

## ASX & Media Release

28 February 2017

### **CLEAN SEAS REPORTS FURTHER PROGRESS IN H1 FY17 AND IS ON TRACK FOR A RETURN TO PROFITABILITY FROM JANUARY 2017**

Clean Seas Seafood Limited (ASX: CSS) has today released its results for the 6 months to December 2016, which reflect the ongoing improvements being made to the business. The Company confirms that it expects to be profitable in H2 FY17 at a level significantly above the \$1.8 million profit achieved in H2 FY16 and expects a return to full year profitability in FY18.

Key aspects of the results are:

- Sales revenue increased by 36% to \$16.3 million compared to H1 FY16;
- Farm Gate Prices remain strong, with improvement during the first half of FY17:
  - Export Farm Gates lifted by more than \$2 per kg over the period, reflecting a significant reduction in discounting in certain export markets used to clear excess inventory
  - Australian Domestic Farm Gate Prices increased by around \$0.80 per kg, which was the first price increase in Australia since April 2013;
- Loss before tax more than halved from \$11.77 million in H1 FY16 to \$4.96 million in H1 FY17;
- The H1 FY17 loss reflects the impact of significantly cooler seawater temperatures than seasonal averages, resulting in net growth being 309 tonnes less than the same period last year which reduced net profit in H1 FY17 by around \$3 million;
- Seawater temperatures and fish growth returned close to the long term average in January and February 2017 with net growth in the month of January 2017 alone exceeding the total growth in H1 FY17;
- Significant improvement in cash flows over the same period last year with receipts from customers increasing 61% to \$17.6 million and net cash flow used in operations (excluding R&D tax incentive refund) declining from \$6.5 million to \$1.9 million; and
- Cash balance and net assets improved following a successful net \$8.3 million equity raise during H1 FY17.

#### **Strong Sales Growth Continues – H1 Revenue +36%**

Sales continued to grow strongly in H1 FY17 with a 45% increase in volume to 1,086 tonnes and a 36% increase in revenue to \$16.3 million. Key aspects of this sales performance included;

- Australian sales increased 18% to 605 tonnes, being 56% of total volume;
- Export sales increased 106% to 481 tonnes;
- Fresh product sales increased 28% to 935 tonnes, being 86% of total volume;
- Frozen product sales increased from 3% to 14% of sales volume, contributing to the decrease in average selling price, largely reflecting the ongoing sale of excess inventory;
- Whilst average selling prices increased progressively during H1 FY 17, they were still lower than the average selling prices during H1 FY16 because the significant price discounting to clear excess inventory did not start until Q2 FY16; and
- Encouragingly average selling prices (and corresponding Farm Gate Prices) in January and February 2017 have maintained the improvements made during H1 FY17

## **Spring Growth and Structural Imbalance**

As detailed in our Market Update on 7 February 2017, the Spencer Gulf in South Australia experienced significantly cooler than average seawater temperatures between October and December 2016. This caused reduced growth rates for our Kingfish, with 415 tonnes of growth recorded in H1 FY17 which was 309 tonnes less than H1 FY16.

The rate of Kingfish growth in the Spencer Gulf is seasonal and typically only 25% to 35% of annual growth occurs in the first half of the financial year due to cooler seawater temperatures over those months. In FY16 28% of full year net growth of 2,580 tonnes occurred in H1 with warmer than average seawater temperatures in H2 FY16.

Encouragingly, in January and February 2017 seawater temperatures and growth rates have returned close to the long term average, with recorded growth in January alone exceeding the 415 tonne total in H1 FY17.

Under the biological asset accounting standard, biomass growth in an accounting period is brought into Profit & Loss for that period based on its estimated net market value. While the lower than average rate of biomass growth in H1 FY17 has provided unexpected assistance in addressing the previously reported structural imbalance between inventory and sales, it has also reduced the reported result in H1 FY17 by approximately \$3 million.

