CLEANSEAS | sustainable seafood

CLEAN SEAS SEAFOOD LIMITED

ABN 61 094 380 435

APPENDIX 4E STATEMENT - FULL YEAR REPORT

RESULTS FOR ANNOUNCEMENT TO THE MARKET
FULL-YEAR ENDED 30 JUNE 2020

(Comparative figures being the full-year ended 30 June 2019)

	Full-Year ended 30 June 2020	Full-Year ended 30 June 2019	Period Movement up/(down)	Period Movement up/(down)
	$ '000	$ '000	$ '000	%
Revenue from ordinary activities	**40,313**	46,149	(5,836)	(13)
EBITDA	**(9,635)**	4,781	(14,416)	(302)
EBIT	**(13,076)**	1,702	(14,778)	(868)
(Loss) / Profit from ordinary activities before tax	**(14,454)**	1,446	(15,900)	(1,100)
Income tax credit / (expense)	**0**	0	0	0
(Loss) / Profit from ordinary activities after tax attributable to members	**(14,454)**	1,446	(15,900)	(1,100)
Net tangible asset backing per ordinary share	**65.6**	84.5	(19.0)	(22.4)

Dividends (Ordinary Shares)		**Amount per security**
Final dividend	cents/share	Nil
Interim dividend	cents/share	Nil

Record date for determining entitlements to dividends. No dividend declared

Details of the Group's performance for the twelve months of FY 2020 are attached to this notice.

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

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Clean Seas Seafood Limited
Consolidated Financial Statements
For the year ended 30 June 2020
ABN 61 094 380 435

Contents

Directors' Report

The Directors of Clean Seas Seafood Limited ('Clean Seas') present their Report together with the financial statements of the Consolidated Entity, being Clean Seas Seafood Limited ('the Company') and its Controlled Entities ('the Group') for the for the year ended 30 June 2020.

Directors

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

- Mr Terry O'Brien - Chairman;
- Mr Nick Burrows;
- Mr Marcus Stehr;
- Ms Raelene Murphy;
- Mr Gilbert Vergères (Appointed 3 March 2020);
- Ms Helen Sawczak (Resigned 22 June 2020); and
- Mr David Head* (Managing Director & CEO).

(* On the 27th August 2020, the Company announced that the Managing Director & CEO will be retiring from his full time role with the Company in October 2020. Refer "Events arising since the end of the reporting period" for further commentary.)

Company Secretary

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

- Rob Gratton (Joint Company Secretary); and
- David Brown (Joint Company Secretary).

Principal activities

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

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

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

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

Review of operations and financial results

The Board and Management of Clean Seas report a statutory loss after tax for the year of $14.454 million, which compares to a statutory profit after tax of $1.446 million in FY19. Underlying operating earnings before interest, tax, depreciation and amortisation (EBITDA) was a loss of $7.164 million, which compared to a loss of $1.032 million in FY19.

Clean Seas' Vision 2025 Strategic Plan was on track entering Q3 FY20 with growing sales revenues (+14% vs H1 FY19), a strong increase in Operating EBITDA (+220% vs H1 FY19) and positive cash flow from operations (+$3.2million H1 FY20). The worldwide government lockdowns in response to COVID-19 effectively closed in-restaurant dining in most markets globally from the latter part of Q3 FY20 and during most of Q4 FY20.

Total sales volumes in FY20 were 2,424 tonnes. After tracking 14% ahead of FY19 going into Q3 FY20, the impact of COVID-19 resulted in lost sales during H2 FY20 and full year sales volumes 10% lower than FY19.

When in-restaurant dining closed worldwide in late Q3 FY20 Clean Seas sales declined to around 20% of prior year. In Australia, and in response, the Company focused on growing sales in non-restaurant channels (historically less than 20% of sales) particularly with smaller (1-2kg) fish through Seafood retailers and small supermarkets. This initiative helped improve sales in Australia to 49% of prior year in May and with restaurants starting to re-open in June (albeit at limited capacity) sales returned to 105% of prior year.

Globally, June FY20 sales were back to 77% of June FY19, and have further recovered in July to circa 92% of the prior year. Ongoing disruptions due to COVID-19 are likely to continue to affect Clean Seas sales for the foreseeable future.

In addition to the lost sales in H2 FY20, the Company expects FY21 sales will also be lower than previously planned – although this will depend upon the rate of recovery in each market and the impact on international air freight services.

Sales volume (by market)					
Tonnes (WWE)	**Q1 FY20 v Q1 FY19**	**Q2 FY20 v Q2 FY19**	**Q3 FY20 v Q3 FY19**	**Q4 FY20 v Q4 FY19**	**YTD FY20 v YTD FY19**
Australia	16%	10%	(9%)	(43%)	(7%)
Europe	21%	(5%)	(16%)	(69%)	(20%)
North America	42%	44%	8%	237%	93%
Asia/China	(38%)	31%	(83%)	(97%)	(56%)
Total	**17%**	**7%**	**(15%)**	**(43%)**	**(10%)**

As a result of the sales volume decline, FY20 revenue reduced 13% to $40.3 million, and resulted in a reduced harvest and additional processing and freezing of Kingfish in FY20. These increased production and processing costs led to a decline in underlying operating EBITDA of $6.1 million versus FY19.

In December 2019, the Company's legal action against Gibson's Ltd in the Supreme Court of South Australia was settled and accordingly did not proceed to the scheduled trial. The parties agreed to a final settlement of the action on the basis of a payment to the Company of $15 million which was received by the Company in January 2020. Gibson's Ltd and the Company also agreed commercial terms for a Supply Contract for the manufacture of Clean Seas' feeds to the Company's own established formulation.

The expected clearance of inventory not sold during COVID-19 shutdown, lower selling prices to support market entry into new retail sales channels and lower farm gates from increases in air freight costs led to an impairment of $15.8 million of Clean Seas Live Fish and Frozen Inventory.

With higher operating costs and the implementation of cash saving initiatives, *AASB 141 Biological Asset* entries were negative $0.665 in FY20, versus a positive $6.995 million in FY19.

