.

## 15 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	Marina Lease \$'000	Dams & Fishponds \$'000	Total \$'000
<b>Gross carrying amount</b>					
Balance 1 July 2016	3,913	25,649	-	-	29,562
Additions	-	2,979	-	-	2,979
Transfers & Other Movements	-	-	-	-	-
Disposals	-	(21)	-	-	(21)
Balance 30 June 2017	3,913	28,607	-	-	32,520
<b>Depreciation and impairment</b>					
Balance 1 July 2016	(1,227)	(15,332)	-	-	(16,559)
Disposals	-	21	-	-	21
Transfers & Other Movements	-	-	-	-	-
Depreciation	(86)	(1,911)	-	-	(1,997)
Balance 30 June 2017	(1,313)	(17,222)	-	-	(18,535)
<b>Carrying amount 30 June 2017</b>	<b>2,600</b>	<b>11,385</b>	<b>-</b>	<b>-</b>	<b>13,985</b>

	Land & Buildings \$'000	Plant & Equipment \$'000	Marina Lease \$'000	Dams & Fishponds \$'000	Total \$'000
<b>Gross carrying amount</b>					
Balance 1 July 2015	11,797	19,455	2,000	364	33,616
Additions	77	1,485	-	-	1,562
Transfers & Other Movements	(7,961)	4,709	(2,000)	(364)	(5,616)
Disposals	-	-	-	-	-
Balance 30 June 2016	3,913	25,649	-	-	29,562
<b>Depreciation and impairment</b>					
Balance 1 July 2015	(4,694)	(13,296)	(2,000)	(364)	(20,354)
Disposals	-	-	-	-	-
Transfers & Other Movements	3,832	(580)	2,000	364	5,616
Depreciation	(365)	(1,456)	-	-	(1,821)
Balance 30 June 2016	(1,227)	(15,332)	-	-	(16,559)
<b>Carrying amount 30 June 2016</b>	<b>2,686</b>	<b>10,317</b>	<b>-</b>	<b>-</b>	<b>13,003</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 19).

## 16 Biological assets – non-current

	2017 \$'000	2016 \$'000
<b>Finfish Broodstock</b>		
<b>Carrying amount at beginning of period</b>	<b>244</b>	244
Purchases	-	-
Sales	-	-
<b>Carrying amount at end of period</b>	<b>244</b>	244

## 17 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 2016	2,827	200	3,027
Amortisation and impairment	-	-	-
<b>Net carrying amount 30 June 2017</b>	<b>2,827</b>	<b>200</b>	<b>3,027</b>
Balance at 1 July 2015	2,827	200	3,027
Amortisation and impairment	-	-	-
Net carrying amount 30 June 2016	2,827	200	3,027

At each reporting date the Directors review intangible assets for impairment. No impairment was assessed as necessary in 2017 (2016: nil).

## 18 Trade and other payables

Trade and other payables consist of the following:

	2017 \$'000	2016 \$'000
Current:		
• trade payables	2,039	2,202
• related party payables	100	52
• other payables	1,944	847
<b>Total trade and other payables</b>	<b>4,083</b>	3,101

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

## 19 Borrowings

Borrowings consist of the following:

	2017 \$'000	2016 \$'000
<b>Current:</b>		
• Bank Trade Finance Facility	-	2,900
• Finance lease (note 30)	263	96
• Other – insurance premium funding	67	67
<b>Total borrowings – current</b>	<b>330</b>	<b>3,063</b>
<b>Non-current:</b>		
• Finance lease (note 30)	832	68
<b>Total borrowings – non-current</b>	<b>832</b>	<b>68</b>

The Group has a secured \$7.0m Trade Finance Facility with Commonwealth Bank of Australia. This is an ongoing facility subject to annual review and is secured against all Group assets. The Company satisfied all covenants at 30 June 2017 and 30 June 2016.

The Group also has a \$2.0m secured Lease Finance Facility with Commonwealth Bank of Australia, of which \$0.98m was utilised at 30 June 2017.

## 20 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 2016</b>	<b>381</b>	<b>353</b>	<b>734</b>
Additional provisions	536	65	601
Amount utilised	(408)	(69)	(477)
<b>Carrying amount 30 June 2017</b>	<b>509</b>	<b>349</b>	<b>858</b>
<b>Current employee benefit provision</b>	<b>509</b>	<b>217</b>	<b>726</b>
<b>Non-current employee benefit provision</b>	<b>-</b>	<b>132</b>	<b>132</b>



## 21 Employee remuneration

### 21.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

	2017 \$'000	2016 \$'000
Salaries and wages	5,301	5,217
Superannuation – Defined contribution plans	457	427
Leave entitlement accrual adjustment	544	130
Short term incentive	286	110
Long term incentive – Share rights	172	-
Other on-costs	421	409
<b>Total</b>	<b>7,181</b>	<b>6,293</b>

### 21.2 Share-based employee remuneration

The Company granted a total of 18,847,188 FY17 LTI Share Rights to two senior executives during the year (2016: nil). 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. No share rights have vested, been exercised or lapsed as at the date of this report.