Live Fish Biomass at 31 December 2016 is 1,868 tonnes which is around 400 tonnes lower than forecast and 292 tonnes less than 31 December 2015.

On the basis that seawater temperatures remain around the long-term average as anticipated, growth in current biomass is expected to be sufficient to support the Company's sales growth objectives.

### **Reported Result**

The pre-tax loss in H1 FY17 of \$4.96 million compares to the H1 FY16 pre-tax loss of \$11.77 million which comprised an underlying loss of \$3.2 million and a write-down of live fish and frozen product inventory of \$8.6 million arising from the structural imbalance.

Had significantly lower than average seawater temperatures not been experienced in H1 FY17, reducing the reported result by approximately \$3 million, a significant improvement from the underlying result in H1 FY16 would have been reported.

### **Outlook**

The Board affirms its previous guidance of expected sales in FY17 of approximately 2,500 tonnes and a return to full year profitability in FY18. It is expected that a profit will be reported for H2 FY17 which significantly exceeds the \$1.8 million profit reported for H2 FY16.

The Board notes that the inherent operational risks in aquaculture may impact future results.

Paul Steere  
Chairman

David J Head  
Managing Director and CEO

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**CLEAN SEAS SEAFOOD LIMITED**

ABN 61 094 380 435

**APPENDIX 4D STATEMENT - HALF YEAR REPORT**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

**HALF-YEAR ENDED 31 DECEMBER 2016**

(Comparative figures being the half-year ended 31 December 2015)

	Half-Year ended December 2016	Half-Year ended December 2015	Period Movement up/(down) \$ '000	Period Movement up/(down) %
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>%</b>
Revenue from ordinary activities	16,254	11,962	4,292	35.9
EBITDA	(3,874)	(10,878)	7,004	64
EBIT	(4,870)	(11,750)	6,880	59
Profit / (Loss) from ordinary activities before tax	(4,955)	(11,766)	6,811	58
Income tax credit / (expense)	-	946	#VALUE!	
Profit / (Loss) from ordinary activities after tax attributable to members	(4,955)	(10,820)	5,865	54
Net tangible asset backing per ordinary share	<b>\$0.031</b>	<b>\$0.034</b>		

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

Record date for determining entitlements to dividends.

No dividend declared

Consistent with the decision taken in June 2012 not to carry future income tax benefits as an asset in the accounts the income tax benefit attributable to the December 2016 loss has not been recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2016. The Group will continue to assess this treatment on an ongoing basis as Group profitability improves.

Details of the Group's performance for the first six months of FY 2017 are attached to this notice.

This report is all the half year information provided to the Australian Securities Exchange under listing rule 4.2A. The report also satisfies the half year reporting requirements of the Corporations Act 2001.

This half year financial report should be read in conjunction with the 2016 annual financial report.



## **Clean Seas Seafood Limited**

(Formerly Clean Seas Tuna Limited)

### **Interim Consolidated Financial Statements**

For the half-year ended 31 December 2016

ABN 61 094 380 435

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# Directors' Report

The Directors of Clean Seas Seafood Limited 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' or 'Clean Seas') for the half-year ended 31 December 2016.

## Director details

The following persons were Directors of Clean Seas Seafood Limited during or since the end of the financial half-year:

- Mr Paul Steere - Chairman
- Mr Nick Burrows
- Mr Hagen Stehr
- Mr Marcus Stehr
- Mr David Head
- Mr Terry O'Brien (appointed Non-Executive Director on 3 February 2017)
- Mr Paul Robinson – Alternate Director for Mr Hagen Stehr

## Company Secretary

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

- Mr Wayne Materne

## Review of operations and financial results

Clean Seas Seafood Limited (ASX: CSS) has recorded a \$4.955 million pre-tax loss in H1 FY17 which compares to a \$11.766 million pre-tax loss in H1 FY16. This result reflects;