Financial Performance ($'000)	FY20	FY19	Change
Revenue	**40,313**	**46,149**	**-13%**
Volume (t)	**2,424**	**2,698**	**-10%**
Revenue/kg	16.63	17.10	-0.47
Operating Results[1]			
Underlying Operating EBITDA	**(7,164)**	**(1,032)**	**-6,132**
Operating EBITDA/kg	(2.96)	(0.38)	-2.57
Gross Profit	3,866	8,674	-4,808
Gross Profit %	10%	19%	-49%
Statutory Results			
Underlying Operating Adjustments			
Impairment	(15,813)	-	
Litigation Settlement & Expense	14,007	(535)	
Whyalla establishment	-	(607)	
AASB 141 SGARA and cost allocation	(665)	6,955	
Statutory EBITDA	**(9,635)**	**4,781**	**-14,416**
Statutory NPAT	**(14,454)**	**1,446**	**-15,900**
Cash Flow			
Receipts	42,657	45,756	-7%
Investment in Future Biomass	12,114	11,391	+6%
Operating Cash Flow[1]	**(1,919)**	**3,191**	**-5,110**

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

In July 2020, Clean Seas reduced its Executive team from 6 to 4 and following the retirement of Helen Sawczak as a Non-Executive Director, the Board elected not to find a replacement, which reduced the number of Non-Executive Directors from 6 to 5. Additionally the Directors have agreed to a 20% reduction in their fees, effective from 1st August 2020 until further notice. Savings in Corporate, Sales and Marketing costs and feed optimisation on the farm will result in operating costs savings in excess of $5 million in FY21.

The Company's focus on cost reduction and timely collection of debtors during the COVID-19 period (with no material write-off of receivables required) has led to better than expected cash conservation through this period. With the settlement of the long standing litigation in January 2020 and capital raising initiatives, as at 30 June 2020 Clean Seas retains Cash and Undrawn Facilities of $42.4m (including $22.2m in cash). This represents a significant increase from Cash and Undrawn Facilities at 30 June 2019 of $7.4m.

Current cash and undrawn facilities ($m)	Jun-20	Jun-19
Cash at bank	22.2	1.0
Undrawn working capital facility	3.5	4.7
Undrawn senior debt facility	14.0	-
Undrawn asset finance facility	2.7	1.7
Total cash and undrawn facilities	**42.4**	**7.4**

As a result of the loss of sales revenue in the COVID-19 affected second half, full year FY20 Cash Flow from Operations declined by $5.1 million versus FY19. Statutory net cash from operating activities for FY20 was close to break-even, and includes the Litigation Settlement of $14m (net of expenses) and an investment in Biomass Expansion of $12.1m.

Operating cash flows reconciliation	FY20	FY19
Statutory cash used in operating activities	(26)	(9,342)
Less:		
Investment in Biomass Expansion	12,114	11,391
Cash flows from settlement (net of expenses)	(14,007)	1,142
Operating Cash Flow[1]	**(1,919)**	**3,191**

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

Despite reduced live fish biomass growth in H2 FY20, the Company expects the impact of lower sales in Q4 FY20 and FY21 (as global markets continue to be impacted by COVID-19) will lead to circa 1,600 tonnes of excess Live Fish and Frozen Inventory. The Company's Liquid Nitrogen Freezing technology will be used to process and freeze a large proportion of this inventory into various products including formats that can be further processed or value added in-market in Europe, North America and Asia.

Clean Seas has a strategic opportunity to use the sale of surplus inventory to drive trials and target long-term growth via new channels and under developed foodservice markets, particularly in North America and Asia. A key focus will be establishing market entry into the circa 13,000t per annum North American frozen Kingfish market which is currently exclusively supplied by traditionally frozen Japanese imports. The impairment of inventory will provide a unique opportunity to target this market at a very competitive price point.

A similar strategy was successfully used by Clean Seas in FY16 to clear excess inventory in order to develop the Italian market. Sales volumes grew four fold (from 100t to 426t) at lower farm gates prices, but after establishing the market, Clean Seas successfully increased prices over the next 3 years by circa +40% without loss of volume. This demonstrates the uniquely high price elasticity and customer conversion once Clean Seas' superior product is trialled.

Clean Seas continues to progress the development of new retail products, which it aims to launch in Q2 FY21. Also, discussions with the Hofseth Group progressed over the last quarter of FY20. Clean Seas remains confident that Hofseth can assist the Company in identifying new sales opportunities, although potential distribution arrangements are yet to be finalised.

As at 30 June 2020, Clean Seas has circa $58.4 million in Live Fish and Frozen Inventory. The Company's focus for the next 12-24 months will be to maximise conversion of excess inventory into cash, which will support operating cash flow until markets return to normal. The strategic targeting of excess inventory to support the Company's entry into new retail channels is expected to help build a larger and more diverse revenue base from which to resume its Vision 2025 strategy once global markets normalise post COVID-19.

As part of its FY20 strategic plan the Company identified a number of projects to reduce farm and processing costs of production. These programs include automation of farm feeding systems, further automation of the Royal Park processing operations and investment in new, upgraded farm assets including a new heavy works vessel.

These projects, combined with increased scale from planned sales growth are expected to reduce costs of production by circa $2-$3 per kg over the next 3-4 years and are expected to be funded by the Senior Debt Facility established to fund long term assets as part of the new banking facilities put in place with the CBA in February 2020.

Fish health remains excellent with Live Fish Biomass at 30 June 2020 of 4,435 tonnes, 9% higher than 12 months earlier, reflecting the Company's expectations (pre COVID-19) of strong sales growth across FY20 and FY21. The current Biomass positions the Company well for future sales growth in both retail and food service channels as lockdowns ease and global markets recover.

It is the Company's view that whilst the ongoing COVID-19 disruptions may reshape the timing of achieving its growth strategy, the planned entry into retail product distribution is expected to deliver long-term growth from new channels that will complement Clean Seas' existing restaurant and premium food service business.

The Company has the advantage of an exceptional product and importantly enters FY21 with balance sheet strength and the capacity to leverage inventory for both strategic growth and as a source of funding during this period of uncertainty.

Significant changes in the state of affairs

Mr. Gilbert Vergères was appointed as a Non-Executive Director with effect from 3 March 2020 and Ms Helen Sawczak resigned as an Independent Non-Executive Director on the 22 June 2020. Further details are provided later in this report.

Events arising since the end of the reporting period

Retirement of Managing Director and CEO:
On 27th August 2020, the Company announced to the market that the Managing Director & CEO Mr David Head will retire from his full time role with the Company in October 2020, to seek a portfolio of Non-Executive Directorship roles. Mr Head flagged retirement options with the Board earlier this year, but at the time had not settled on timing. The business impact of COVID-19 and subsequent change in market focus for FY21 and FY22 led to discussions and subsequent agreement with the Board to bring forward retirement plans to October 2020.

Consequent Key Management Personnel Changes:
The Company's Chief Financial Officer and Joint Company Secretary, Mr Robert Gratton has been appointed Acting CEO, in the interim. Mr David Brown the Company's Group Financial Controller and Joint Company Secretary will assume the role of Acting CFO, a role he has previously held.

Other matters:
The Group is subject to financial covenants, including operating cash flows, EBITDA and current ratio, which are reviewed quarterly. The Group was compliant with all its covenants as at 30 June 2020, however, the Bank has agreed to waive the testing of all covenants for the period ending 30 September 2020 with the intent to reach agreement on revised covenants for the period ending 31 December 2020.