The Share Rights were independently valued by Value Adviser Associates Pty Ltd on 16 August 2017 and one-third of the valuation has been expensed in FY17. A further one-third will be expensed in each of FY18 and FY19, 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. This includes the Clean Seas share price on the 28 November 2016 grant date being 3.5 cents, no adjustment being required for future dividends, achievement of one of the two performance targets in FY17, assessment of the probability of achievement of the second (EPS) performance target in FY19 considering 12 years of historic data and 2 years of forecast data to determine expected volatility, a standard deviation of \$0.0085 based on the three most recent historic years and two forecast years, and use of a Monte Carlo simulation with 500,000 iterations.

## 22 Equity

### 22.1 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.

	2017 Shares	2016 Shares	2017 \$'000	2016 \$'000
Shares issued and fully paid:				
• at beginning of the year	1,105,282,736	1,105,282,736	157,736	157,736
• share issue	267,760,712	-	8,262	-
<b>Total contributed equity at 30 June</b>	<b>1,373,043,448</b>	<b>1,105,282,736</b>	<b>165,998</b>	<b>157,736</b>

All shares issued during the year were issued at 3.35 cents per share. The issues were;

- Share purchase plan: 184,083,998 shares issued on 25 November 2016, to raise \$6.17 million before expenses
- Placement: 74,721,492 shares issued on 25 November 2016, to raise \$2.50 million before expenses
- Directors' placement: 8,955,222 shares issued on 28 December 2016, to raise \$0.30 million before expenses

## 22.2 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:

	2017 Share rights	2016 Share rights	2017 \$'000	2016 \$'000
Share rights outstanding:				
• at beginning of the year	-	-	-	-
• granted during the year – FY17 LTI	<b>18,847,188</b>	-	<b>172</b>	-
• exercised during the year	-	-	-	-
• lapsed during the year	-	-	-	-
<b>Total share rights at 30 June</b>	<b>18,847,188</b>	-	<b>172</b>	-

Details of these Share Rights are provided at note 21.2.

## 23 Earnings per share and dividends

### 23.1 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 2017 or 2016).

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:

	2017	2016
Amounts in thousand shares:		
• weighted average number of shares used in basic earnings per share	<b>1,264,396</b>	1,105,283
• shares deemed to be issued for no consideration in respect of share based payments	<b>11,102</b>	-
<b>Weighted average number of shares used in diluted earnings per share</b>	<b>1,275,498</b>	1,105,283

### 23.2 Dividends

Dividends Paid and Proposed

	2017 \$'000	2016 \$'000
<b>Dividends declared during the year</b>	-	-

**23.3 Franking credits**

	Parent	
	2017 \$'000	2016 \$'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	-	-
	-	-

**24 Reconciliation of cash flows from operating activities**

	2017 \$'000	2016 \$'000
<b>Profit for the period</b>	<b>202</b>	<b>(8,982)</b>
Adjustments for:		
• depreciation, amortisation and impairment	<b>1,997</b>	1,821
• LTI share rights expense	<b>172</b>	-
• net interest expense included in investing and financing	<b>100</b>	88
Net changes in working capital:		
• change in inventories	<b>567</b>	(1,637)
• change in trade and other receivables	<b>(134)</b>	2,541
• change in prepayments	<b>(230)</b>	21
• change in biological assets	<b>(7,069)</b>	2,713
• change in trade and other payables	<b>982</b>	1,159
• change in other employee obligations	<b>124</b>	130
• changes offset in investing	<b>(35)</b>	(208)
<b>Net cash from operating activities</b>	<b>(3,324)</b>	<b>(2,354)</b>

**25 Auditor remuneration**

	2017 \$	2016 \$
<b>Audit and review of financial statements</b>	<b>99,420</b>	76,072
<b>Other services</b>		
• taxation compliance	<b>8,350</b>	12,000
• other tax services	<b>37,450</b>	30,380
<b>Total other service remuneration</b>	<b>45,800</b>	42,380
<b>Total auditor's remuneration</b>	<b>145,220</b>	118,452

## 26 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.

The largest shareholder in Clean Seas Seafood Limited is Australian Tuna Fisheries Pty Ltd (ATF). ATF and its associated entities controlled 7.7% of issued shares at 30 June 2017 (2016: 9.1%) and it is associated with Stehr Group Pty Ltd and Sanchez Tuna Pty Ltd.