### Strong Sales Growth Continues – H1 FY17 +45%

Clean Seas has continued to achieve outstanding Kingfish sales growth rates. After growth in H1 FY16 of 46%, sales volume in H1 FY17 grew a further 45% to 1,086 tonnes. Sales revenue increased 36% to \$16.3 million. Key aspects of this sales performance compared to H1 FY16 included:

- Australian sales increased 18% to 605 tonnes, being 56% of total volume;
- Export sales increased 106% to 481 tonnes;
- Fresh product sales increased 28% to 935 tonnes, being 86% of total volume; and
- Frozen product sales increased from 3% to 14% of sales volume, contributing to the decrease in average selling price

### Farm Gate Price Increases

During this period of significant sales growth the Company has improved its farm gate prices in Australia by approximately \$0.80 per kg and in its export markets by over \$2.00 per kg.

### Spring Growth and Structural Imbalance

Clean Seas continues to achieve excellent fish health and survival rates which are consistently at world's best practice levels.

The rate of Kingfish growth in the Spencer Gulf is seasonal and typically only 25% to 35% of annual growth occurs in the first half of the financial year due to cooler seawater temperatures over those months. In FY16 28% of full year net growth of 2,580 tonnes occurred in H1 with warmer than average seawater temperatures in H2 FY16.

During the period October to December 2016 seawater temperatures in the Spencer Gulf were significantly cooler than the long term average which limited net growth for H1 FY17 to 415 tonnes which is 309 tonnes less than H1 FY16.

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 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.

Encouragingly we note that seawater temperatures at our farm sites in the Spencer Gulf returned to close to long term average temperatures in January and February 2017 and recorded growth in January alone exceeded the 415 tonne total in H1 FY17. Recent CSIRO /BOM long term forecasts are indicating that next Spring the warmer water flows of the Leeuwin Currents are expected to return to normal..

Live Fish Biomass at 31 December 2016 is 1,868 tonnes which is 292 tonnes (14%) less than 31 December 2015.

Under the biological assets accounting standard, biomass growth in an accounting period is brought into the Profit & Loss for that period based on its estimated net market value. While the lower than average rate of biomass growth in H1 FY17 has provided unexpected assistance in addressing the structural imbalance between inventory and sales, it has also reduced the reported result in H1 FY17 by approximately \$3 million net of feed cost impacts.

On the basis that seawater temperatures return closer to normal as expected, growth in current biomass is expected to be sufficient to support the Company’s sales growth objectives.

#### **Cash Position and Liquidity**

At 31 December 2016 the Company’s \$7.0 million Working Capital Facility remained unused and the cash balance was \$2.9 million. This follows a successful net equity raising of \$8.3 million in H1 FY17. Net cash used in operating activities, excluding the R&D Tax Incentive Refund received in the prior year, reduced 70% from \$6.5 million in H1 FY16 to \$1.9 million in H1 FY17 with receipts from customers increasing by \$6.7 million (61%) which reflects the ongoing strong increases in sales.

#### **Earnings Per Share**

Loss per share was 0.43 cents in H1 FY17 and 0.98 cents in H1 FY16.

#### **Dividend**

No dividend has been declared.

#### **New Processing Facilities are on track for early FY18**

The Company has entered into a long-term lease of a vacant facility in Adelaide for its new Processing Facility. The site is approximately 2,500 sq metres and will house the processing facility with extensive space for future expansion including value added production opportunities. Until required, the excess space will be used as a feed storage warehouse which will reduce existing warehousing costs.

The facility was previously used as a food production facility and is well set up to accommodate our requirements. The main processing equipment was ordered late last year and is expected to arrive in Q4 FY17. The Company expects to commission the new processing facility in Q1 FY18.



### **Outlook**

The Board affirms its previous guidance of expected sales in FY17 of approximately 2,500 tonnes and a return to full year profitability in FY18. It is expected that a profit will be reported for H2 FY17 which significantly exceeds the \$1.8 million profit reported for H2 FY16.