The Bank has confirmed that no event of default is subsisting and the Group can continue to utilise each Facility as per the terms outlined in the Facility Agreement. This will provide the Group with sufficient funding to navigate through the potential uncertainty associated with the ongoing impact of COVID-19 pandemic.

Subsequent to 30 June 2020 a further 1,456,365 convertible notes were converted to 2,913,321 shares.

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

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

Likely developments, business strategies and prospects

The Company is continuing to implement its strategic plan, while working to diversify its markets and channels through the ongoing disruption caused by COVID-19. Key initiatives include:

- Use the sale of surplus inventory to drive trials and target long-term growth via new channels and under developed foodservice markets;
- Continue to progress the development of new retail products;
- Maximise conversion of excess inventory into cash;
- Progress projects to reduce farm and processing costs of production and
- Maintain focus on tight cost controls throughout all aspects of the business.

Information on Directors and Key Management

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

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

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

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

Mr O'Brien also holds the following positions;

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

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

Mr Nick Burrows – Independent Non-Executive Director
Mr Burrows was appointed to the Company Board on 18 April 2012. He is also Chairman of the Audit and Risk Committee and a member of the Remuneration and Nominations Committee.

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

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

Mr Burrows' Directorship background encompasses a multi-sector portfolio of Chair, Non-Executive Directorship, Board Committee and Advisory Board positions spanning local and state government, not-for-profit and major private companies. He currently is:
- Non-Executive Director of Genetic Technologies Ltd (ASX:GTG & NASDAQ: GENE);
- Non-Executive Director of Tasmanian Water & Sewerage Corporation Pty Ltd;
- Non-Executive Director of Australian Seafood Industries Pty Ltd; and
- Non-Executive Director of PFG Group Pty Ltd & and MIC Pty Ltd.

He also has significant experience as an Audit and Risk Committee Chair across his multi-sector Board portfolio.
Mr Burrows has had a long involvement with Governance Institute of Australia including serving as National President and serving on the Tasmanian Branch Council.

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

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

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

In addition to being Managing Director of Australian Tuna Fisheries Pty Ltd (a major shareholder in Clean Seas), Stehr Group Pty Ltd and Sanchez Tuna Pty Ltd, Mr Stehr makes a strong contribution to the Australian fishing and aquaculture industries as:
- Board member of the Australian Southern Bluefin Tuna Industry Association Ltd;
- Director of the Australian Maritime and Fisheries Academy (Australian Fisheries Academy Ltd);
- Industry member of Southern Bluefin Tuna Fishery Management Advisory Committee;
- Industry representative on the Southern Bluefin Tuna Management Advisory Committee; and
- Director of Seafood Industry Australia

Ms Raelene Murphy – Independent Non-Executive Director
Ms Murphy was appointed to the Company Board on 1 July 2018. She is also a member of the Audit and Risk Committee from 1 July 2018.

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

Ms Murphy is currently a Non-Executive Director of:

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

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

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

Mr Gilbert Vergères – Non-Executive Director
Mr Vergères was appointed to the Company Board on 3 March 2020.

Mr Vergères is one of three Partners of Bonafide Wealth Management AG, who, through their Global Fish Fund is Clean Seas' largest shareholder. Based in Liechtenstein, Bonafide Wealth Management AG was established in 2008 to focus exclusively in the Fish & Seafood Sector and is today considered one of the pre-eminent global investors in aquaculture.

Mr Vergères had a long career in Finance in Switzerland, where he worked at several Swiss private banks. In 1998, he started his own business operations and has been Managing Director and member of the Board of Directors at an asset management company until 2013 before establishing the Bonafide Global Fish Fund with his two partners in 2012. Mr Vergères is located in Asia reflecting the Bonafide Funds focus on aquaculture investments in the Asia Pacific region.

Mr David Head – Managing Director and Chief Executive Officer
Mr Head was appointed as Managing Director and Chief Executive Officer on 28 January 2016. On the 27th August 2020, the Company announced that the Managing Director & CEO will be retiring from his full time role with the Company in October 2020.

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

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

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

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

Retired Director

Ms Helen Sawczak – Independent Non-Executive Director
Ms Sawczak resigned as a Director of the Company Board on 22 June 2020.

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

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

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:

	Board Meetings		Audit and Risk Committee		Remuneration and Nominations Committee	
Director's name	**A**	**B**	**A**	**B**	**A**	**B**
Terry O'Brien	26	25	11	10	3	3
Nick Burrows	26	26	11	11	3	3
Marcus Stehr	26	23	-	4	3	3
Raelene Murphy	26	25	11	11	-	3
Gilbert Vergères	13	13	-	1	-	-
Helen Sawczak	26	24	-	3	-	2
David Head	26	26	-	11	-	3

Where:

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

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

Unissued shares under option

There are no share options issued at the date of this report.

The Company issued 1,037,521 share rights during the financial year as part of the FY20 LTI Equity Incentive Plan. The Company had 2,650,988 share rights, which remain outstanding at 30 June 2020. Further details are provided in the Remuneration Report. None of these share rights have vested as at the date of this report.

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

The Company issued 678,899 shares during or since the end of the financial year as a result of the exercise of options or share rights.

Remuneration Report (audited)

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

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

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

a Principles used to determine the nature and amount of remuneration

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

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

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

Non-Executive Director Remuneration

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

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

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

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

Following Helen Sawczak retirement as a Non-Executive Director in June 2020, the Board elected not to find a replacement, which reduced the number of Non-Executive Directors from 6 to 5. Additionally the Directors agreed to a 20% reduction in their fees, effective from 1st August 2020 until further notice.

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

The fees payable to Non-Executive Director and Committee fees are summarised below:

Changes in Non-Executive Directors and Committee fees			
	2020(1)	2019	Change
Chairman	$150,000 (2)	$150,000	-
Non-Executive Director	$70,000	$70,000	-
Audit and Risk Committee Chair	$15,000	$15,000	-
Audit and Risk Committee member	$7,500	$7,500	-
Remuneration & Nomination Committee Chair	$12,000	$12,000	-
Remuneration & Nomination Committee member	$6,000	$6,000	-

1. The above table reflects Non-Executive Director and Committee fees prior to the 20% reduction, effective 1st August 2020
2. Chairman's fees are inclusive of all committee fees.

Executive Remuneration

The remuneration structure adopted by the Group for FY20 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 senior Executives.

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 profit after tax (NPAT). Non-financial targets are based on strategic goals set in relation to the main priorities for the position.