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

	2017 \$'000	2016 \$'000
Australian Tuna Fisheries Pty Ltd:		
• Receipts for ice, expenses, SBT quota lease and contract labour	17	11
• Payments for towing, contract labour, fish feed, marina and net shed rent, fish and electricity	350	380
Stehr Group Pty Ltd		
• Payments for office rent	19	13
PSMMR Pty Ltd (associated with Paul Robinson – Alternate Director)		
• Payments for consulting services	70	56

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

	2017 \$'000	2016 \$'000
Current Payables		
• Australian Tuna Fisheries Pty Ltd	40	37
• Stehr Group Pty Ltd	7	-
• PSMMR Pty Ltd	9	15

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

	2017 \$	2016 \$
Short-term employee benefits	1,203,145	1,131,895
Post-employment benefits	66,655	78,432
Long-term benefits	176,083	2,320
Termination benefits	-	-
Total Remuneration	1,445,883	1,212,647

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 2017.



## 27 Contingent assets and liabilities

Clean Seas announced in June 2015 that it had commenced litigation against Gibson's Limited, trading as Skretting Australia, in relation to feed supplied from FY09 to FY12 which contained insufficient taurine. This resulted in mortalities and suppressed growth in the Yellowtail Kingfish stocks which caused substantial trading losses. In July 2016 Clean Seas announced that it had received the Independent Expert Forensic Accountant's Report which assessed the quantum of the Group's claim at \$34.5 million to \$39.1 million excluding interest and costs. Gibson's Limited are defending the proceedings and have denied all liability to the Group. A trial date is yet to be set. No amounts have been recognised in these accounts in relation to potential compensation or future litigation costs. Costs of advancing this litigation claim have been expensed as incurred.

The Group also has unrecognised carry forward tax losses. This contingent asset is discussed in Note 9.

There are no other material contingent assets or liabilities.

## 28 Capital commitments

	2017 \$'000	2016 \$'000
Property, plant and equipment	971	197
	<b>971</b>	<b>197</b>

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

## 29 Interests in subsidiaries

### 29.1 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 2017	30 June 2016
Clean Seas Aquaculture Growout Pty Ltd	Australia	Growout and sale of Yellowtail Kingfish	<b>100%</b>	100%

### 29.2 Interests in unconsolidated structured entities

The Group has no interests in unconsolidated structured entities.

## 30 Leases

### 30.1 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 \$1,238k (2016: \$173k).

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

<b>Finance lease liabilities</b>	<b>2017</b>	2016
	<b>\$'000</b>	<b>\$'000</b>
Current:		
• finance lease liabilities	<b>263</b>	96
Non-current:		
• finance lease liabilities	<b>832</b>	68

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

	<b>Minimum lease payments due</b>			
	<b>Within 1 year</b>	<b>1-5 years</b>	<b>After 5 years</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>30 June 2017</b>				
Lease payments	<b>315</b>	<b>923</b>	-	<b>1,238</b>
Finance charges	<b>(52)</b>	<b>(91)</b>	-	<b>(143)</b>
<b>Net present values</b>	<b>263</b>	<b>832</b>	-	<b>1,095</b>
<b>30 June 2016</b>				
Lease payments	103	70	-	173
Finance charges	(7)	(2)	-	(9)
Net present values	96	68	-	164

### 30.2 Operating leases as lessee

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

	<b>Minimum lease payments due</b>			
	<b>Within 1 year</b>	<b>1-5 years</b>	<b>After 5 years</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Minimum operating lease payments</b>	<b>333</b>	<b>985</b>	-	<b>1,318</b>

The operating lease expense in 2017 was \$167k (2016: \$86k).

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.

## 31 Financial instrument risk

### 31.1 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 12.1. 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.

### 31.2 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 2017</b>						
• financial assets	503	41	-	-	-	-
• financial liabilities	(25)	-	-	-	-	-
<b>Total exposure</b>	<b>478</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 June 2016</b>						
• financial assets	1,205	407	-	-	-	-
• financial liabilities	-	-	-	-	-	-
<b>Total exposure</b>	<b>1,205</b>	<b>407</b>	<b>-</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 2017 (2016: 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 2017	(920)	1,000
30 June 2016	(550)	630

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.