The Board notes that the inherent operational risks in aquaculture may impact future results.

### **Auditor's Declaration**

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 6 of this financial report and forms part of this Directors Report.

### **Rounding of amounts**

Clean Seas Seafood 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.



Paul Steere  
Chairman

28 February 2017

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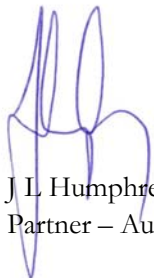
**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF CLEAN SEAS SEAFOOD LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Clean Seas Seafood Limited for the half-year ended 31 December 2016, 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J. L. Humphrey  
Partner – Audit & Assurance

Adelaide, 28 February 2017

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

**For the half-year ended 31 December 2016**

	Notes	31-Dec-2016 \$'000	31-Dec-2015 \$'000
Revenue	6	16,254	11,962
Other income	7	12	523
Net loss arising from changes in fair value of Yellowtail Kingfish	10	(3,280)	(6,536)
Fish husbandry expense		(6,866)	(8,420)
Employee benefits expense		(3,053)	(3,020)
Fish processing and selling expense		(3,690)	(2,542)
Frozen inventory valuation adjustment		-	(1,247)
Frozen inventory sold		(1,260)	(309)
Depreciation and amortisation	11	(996)	(872)
Other expenses		(1,991)	(1,289)
<b>Loss before finance items and tax</b>		<b>(4,870)</b>	<b>(11,750)</b>
Finance costs		(88)	(22)
Finance income		3	6
<b>Loss before tax</b>		<b>(4,955)</b>	<b>(11,766)</b>
Income tax benefit / (expense)	8	-	946
<b>Loss for the period from continuing operations</b>		<b>(4,955)</b>	<b>(10,820)</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(4,955)</b>	<b>(10,820)</b>
Loss for the period and total comprehensive loss for the period Is attributable to owners of the parent.			
<b>Earnings per share from continuing operations;</b>			
Basic earnings per share (cents per share)	12	(0.43)	(0.98)
Diluted earnings per share (cents per share)	12	(0.43)	(0.98)

The accompanying notes form part of these financial statements.

# Consolidated Statement of Financial Position

**As at 31 December 2016**

	Notes	31-Dec-2016 \$'000	30-Jun-2016 \$'000
<b>Assets</b>			
<i>Current</i>			
Cash and cash equivalents		2,864	598
Trade and other receivables		3,407	3,699
Inventories	9	5,753	4,088
Prepayments		422	188
Biological assets	10	20,954	25,036
<b>Current assets</b>		<b>33,400</b>	<b>33,609</b>
<i>Non-current</i>			
Property, plant and equipment	11	12,976	13,003
Biological assets		244	244
Other non-current assets		3,027	3,027
<b>Non-current assets</b>		<b>16,247</b>	<b>16,274</b>
<b>TOTAL ASSETS</b>		<b>49,647</b>	<b>49,883</b>
<b>Liabilities</b>			
<i>Current</i>			
Trade and other payables		2,217	3,101
Borrowings	15	375	3,063
Provisions		602	545
<b>Current liabilities</b>		<b>3,194</b>	<b>6,709</b>
<i>Non-current</i>			
Borrowings	15	91	68
Provisions		139	189
<b>Non-current liabilities</b>		<b>230</b>	<b>257</b>
<b>TOTAL LIABILITIES</b>		<b>3,424</b>	<b>6,966</b>
<b>NET ASSETS</b>		<b>46,223</b>	<b>42,917</b>
<b>Equity</b>			
Equity attributable to owners of the Parent:			
• share capital		165,997	157,736
• accumulated losses		(119,774)	(114,819)
<b>TOTAL EQUITY</b>		<b>46,223</b>	<b>42,917</b>

The accompanying notes form part of these financial statements.