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

The Key Performance Indicators ('KPI's') for the Executive Team in FY20 are summarised as follows:

- Managing Director and CEO: NPAT in FY20, Workplace Health and Safety, Leadership & Culture, Funding and Biomass Capacity; and
- CFO: NPAT in FY20, Funding, Cost of Production, and Capital Projects.

Due to the ongoing uncertainty associated with the impact of COVID-19 consideration of activating the Company's STI scheme for FY21 has been deferred until December 2020.

Long Term Incentive (LTI)

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

The Company's LTI Plan for the Managing Director and CEO has primarily been linked to Net Farmgate Revenue delivery over a two year performance period and is underpinned by the Company's longer term vision. Given the significant targeted growth trajectory and in recognition of the volatility and inherent operational risks in aquaculture and their impact on future results, the Company has elected to include annual vesting assessments. The annual vesting is weighted towards the delivery of Net Farmgate Revenue in each year. If Net Farmgate Revenue target is not achieved, vesting for that year lapses unless the target for the following year is achieved.

Due to the ongoing uncertainty associated with the impact of COVID-19, the Company has suspended its LTI scheme until FY21.

Performance Reviews

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

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

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

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

At the 2019 AGM, the majority of shareholder votes cast (71.1%) were in favour of adopting the 2019 Remuneration Report. However, 28.9% of the total votes received were against the remuneration report, constituting a 'second strike' under the Corporations Act 2001.

As a result of the 'second strike' a conditional spill resolution was then put to shareholders at the 2019 AGM. This resolution was not carried, with 80.5% of shareholder votes cast against.

The Board continues to be mindful of shareholder feedback with regard to remuneration, and has adopted a number of initiatives to further improve the alignment of remuneration with the creation of value for shareholders, particularly in the context of ongoing COVID-19 disruptions and the impact on Company performance. These initiatives include:

- Following Helen Sawczak retirement as a Non-Executive Director, the Board elected not to find a replacement, which reduced the number of Board members from 6 to 5;
- Reducing Board fees by 20% until further notice;
- Restructuring and reducing the Executive Team;
- Implementing salary freezes for the Executive Team;
- Granting shares instead of cash payments for certain Executive Team entitlements to preserve cash;
- Suspending the Company's LTI scheme until FY21; and
- Deferring consideration of activating the Company's STI scheme for FY21 until December 2020.

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

Consequences of performance on shareholder wealth

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

Item	2020	2019	2018(1)	2017	2016	2015
Basic EPS (cents)	(15.57)	1.73	4.33	0.02	(0.81)	0.37
Profit / (loss) before tax ($'000)	(14,454)	1,446	3,380	202	(9,928)	1,033
Profit / (loss) after tax ($'000)	(14,454)	1,446	3,380	202	(8,982)	4,108
Net Assets ($'000)	72,458	73,542	71,769	51,553	42,917	51,899
Share price at 30 June (cents) (1)	55.5	90.5	5.0	4.6	3.4	5.9

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

b Details of remuneration

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

Director and other Key Management Personnel remuneration ($)

		Short term employee benefits			Post-employment benefits	Long-term benefits	Termination benefits	Share-based payments		
Employee	Year	Cash salary and fees	Bonus	Non-monetary benefits	Superannuation	Long service leave	Termination payments	Share rights	Total	Performance based percentage of remuneration
Non-Executive Directors										
Terry O'Brien [(6)] Chairman, Independent	**2020**	**150,000**	**-**	**-**	**-**	**-**	**-**	**-**	**150,000**	**0%**
	2019	145,625	-	-	-	-	-	-	145,625	0%
Nick Burrows Independent	**2020**	**91,000**	**-**	**-**	**-**	**-**	**-**	**-**	**91,000**	**0%**
	2019	86,375	-	-	-	-	-	-	86,375	0%
Marcus Stehr	**2020**	**69,406**	**-**	**-**	**6,594**	**-**	**-**	**-**	**76,000**	**0%**
	2019	66,895	-	-	6,355	-	-	-	73,250	0%
Raelene Murphy Independent	**2020**	**77,500**	**-**	**-**	**-**	**-**	**-**	**-**	**77,500**	**0%**
	2019	74,375	-	-	-	-	-	-	74,375	0%
Helen Sawczak [(1)] Independent	**2020**	**62,507**	**-**	**-**	**5,938**	**-**	**-**	**-**	**68,445**	**0%**
	2019	61,644	-	-	5,856	-	-	-	67,500	0%
Gilbert Vergeres [(2)]	**2020**	**23,333**	**-**	**-**	**-**	**-**	**-**	**-**	**23,333**	**0%**
	2019	-	-	-	-	-	-	-	-	0%
Other Key Management Personnel										
David Head Managing Director & CEO	**2020**	**506,171**	**90,938**	**-**	**25,000**	**19,187**	**-**	**194,151**	**835,447**	**34%**
	2019	482,962	203,150	-	25,269	11,892	-	300,981	1,024,254	49%
Rob Gratton - CFO & Joint Company Secretary [(3)]	**2020**	**326,915**	**31,943**[(5)]	**-**	**25,000**	**1,710**	**-**	**-**	**385,568**	**8%**
	2019	90,000	-	-	6,923	272	-	-	97,195	0%
Wayne Materne - CFO & Company Secretary [(4)]	**2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2019	49,615	-	-	10,528	5,695	-	-	65,838	0%
2020 Total	**2020**	**1,306,832**	**122,881**	**-**	**62,532**	**20,897**	**-**	**194,151**	**1,707,293**	**19%**
2019 Total	2019	1,057,491	203,150	-	54,931	17,859	-	300,981	1,634,412	31%

(1) Retired on 22 June 2020.
(2) Appointed on 3 March 2020.
(3) Commenced as a KMP on 19 March 2019.
(4) Ceased to be a KMP on the 19 September 2018.
(5) Short term bonus is intended to be paid through the issuance of shares for some Executives. The quantum of shares proposed to be issued will be 58,079 to Rob Gratton at a share price of $0.55 per share valued on the 10 August 2020.
(6) Chairman's fees are inclusive of all committee fees.

c Service agreements

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

Name	Base salary $	Motor Vehicle / Allowance	Term of agreement	Notice period
David Head (CEO)	$460,000	Yes	Ongoing	9 months
Rob Gratton (CFO)	$327,620	No	Ongoing	3 months

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

Name	Fixed remuneration	Maximum At risk – STI	Maximum At risk – LTI
Other Key Management Personnel			
David Head	42%	19%	39%
Rob Gratton	61%	17%	22%

d Bonuses included in remuneration

Details of the short-term incentive cash bonuses awarded as remuneration to each Key Management Personnel for FY20, 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 FY20 and it is proposed that the payment to some Executives will be settled by the issuance of shares. The quantum of shares to be issued will be 58,079 to Rob Gratton at a strike price of $0.55 being the price on the date the bonus was approved.