### 31.3 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:

	2017 \$'000	2016 \$'000
<b>Classes of financial assets</b>		
Carrying amounts:		
• cash and cash equivalents	524	598
• trade and other receivables	3,832	3,699
	<b>4,356</b>	4,297

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:

	2017 \$'000	2016 \$'000
Not more three (3) months	822	883
More than three (3) months but not more than six (6) months	50	89
More than six (6) months but not more than one (1) year	84	-
More than one (1) year	66	-
<b>Total</b>	<b>1,022</b>	972

In respect of trade and other receivables, 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.



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

#### 31.4 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 2017, 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 2017</b>				
Trade and other payables	4,083	-	-	-
Finance lease obligations	135	128	832	-
Other borrowings	67	-	-	-
<b>Total</b>	<b>4,285</b>	<b>128</b>	<b>832</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 2016</b>				
Trade and other payables	2,950	-	-	-
Finance lease obligations	52	51	70	-
Other borrowings	67	2,900	-	-
<b>Total</b>	<b>3,069</b>	<b>2,951</b>	<b>70</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.

## 32 Fair value measurement

### 32.1 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 2017:

30 June 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Biological assets - current	-	31,905	-	31,905
Biological assets – non-current	-	244	-	244
Southern bluefin tuna quota	-	200	-	200
Total	-	32,349	-	32,349

30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Biological assets - current	-	24,885	-	24,885
Biological assets – non-current	-	244	-	244
Southern bluefin tuna quota	-	200	-	200
Total	-	25,329	-	25,329

The fair values of the biological assets are determined in accordance with Note 4.22.

## 33 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 \$7m Trade Finance Facility at 30 June 2017.

**34 Parent entity information**

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

	<b>2017</b>	2016
	<b>\$'000</b>	\$'000
<b>Statement of financial position</b>		
Current assets	<b>795</b>	747
Total assets	<b>41,137</b>	38,679
Current liabilities	<b>1,373</b>	3,931
Total liabilities	<b>2,259</b>	4,053
Net assets	<b>38,878</b>	34,626
Issued capital	<b>165,998</b>	157,736
Share rights reserve	<b>172</b>	-
Accumulated losses	<b>(127,292)</b>	(123,110)
Total equity	<b>38,878</b>	34,626
<b>Statement of profit or loss and other comprehensive income</b>		
Profit for the year	<b>(4,182)</b>	(1,961)
Other comprehensive income	-	-
Total comprehensive income	<b>(4,182)</b>	(1,961)

The Parent Entity has capital commitments of \$20k to purchase plant and equipment (2016: Nil). Refer Note 28 for further details of the commitment.

The Parent Entity has not entered into a Deed of Cross Guarantee. Refer Note 27 in relation to contingent assets and liabilities.

**35 Post-reporting date events**

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

# Directors' Declaration

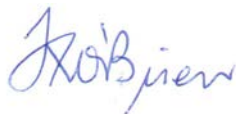
In the opinion of the Directors of Clean Seas Seafood Limited:

- 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 2017 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 2017.

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 31st day of August 2017





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## 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 2017, 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 2017 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 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.

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**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
<p><b>Revenue recognition</b> <b>Notes 4, 6</b></p> <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 118 <i>Revenue</i>;</li> <li>• Performing analytical procedures to understand the movements and trends in revenue for comparison against 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>
<p><b>Biological asset existence and valuation</b> <b>Notes 4, 14 &amp; 16</b></p> <p>The Group's biological assets include Kingfish, which is measured at fair value less costs to sell.</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 to gain comfort that the biomass inputs into the valuation are appropriate;</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>

Share rights payments Note 22	
<p>During the year, the Group issued performance rights to key management personnel.</p> <p>Management obtained an independent valuation to assist with significant judgements and estimations.</p> <p>The total fair value of the performance rights issued was \$515,518 which is to be expensed over the vesting period in accordance with AASB 2 <i>Share-based payments</i>.</p> <p>The performance rights contain vesting conditions related to achievement of certain performance hurdles. Estimating the probability of achieving these hurdles requires significant management judgement.</p> <p>This area is a key audit matter due to the degree of judgement involved in estimating the fair value of the performance rights</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Assessing the qualification and expertise of management's valuation expert;</li> <li>• Obtaining copies of the data provided to management's expert to evaluate for consistency with other information gathered during the audit;</li> <li>• Agreeing key assumptions applied by management's experts to publicly available market data;</li> <li>• Agreeing key inputs to the relevant terms within the share rights agreements;</li> <li>• Assessing the vesting period against the performance hurdles;</li> <li>• Verifying the mathematical accuracy of the share option valuation provided by management's experts using the Monte Carlo pricing model; and</li> <li>• Assessing the adequacy of the related disclosures within the Remuneration Report and 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 2017, but does not include the financial report and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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 2017.