## Consolidated Statement of Changes in Equity

### For the half-year ended 31 December 2016

	Share Capital \$'000	Accumulated Losses \$'000	Total Equity \$'000
<b>Balance at 1 July 2016</b>	157,736	(114,819)	42,917
Total comprehensive loss for the period	-	(4,955)	(4,955)
Share purchase plan and placement	8,261	-	8,261
<b>Balance at 31 December 2016</b>	165,997	(119,774)	46,223

### For the half-year ended 31 December 2015

	Share Capital \$'000	Accumulated Losses \$'000	Total Equity \$'000
<b>Balance at 1 July 2015</b>	157,736	(105,837)	51,899
Total comprehensive loss for the period	-	(10,820)	(10,820)
<b>Balance at 31 December 2015</b>	157,736	(116,657)	41,079

The accompanying notes form part of these financial statements

## Consolidated Statement of Cash Flows

### For the half-year ended 31 December 2016

	Notes	31-Dec-2016 \$'000	31-Dec-2015 \$'000
<b>Operating activities</b>			
Receipts from customers		17,643	10,963
Payments to suppliers (excluding feed)		(10,424)	(7,167)
Payments for fish feed		(6,040)	(7,228)
Payments for staff costs		(3,091)	(3,039)
R & D tax incentive refund		-	6,031
<b>Net cash used in operating activities</b>		<b>(1,912)</b>	<b>(440)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(969)	(845)
Interest received		7	6
<b>Net cash used in investing activities</b>		<b>(962)</b>	<b>(839)</b>
<b>Financing activities</b>			
Net Proceeds from Issue of Shares		8,261	-
Proceeds from borrowings		808	3,025
Finance costs		(74)	(28)
Repayments of borrowings		(3,855)	(2,854)
<b>Net cash from financing activities</b>		<b>5,140</b>	<b>143</b>
<b>Net change in cash and cash equivalents</b>			
Net change in cash held		2,266	(1,136)
Cash and cash equivalents, beginning of period		598	1,513
<b>Cash and cash equivalents, end of period</b>		<b>2,864</b>	<b>377</b>

The accompanying notes form part of these financial statements.

# Notes to the Condensed Interim Consolidated Financial Statements

## 1 Nature of operations

The principal activities of the Group during the period were:

- i. The propagation of Hiramasa Yellowtail Kingfish, producing fingerlings for sale and growout.
- ii. The growout of Hiramasa Yellowtail Kingfish for harvest and sale.
- iii. Research and development activities to produce juveniles of Southern Bluefin Tuna.

The Group continues to enhance its operations through new research and world's best practice techniques to deliver Hiramasa Yellowtail Kingfish of premium quality. The Tuna research and development activities of the Group currently focus on maintaining SBT broodstock until sufficient resources are available to further the propagation program in the future.

Refer to Note 13 for further information about the Group's operating segments.

## 2 General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2016 and are presented in Australian Dollars (\$AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2016 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 28 February 2017.

## 3 Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2016.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

## 4 Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2016.

## 5 Seasonal fluctuations

The Group's underlying reported profit is subject to material seasonal fluctuation due to fish growth being the major contributor to profitability and Yellowtail Kingfish in South Australia having a seasonal strong growth period from October to May when the seawater temperatures are warmer. Approximately 25% to 35% of financial year growth is expected to occur in the first half of the financial year. Consequently it is expected that the Group's future underlying reported profits will be materially higher in the second half of the financial year than the first half.