	Included in remuneration ($)	Percentage vested during the year	Percentage forfeited during the year
Other Key Management Personnel			
David Head	90,938	37.5%	62.5%
Rob Gratton	31,943	32.5%	67.5%

e Other information

Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2020 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

Year ended 30 June 2020 – Ordinary Shares					
Personnel	**Balance at start of year**	**Granted as remuneration**	**Received on exercise**	**Other changes**	**Held at the end of reporting period**
T O'Brien	155,000	-	-	75,781(1)	230,781
N Burrows	48,358	-	-	-	48,358
M Stehr	64,794	-	-	-	64,794
R Murphy	25,000	-	-	-	25,000
H Sawczak	5,000	-	-	(5,000) (2)	-
G Vergeres(3)	-	-	-	-	-
D Head	510,598	-	678,899	-	1,189,497
R Gratton	48,695	-	-	61,552(1)	110,247
Totals	**857,445**	**-**	**678,899**	**132,333**	**1,668,677**

(1) Changes are on market purchases and conversion of Convertible Notes.

(2) Ceased to be a KMP during FY20

(3) Commenced as a KMP during FY20

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.

Convertible notes held by Key Management Personnel

The number of convertible notes in the Company during the 2020 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

Year ended 30 June 2020 – Convertible notes					
Personnel	**Balance at start of year**	**Issue of convertible notes**	**Converted to equity**	**Other changes**	**Held at the end of reporting period**
T O'Brien	-	25,834	(25,834)	-	-
N Burrows	-	8,060	-	-	8,060
M Stehr	-	10,213	-	-	10,213
R Murphy	-	4,167	-	-	4,167
H Sawczak	-	834	-	(834) (1)	-
G Vergeres(2)	-	-	-	-	-
D Head	-	136,574	-	-	136,574
R Gratton	-	100,000	-	-	100,000
Totals	**-**	**285,682**	**(25,834)**	**(834)**	**259,014**

(1) Ceased to be a KMP during FY20

(2) Commenced as a KMP during FY20

Share Rights held by Key Management Personnel

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

Year ended 30 June 2020 – Share Rights						
Personnel	**Balance at start of year**	**Other changes**	**Granted as remuneration**	**Exercised**	**Lapsed**	**Held at the end of reporting period**
D Head	1,934,407	-	518,120	(678,899)	(132,695)	1,640,933
R Gratton	-	-	138,877	-	-	138,877
Totals	**1,934,407**	**-**	**656,997**	**(678,899)**	**(132,695)**	**1,779,810**

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

Other Transactions with Key Management Personnel

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

A major shareholder in Clean Seas Seafood Limited is Australian Tuna Fisheries Pty Ltd (ATF). ATF and its associated entities controlled 6.15% of issued shares at 30 June 2020 (2019: 7.1%) and it is associated with Stehr Group Pty Ltd, H & A Stehr Superannuation Fund and Sanchez Tuna Pty Ltd. These transactions were as follows:

	2020 $'000	2019 $'000
Australian Tuna Fisheries Pty Ltd:		
• Receipts for ice, expenses, SBT quota lease and contract labour	**33**	**5**
• Payments for towing, contract labour, fish feed, marina and net shed rent and electricity	**389**	**495**
Stehr Group Pty Ltd		
• Payments for office rent	**35**	**36**
• Other payments	**-**	**30**

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

	2020 $'000	2019 $'000
Current payables		
• Australian Tuna Fisheries Pty Ltd	**61**	22
• Stehr Group Pty Ltd	**2**	-
Current receivables		-
• Australian Tuna Fisheries Pty Ltd	**-**	22

End of audited Remuneration Report.

Sustainability & Safety

Clean Seas' vision is to be a global leader in sustainable and profitable Yellowtail Kingfish production. In FY20 the Company progressed its Integrated Management Systems approach working under its four core umbrella policies - WHS, Environment, Quality, and Risk Management - which have been framed against ISO requirements.

This systematic approach, including a continuous improvement plan, has enabled the Company to maintain certification compliance with the independent auditing bodies of Aquaculture Stewardship Council (ASC), Friends of the Sea (FoS) and HACCP (SGS).

As part of the commitment to achieving these goals the Company has again actively strived to meet its moral and legal regulatory responsibilities.

Lost Time Injury Frequency (LTIF) measures the number of lost-time injuries per million hours worked, and is a widely accepted proxy for safety performance. Clean Seas safety performance in FY20 recorded a 20% improvement in total LTIF, with 9.9 in FY20 compared to 12.4 in FY19. A total of 12 days were lost in FY20 due to two medically treated injuries.

Year Ended 30th June	2020	2019
Lost Time Injury Frequency (LTIF)	9.9	12.4

Clean Seas workplace health risks in the past year have primarily been attributed to slips, trips and falls, crushing, cuts, musculoskeletal stressors and mental health impacts.

Focus from within the Company, however, continues to be on 'high energy transfer' controlling risks associated with plant and chemical operations. This has resulted in Clean Seas adopting best practice standards for work in these areas performed. For example: Crane Work – high risk work, both on land and sea can only be performed by personnel holding the appropriate high-risk licences of dogging and CV crane tickets.

To strengthen our safety leadership and culture, we have educated our employees in early mental health management, encouraging them to ask the question 'R U OK'? This initiative has already assisted several employees seek out appropriate counselling and medical help.

Working with customers, suppliers and the community was a feature in FY20 whereby Clean Seas promoted mental health awareness within the community through the sponsoring and support of a Tunarama entrant.

Since March 2020, Clean Seas has taken a proactive approach to the management of the Coronavirus pandemic in line with State and Federal Government direction. To ensure our workforce continues to operate safely, strict rules and social distancing measures have been applied. Separation of shift teams and administration staff, and regular targeted cleaning programs have been designed to ensure employee safety and to avoid disruption to the Company's supply chain.

Environmental legislation

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

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

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

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

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

- The Arno Bay and Port Augusta Hatcheries are licensed to operate under an Aquaculture Land based Category C License issued by the South Australian Minister for Agriculture, Food and Fisheries under the Aquaculture Act 2001. The licensee is required to comply with the requirements of all statutes, regulations, by-laws, ordinances, rules, notices or orders lawfully given pursuant to the Aquaculture Act 2001, Aquaculture Regulations 2016, Environment Protection (Water Quality) Policy 2015 and the Livestock Act 1997. Clean Seas has not recorded any breaches of the license requirements.