In our opinion, the Remuneration Report of Clean Seas Seafood Limited, for the year ended 30 June 2017, 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.

A stylized, handwritten signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in blue ink, appearing to be "J L Humphrey".

J L Humphrey  
Partner - Audit & Assurance

Adelaide, 31 August 2017



# 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 17 August 2017.

## Ordinary share capital (quoted)

1,373,043,448 fully paid ordinary shares are held by 7,454 shareholders.

## Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number of Shares
Australian Tuna Fisheries Pty Ltd	106,040,344

## 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	552
1,001 - 5,000	1,036
5,001 - 10,000	836
10,001 - 100,000	3,265
100,001+	1,765
<b>Total</b>	<b>7,454</b>

There were 2,458 holders of less than a marketable parcel of 10,417 ordinary shares, holding a total of 10,325,015 ordinary shares.

Twenty (20) largest shareholders	Ordinary shares	
	Number of shares held	Percentage of issued shares
Australian Tuna Fisheries Pty Ltd	94,411,757	6.9%
J P Morgan Nominees Australia Limited	91,774,535	6.7%
Citicorp Nominees Pty Limited	27,219,151	2.0%
Mr Jason Conrad Squire <The Jasqui A/C>	14,500,000	1.1%
Mr Michael John O'Neill & Mrs Rebecca Joan O'Neill <Protea Software Stf S/F A/C>	14,100,000	1.0%
BNP Paribas Noms Pty Ltd <DRP>	13,846,473	1.0%
Mr Xianghui Chen	13,561,027	1.0%
Mr Jamie Lewis	13,065,000	1.0%
Rowe Heaney Super Fund Pty Ltd <Rowe Heaney Super Fund A/C>	12,432,835	0.9%
Mr Hagen Heinz Stehr & Mrs Anna Stehr <H & A Stehr Super Fund A/C>	11,628,587	0.8%
Mr Ermanno Feliciani	11,281,094	0.8%
DHC International Pty Limited <Donvale Super A/C>	7,911,259	0.6%
Fernbow Pty Ltd <The Holland Super Account>	6,800,000	0.5%
Lidova Pty Ltd <T J A Dickson S/F A/C>	6,600,000	0.5%
RDLK Pty Ltd <Red Lake S/F A/C>	6,447,761	0.5%
HSBC Custody Nominees (Australia) Limited	6,147,999	0.4%
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	5,996,771	0.4%
Hans And Delwyn Pty Limited	5,349,465	0.4%
Mrs Hui-Chen Tsai	5,300,000	0.4%
Simplot Australia Pty Limited	5,231,250	0.4%
<b>Total</b>	<b>373,604,964</b>	<b>27.2%</b>

### Securities Exchange

The Company is listed on the Australian Securities Exchange.

### On Market Buy Back

There is no current on market buy back.

# Corporate Directory

## Directors

### **Terry O'Brien**

Independent Non-Executive Chairman

### **Paul Steere**

Independent Non-Executive Director

### **Nick Burrows**

Independent Non-Executive Director

### **Dr Hagen Stehr AO**

Non-Executive Director

### **Marcus Stehr**

Non-Executive Director

### **David Head**

Managing Director and Chief Executive Officer

### **Paul Robinson**

Alternate Non-Executive Director for H Stehr

## Company secretary

### **Wayne Materne**

## Executives

### **David Head**

Managing Director and Chief Executive Officer

### **Wayne Materne**

Chief Financial Officer & Company Secretary

## Principal registered office in Australia

7 North Quay Boulevard,  
Port Lincoln SA 5606

**Ph:** (08) 8621 2900

**Fax:** (08) 8621 2990

**Email:** reception@cleanseas.com.au

## Share register

Boardroom Pty Ltd  
Level 12, 225 George Street / GPO Box 3993  
Sydney NSW 2000

**Ph:** 1300 737 760 / +612 9290 9600

**Fax:** +612 9290 9655

**Email:** enquiries@boardroomlimited.com.au

## Auditor

Grant Thornton Audit Pty Ltd  
Level 3, 170 Frome Street,  
Adelaide SA 5000

## Stock exchange listing

Clean Seas Seafood Limited shares are listed on the Australian Securities Exchange (ASX: CSS)

## Website address

**[www.cleanseas.com.au](http://www.cleanseas.com.au)**