## 6 Revenue

	6 months to 31 December 2016 \$'000	6 months to 31 December 2015 \$'000
Sale of fresh finfish	14,580	11,644
Sale of frozen fish products	1,674	318
<b>Total revenue</b>	<b>16,254</b>	<b>11,962</b>

## 7 Other Income

	6 months to 31 December 2016 \$'000	6 months to 31 December 2015 \$'000
R&D tax incentive refund – 15% incentive component	-	473
Other	12	50
<b>Total other income</b>	<b>12</b>	<b>523</b>

## 8 Income Tax

	6 months to 31 December 2016 \$'000	6 months to 31 December 2015 \$'000
R&D tax incentive refund – 30% corporate tax rate component	-	946
Income tax expense	-	-
<b>Total income tax benefit</b>	<b>-</b>	<b>946</b>

## 9 Inventories

	December 2016 \$'000	June 2016 \$'000
Fish feed	2,921	1,274
Frozen fish products	2,713	2,640
Other	119	174
<b>Total inventories</b>	<b>5,753</b>	<b>4,088</b>



## 10 Current Biological Assets – Live Fish

	6 months to 31 December 2016 \$'000	12 months to 30 June 2016 \$'000
<b>Carrying amount at beginning of period / year</b>	<b>25,036</b>	<b>27,598</b>
Adjusted for:		
Gain arising from physical changes at fair value less costs to sell	7,667	22,116
Decrease due to harvest for sale as fresh	(10,947)	(20,130)
Net gain / (loss) recognised in profit and loss	(3,280)	1,986
Decrease due to harvest for processing to frozen inventory	(802)	(4,548)
<b>Carrying amount at end of period / year</b>	<b>20,954</b>	<b>25,036</b>

## 11 Property, plant and equipment

The following tables show the movements in property, plant and equipment:

	Land & Buildings \$'000	Plant & Equipment \$'000	Marina Lease \$'000	Dams & Fishponds \$'000	Total \$'000
<b>Gross carrying amount</b>					
Balance at 1 July 2016	3,913	25,649	0	0	29,562
Additions	-	969	-	-	969
Transfers and other movements	-	-	-	-	-
Disposals	-	(16)	-	-	(16)
<b>Balance at 31 December 2016</b>	<b>3,913</b>	<b>26,602</b>	<b>0</b>	<b>0</b>	<b>30,515</b>
<b>Depreciation and impairment</b>					
Balance at 1 July 2016	(1,227)	(15,332)	0	0	(16,559)
Disposals	-	16	-	-	16
Transfers and other movements	-	-	-	-	-
Depreciation	(44)	(952)	-	-	(996)
<b>Balance at 31 December 2016</b>	<b>(1,271)</b>	<b>(16,268)</b>	<b>0</b>	<b>0</b>	<b>(17,539)</b>
<b>Carrying amount at 31 December 2016</b>	<b>2,642</b>	<b>10,334</b>	<b>0</b>	<b>0</b>	<b>12,976</b>
<b>Gross carrying amount</b>					
Balance at 1 July 2015	11,797	19,455	2,000	364	33,616
Additions	77	1,485	-	-	1,562
Transfers and Other Movements	(7,961)	4,709	(2,000)	(364)	(5,616)
Disposals	-	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>3,913</b>	<b>25,649</b>	<b>0</b>	<b>0</b>	<b>29,562</b>
<b>Depreciation and impairment</b>					
Balance at 1 July 2015	(4,694)	(13,296)	(2,000)	(364)	(20,354)
Disposals	-	-	-	-	-
Transfers and Other Movements	3,832	(580)	2,000	364	5,616
Depreciation	(365)	(1,456)	-	-	(1,821)
<b>Balance at 30 June 2016</b>	<b>(1,227)</b>	<b>(15,332)</b>	<b>0</b>	<b>0</b>	<b>(16,559)</b>
<b>Carrying amount at 30 June 2016</b>	<b>2,686</b>	<b>10,317</b>	<b>0</b>	<b>0</b>	<b>13,003</b>

## 12 Earnings per share

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

	6 months to December 2016	6 months to December 2015
Weighted average number of shares used in basic earnings per share	1,157,519,823	1,105,282,736
Weighted average number of shares used in diluted earnings per share	1,157,519,823	1,105,282,736

## 13 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.

During the six month period to 31 December 2016, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