- The Group operates 28 marine aquaculture licences issued by The South Australian Minister for Agriculture, Food and Fisheries under the Aquaculture Act 2001. The licensee is required to comply with the requirements of all statutes, regulations, by-laws, ordinances, rules, notices or orders lawfully given pursuant to the Aquaculture Act 2001, Aquaculture Regulations 2016, Environment Protection (Water Quality) Policy 2015 and the Livestock Act 1997. There have been no material recorded breaches of the license requirements.

- The Royal Park processing plant is licensed by the South Australian Environment Protection Authority under Part 6 of the Environment Protection Act 1993 to operate as a fish processing works. The Licensee must be aware of and comply with their obligations under the Environment Protection Act 1993, the Environment Protection Regulations 2009, the Environment Protection Policies made under the Environment Protection Act 1993 and the requirements of any National Environment Protection Measure which operates as an Environment Protection Policy under the Environment Protection Act 1993. Clean Seas has not recorded any breaches of the licence requirements.

Indemnities given to and insurance premiums paid for Directors and officers

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

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

Non-audit services

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

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

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

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 27 to the Financial Statements.

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

Proceedings of behalf of the Company

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

Rounding of amounts

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

Signed in accordance with a resolution of the Directors.

Terry O’Brien
Chairman

28 August 2020

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Auditor's Independence Declaration

To the Directors of Clean Seas Seafood Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Clean Seas Seafood Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 28 August 2020

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 2020 is dated as at 30 June 2020 and was approved by the Board on 28 August 2020. The Corporate Governance Statement is available on Clean Seas' website at http://www.cleanseas.com.au/investors/corporate-governance/

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Revenue	6	**40,313**	46,149
Other income	7	**16,375**	287
Net gain arising from changes in fair value of biological assets	14	**18,511**	23,325
Fish husbandry expense		**(31,708)**	(30,194)
Employee benefits expense	23.1	**(12,370)**	(12,166)
Fish processing and selling expense		**(10,197)**	(12,136)
Cost of goods sold – frozen inventory		**(10,598)**	(8,553)
Impairment – frozen inventory and biological assets	13/14	**(15,813)**	-
Depreciation and amortisation expense	15/18	**(3,441)**	(3,079)
Other expenses		**(4,148)**	(1,931)
(Loss)/Profit before finance items and tax		**(13,076)**	1,702
Finance costs	8	**(1,389)**	(262)
Finance income	8	**11**	6
(Loss)/Profit before tax		**(14,454)**	1,446
Income tax benefit / (expense)	9	**-**	-
(Loss)/Profit for the year after tax		**(14,454)**	1,446
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive loss/profit for the year		**(14,454)**	1,446
Earnings per share from continuing operations:			
Basic earnings per share (cents per share)	25.1	**(15.57)**	1.73
Diluted earnings per share (cents per share)	25.1	**(15.57)**	1.69

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

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	2020 $'000	2019 $'000
Assets			
Current			
Cash and cash equivalents	10	**22,169**	1,004
Trade and other receivables	11	**2,973**	5,764
Inventories	13	**10,891**	9,465
Prepayments		**1,072**	1,047
Biological assets	14	**49,783**	56,585
Current assets		**86,888**	73,865
Non-current			
Property, plant and equipment	15	**16,092**	16,869
Right-of-use assets	18	**539**	-
Biological assets	16	**244**	244
Intangible assets	17	**2,957**	2,957
Non-current assets		**19,832**	20,070
TOTAL ASSETS		**106,720**	93,935
Liabilities			
Current			
Trade and other payables	19	**6,423**	6,982
Bank overdraft	10	**-**	7,275
Borrowings	20	**10,925**	1,585
Provisions	22	**1,175**	977
Current liabilities		**18,523**	16,819
Non-current			
Convertible notes	21	**13,075**	-
Borrowings	20	**2,340**	3,356
Provisions	22	**324**	218
Non-current liabilities		**15,739**	3,574
TOTAL LIABILITIES		**34,262**	20,393
NET ASSETS		**72,458**	73,542
Equity			
Equity attributable to owners of the Parent:			
• share capital	24.1	**195,937**	182,436
• share rights reserve	24.2	**766**	897
• accumulated losses		**(124,245)**	(109,791)
TOTAL EQUITY		**72,458**	73,542

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 2020

	Notes	Share capital $'000	Share rights reserve $'000	Accumulated Losses $'000	Total equity $'000
Balance at 1 July 2018		182,345	661	(111,237)	71,769
Profit for the year		-	-	1,446	1,446
Share purchase plan and placement	24.1	91	-	-	91
Share rights reserve movement	24.2	-	236	-	236
Balance at 30 June 2019		182,436	897	(109,791)	73,542
Loss for the year		**-**	**-**	**(14,454)**	**(14,454)**
Share placement	24.1	**11,393**	**-**	**-**	**11,393**
Convertible note conversions	24.1	**1,633**	**-**	**-**	**1,633**
Share rights reserve movement	24.2	**475**	**(131)**	**-**	**344**
Balance at 30 June 2020		**195,937**	**766**	**(124,245)**	**72,458**

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 2020

	Notes	2020 $'000	2019 $'000
Operating activities			
Receipts from customers		**42,657**	45,756
Payments to suppliers excluding feed		**(24,972)**	(23,645)
Payments for feed		**(23,803)**	(21,317)
Payments to employees		**(10,126)**	(10,136)
Litigation and insurance proceeds		**15,618**	-
Government grants received		**600**	-
Net cash used in operating activities	26	**(26)**	(9,342)
Investing activities			
Purchase of property, plant and equipment		**(2,422)**	(3,226)
Interest received		**11**	6
Net cash used in investing activities		**(2,411)**	(3,220)
Financing activities			
Gross proceeds from issue of shares		**11,600**	-
Share issue expenses		**(194)**	-
Gross proceeds from issue of convertible notes		**15,403**	-
Convertible note issue expenses		**(840)**	
Proceeds from borrowings		**8,489**	2,480
Repayment of borrowings		**(2,969)**	(1,474)
Interest paid		**(612)**	(249)
Net cash from financing activities		**30,877**	757
Net change in cash and cash equivalents		**28,440**	(11,805)
Cash and cash equivalents at beginning of year		**(6,271)**	5,534
Cash and cash equivalents at end of year	10	**22,169**	(6,271)

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

Notes to the Consolidated Financial Statements

1 Nature of operations

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

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

2 General information and statement of compliance

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

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

The consolidated financial statements for the year ended 30 June 2020 were approved and authorised for issue by the Board of Directors on 28 August 2020.

COVID-19 Pandemic

The consolidated financial statements for the year end 30 June 2020 have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the normal course of business at they fall due.

Since spread on the global COVID-19 pandemic in 2020, there has been a significant adverse impact on the Global economy. The slowing of the global economy and travel restrictions have reduced demand for goods and services generally and Clean Seas food services business has been significantly impacted.

In the interest of preserving cash, Management and the Board have taken action to respond to the pandemic by implement the following:

- Reduced the Executive team from 6 to 4;
- Following Helen Sawczak retirement as a Non-Executive Director, the Board elected not to find a replacement, which reduced the number of Non-Executive Directors from 6 to 5;
- The Directors have agreed to a 20% reduction in fees, effective 1st August 2020; and

- Implemented savings in Corporate, Sales and Marketing costs and feed optimisation on the farm which is expected to result in operating costs savings in excess of $5 million in FY21.

From April 2020, the Group qualified for Jobkeeper for certain qualifying employees. At 30 June 2020 the Group had 92 qualifying employees and the Group had recognised other income of $0.8 million.

It is anticipated that the COVID-19 pandemic will have an adverse impact on Group's business, profitability and cash flows in FY21. The Group has therefore impaired its Live Fish and Frozen by $15.8 million at 30 June 2020.

As at 30 June 2020, the Group had cash reserves of $22.2 million, undrawn facilities of $20.2 million and net current assets of $68.4 million. In February 2020, the Group secured a $14 million increase to the Finance Facility with Commonwealth Bank of Australia, which increased the facility limit to $32.15 million. The Finance Facility comprises $12 million Trade Finance Facility, $14 million Market Rate Loan Facility, $6 million Equipment Finance Facility and $150,000 Corporate Card Facility.

The Group is subject to financial covenants, including operating cash flows, EBITDA and current ratio, which are reviewed quarterly. The Group was compliant with all its covenants as at 30 June 2020, however, the Bank has agreed to waive the testing of all covenants for the period ending 30 September 2020 with the intent to reach agreement on revised covenants for the period ending 31 December 2020.

The Bank has confirmed that no event of default is subsisting and the Group can continue to utilise each Facility as per the terms outlined in the Facility Agreement. This will provide the Group with sufficient funding to navigate through the potential uncertainty associated with the ongoing impact of COVID-19 pandemic.

The material economic uncertainty associated with the COVID-19 pandemic has been considered by the Board in assessing the potential financial impact on the Group's ability to generate positive cash flows, to comply with financial covenants and to meet debts as and when they fall due. At the date of this report, the Board are of the opinion that the Group will be successful in managing the impacts of COVID-19 and will continue to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

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 2019. Information on the more significant standard, AASB 16 Leases is presented below.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented with Borrowings in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting

the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. The Group has elected to use the cumulative catch-up approach on transition to AASB 16.

Adjustment recognised on adoption of AASB 16	$'000
Operating lease commitments disclosed as per note 29.2 of the 30 June 2019 Consolidated Financial Statements	584
Discounted using the incremental borrowing rate at the date of initial application	(24)
Lease liability recognised as at 1 July 2019	**560**
Of which are:	
Current lease liabilities	283
Non-current lease liabilities	277
Total lease liabilities	**560**

The Group used an incremental borrowing rate of 4.5%.

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 $'000	1 July 2019 $'000
Properties	-	560
Total right-of-use assets	**-**	**560**

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Right-of-use assets – increase by $560,000; and
- Lease liabilities – increase by $560,000.

The net impact on retained earnings on 1 July 2019 was nil.

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 2020, 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.

Other standards and amendments that are not yet effective and have not been adopted early by the Group include:

- IFRS 7 Insurance Contracts;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8); and
- Conceptual Framework for Financial Reporting.

4 Summary of accounting policies

4.1 Overall considerations

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

4.2 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and its subsidiaries as of 30 June 2020. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

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

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

4.3 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

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

4.4 Segment reporting

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

- Finfish Sales: All finfish grow out and sales other than propagated Southern Bluefin Tuna ("SBT"). Currently the segment includes Yellowtail Kingfish, Mulloway and some wild caught Tuna. All fish produced are aggregated as one reportable segment as the fish are similar in nature, they are grown and distributed to similar types of customers and they are subject to a similar regulatory environment.

- Tuna Operations: Propagated Southern Bluefin Tuna operations are treated as a separate segment. All costs associated with the breeding, grow out and sales of SBT are aggregated into one reportable segment. This segment is currently scaled back apart from some strategic research projects.

Each of these operating segments is managed separately as they require different technologies, resources and capabilities and are at a different stage of development.

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

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Interest income

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

Government Grants

The Group applies AASB 120 Accounting for Government Grants and Disclosure of Government Assistance in accounting for the Jobkeeper wage subsidy, whereby a credit is recognised in other income over the period necessary to match the benefit of the credit with the costs for which they are intended to compensate.

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 4.11.

The following useful lives are applied:

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

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

4.9 Property, plant and equipment

Land and buildings

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

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

Plant and equipment

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

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

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

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

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

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

4.10 Leased assets

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as Borrowings in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' note 4.9.

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.

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

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

4.12 Financial instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

Subsequent measurement of financial assets

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

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

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

Financial assets at amortised cost

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

Impairment of financial assets

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

Classification and subsequent measurement of financial liabilities

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

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

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

4.13 Inventories

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

4.14 Income taxes

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

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

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

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

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

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

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

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

4.15 Cash and cash equivalents

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

4.16 Equity and reserves

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

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

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

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

4.17 Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

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

Post-employment Benefit Plans

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

Defined Contribution Plans

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

4.18 Share-based employee remuneration

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

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

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

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

4.19 Provisions, contingent liabilities and contingent assets

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

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

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

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

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

4.20 Biological assets

Biological assets comprise live fish held for sale and broodstock.

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

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

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

4.21 Goods and Services Tax (GST)

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

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

4.22 Rounding of amounts

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

4.23 Significant management judgement in applying accounting policies

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

Significant management judgement

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

Coronavirus COVID-19 Pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes and the Director's Report, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Fair value of live fish held for sale and broodstock

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

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

Recognition of deferred tax assets

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

Estimation uncertainty

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

Impairment

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

Useful lives of depreciable assets

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

Inventories

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

5 Operating Segments

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

Segment information for the reporting period is as follows:

	Finfish Sales 2020 $'000	Tuna Operations 2020 $'000	Unallocated 2020 $'000	Total 2020 $'000
Revenue				
From external customers	**40,313**	**-**	**-**	**40,313**
Segment revenues	**40,313**	**-**	**-**	**40,313**
Other income	**16,375**	**-**	**-**	**16,375**
Net gain from changes in value of fish	**18,511**	**-**	**-**	**18,511**
Fish husbandry expense	**(31,708)**	**-**	**-**	**(31,708)**
Employee benefits expense	**(12,370)**	**-**	**-**	**(12,370)**
Fish processing and selling expense	**(10,197)**	**-**	**-**	**(10,197)**
Frozen Inventory COGS	**(10,598)**	**-**	**-**	**(10,598)**
Impairment – frozen inventory and biological assets	**(15,813)**	**-**	**-**	**(15,813)**
Depreciation and amortisation	**(3,417)**	**(24)**	**-**	**(3,441)**
Other expenses	**(3,874)**	**(274)**	**-**	**(4,148)**
Finance costs and income	**-**	**-**	**(1,378)**	**(1,378)**
Segment operating loss before tax	**(12,778)**	**(298)**	**(1,378)**	**(14,454)**
Segment assets 2020	**84,096**	**455**	**22,169**	**106,720**

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

No segment liabilities are disclosed because there is no measure of segment liabilities regularly reported to the Group's Chief Executive Officer. Unallocated operating income and expense consists of net interest and unallocated assets consist of cash and cash equivalents.