The revenues and profit generated by each of the Group's operating segments and segment assets are summarised as follows:

6 months to 31 December 2016	Finfish Sales \$'000	Tuna Operations \$'000	Unallocated \$'000	Total \$'000
Segment revenues	16,266	-	-	16,266
Segment operating profit / (loss) before tax	(4,683)	(187)	(85)	(4,955)
Segment assets	46,372	411	2,864	49,647

6 months to 31 December 2015	Finfish Sales \$'000	Tuna Operations \$'000	Unallocated \$'000	Total \$'000
Segment revenues	12,485	-	-	12,485
Segment operating profit / (loss) before tax	(11,591)	(159)	(16)	(11,766)
Segment assets	44,218	411	377	45,006

The Group's segment operating loss reconciles to the Group's loss before tax as presented in its financial statements as follows:

	6 months to December 2016 \$'000	6 months to December 2015 \$'000
<b>Profit or loss</b>		
Total reporting segment operating loss before tax	(4,870)	(11,750)
Items not allocated	-	-
Group operating loss before tax	(4,870)	(11,750)
Finance costs	(88)	(22)
Finance income	3	6
<b>Group loss before tax</b>	<b>(4,955)</b>	<b>(11,766)</b>

#### 14 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.

The Group also has unrecognised carry forward tax losses. This contingent asset is discussed in Note 9 to the financial statements in the 2015/16 Annual Report.

There are no other material contingent assets or liabilities.

#### 15 Borrowings

Borrowings consist of the following:

	December 2016 \$'000	June 2016 \$'000
<b>Current:</b>		
• Bank trade finance facility	-	2,900
• Finance lease	103	96
• Other – insurance premium funding	272	67
<b>Total borrowings – current</b>	<b>375</b>	<b>3,063</b>
<b>Non-current:</b>		
• Finance lease	91	68
<b>Total borrowings – non-current</b>	<b>91</b>	<b>68</b>

The Group has a secured \$7.0 million Trade Finance Facility with Commonwealth Bank of Australia. This is an ongoing facility subject to annual review and is secured against all Group assets. At 31 December 2016 this facility was undrawn.

## **16 Fair value measurement of non-financial assets – Fair Value Hierarchy**

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, 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 (i.e. as prices) or indirectly (i.e. derived from prices)
- **Level 3:** Inputs for the asset or liability that is not based on observable market data (unobservable inputs)

The Group's biological assets (live fish) held for sale are valued at their fair value in accordance with Note 4.22 of the 2015/16 Annual Report. This valuation method satisfies the criteria for Level 2. At 31 December 2016 the Group has 1,868 tonnes of live fish held for sale valued at \$20.954m (30 June 2016: 2,508 tonnes valued at \$25.036m).

## **17 Capital Commitment**

In December 2016 the Group contracted for the purchase of various items of plant and equipment totalling \$0.7 million for use in the processing plant. Further details are provided in the Directors' Report.

## **18 Post-reporting date events**

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation other than executing an Agreement to Lease a property at Royal Park in Adelaide which will be used as a processing plant. Further details are provided in the Directors' Report.

## Directors' Declaration

- 1 In the opinion of the Directors of Clean Seas Seafood Limited:
  - a The consolidated financial statements and notes of Clean Seas Seafood Limited are in accordance with the *Corporations Act 2001*, including:
    - i Giving a true and fair view of its financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
    - ii Complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and
  - b There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Paul Steere  
Chairman

Dated the 28<sup>th</sup> day of February 2017

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## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CLEAN SEAS SEAFOOD LIMITED**

We have reviewed the accompanying half-year financial report of Clean Seas Seafood Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Directors' responsibility for the half-year financial report**

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

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Clean Seas Seafood Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independence**

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

**Conclusion**

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

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

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J L. Humphrey  
Partner – Audit & Assurance

Adelaide, 28 February 2017