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

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

	Revenue 2020 $'000	**Non-current assets 2020 $'000**	Revenue 2019 $'000	Non-current assets 2019 $'000
Australia	**22,438**	**19,832**	23,732	20,070
Europe	**14,680**	-	18,390	-
Other countries	**3,195**	-	4,027	-
Total	**40,313**	**19,832**	46,149	20,070

During 2020 $3.9 million or 10% (2019: $5.7 million or 12%) 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:

	2020 $'000	2019 $'000
Sale of fresh fish products	**31,807**	37,124
Sale of frozen fish products	**8,506**	9,025
Total	**40,313**	46,149

7 Other income

	2020 $'000	2019 $'000
Litigation settlement	**15,000**	-
Government Stimulus (Jobkeeper)	**843**	-
Other income	**532**	287
Total other income	**16,375**	287

On the 23 December 2019, the Group's legal action against Gibson's Ltd in respect of what the Company alleged, and Gibson's Ltd denied, were defective feed supplied to the Company and fed to the Company's Yellowtail Kingfish between December 2008 and July 2012 was settled for a payment to the Company for $15 million inclusive of costs. The payment was received in full on 16 January 2020.

From April 2020, the Group qualified for Jobkeeper for certain qualifying employees. At 30 June 2020 the Group had 92 qualifying employees and the Group had recognised other income of $0.8 million.

8 Finance income and finance costs

Finance income for the reporting periods consist of the following:

	2020 $'000	2019 $'000
Interest income from cash and cash equivalents	**11**	**6**
Total	**11**	**6**

Finance costs for the reporting periods consist of the following:

	2020 $'000	2019 $'000
Interest expenses for borrowings at amortised cost:		
• Convertible note	**878**	-
• Leases	**208**	114
• Other borrowings	**303**	148
Total	**1,389**	262

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 27.5% (2019: 27.5%) and the reported tax expense in profit or loss are as follows:

	2020 $'000	2019 $'000
Profit / (Loss) before tax	**(14,454)**	1,446
Domestic tax rate for Clean Seas Seafood Limited	**27.5%**	27.5%
Expected tax expense / (income)	**(3,975)**	398
Adjustment for R&D tax incentive refund – 27.5% corporate tax rate component	**-**	-
Current year tax expense added to / (offset against) prior year tax losses	**-**	(398)
Adjustment for derecognition of tax losses	**3,975**	-
Adjustment for tax-exempt income	**-**	-
Actual tax expense / (income)	**-**	-
Tax expense comprises:		
• R&D tax incentive refund – 27.5% corporate tax rate component	**-**	-
• Deferred tax expense	**-**	-
Tax expense / (income)	**-**	-

Due to uncertainty regarding the utilisation of prior year tax losses in future years, the tax losses are not recognised as an asset. At 30 June 2020, carried forward tax losses are estimated to be $73 million (2019: $60.3 million) and non-refundable R&D tax offsets are estimated to be $10.5 million (2019: $10.0 million).

10 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2020 $'000	2019 $'000
Cash at bank	**22,169**	1,004
Cash and cash equivalents in the statement of financial position	**22,169**	1,004
Bank overdraft used for cash management purposes	**-**	(7,275)
Cash and cash equivalents in the statement of cash flow	**22,169**	(6,271)

11 Trade and other receivables

Trade and other receivables consist of the following:

	2020 $'000	2019 $'000
Trade receivables, gross	**2,803**	5,260
Allowance for credit losses	**(76)**	(50)
Trade receivables	**2,727**	5,210
Other receivables	**246**	554
Total	**2,973**	5,764

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

	Expected credit loss rate		Carrying Amount		Allowance for expected losses	
	2020 %	2019 %	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Not overdue	1%	0%	1,815	3,222	**20**	-
0 to 3 months overdue	6%	1%	960	1,786	**53**	20
3 to 6 months overdue	10%	5%	28	102	**3**	5
Over 6 months overdue	0%	17%	-	150	**-**	25
Total			**2,803**	**5,260**	**76**	50

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

Reconciliation of allowance for credit losses	2020 $'000	2019 $'000
Balance at 1 July	**50**	50
Amounts written off / (uncollectable)	**(138)**	(22)
Additional provision recognised	**164**	22
Impairment loss reversed	**-**	-
Balance 30 June	**76**	50

An analysis of unimpaired trade receivables that are past due is given in Note 33.3.

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.

Financial assets at amortised cost	**Notes**	**2020 $'000**	2019 $'000
Cash and cash equivalents	10	**22,169**	1,004
Trade and other receivables	11	**2,973**	5,764
Totals		**25,142**	6,768

Other liabilities	**Notes**	**2020 $'000**	2019 $'000
Convertible note	21	**13,075**	**-**
Borrowings	20	**13,265**	4,941
Bank Overdraft	10	**-**	7,275
Trade and other payables	19	**6,423**	6,982
Totals		**32,763**	19,198

No financial assets or liabilities are recognised at Fair Value through Other Comprehensive Income or Fair Value through Profit or loss.

A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 33.

12.2 Other financial assets and liabilities

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

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

13 Inventories

Inventories consist of the following:

	2020 $'000	2019 $'000
Frozen fish products	**15,352**	7,202
(Less) impairment	**(6,713)**	-
Frozen fish products (at NRV)	**8,639**	7,202
Fish feed (at cost)	**1,665**	1,776
Other (at cost)	**587**	487
Total	**10,891**	9,465

At 30 June 2020, the Group recognised an impairment of $6.7 million to ensure that inventory is stated at the lower of cost and net realisable value (NRV). Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date.

14 Biological assets - current

Live Yellowtail Kingfish – Held for Sale	**2020 $'000**	2019 $'000
Carrying amount at beginning of period	**56,585**	45,229
Adjusted for:		
Gain from physical changes at fair value less costs to sell	**44,312**	52,268
Decrease due to harvest for sale as fresh	**(25,801)**	(28,943)
Net gain recognised in profit and loss	**18,511**	23,325
Decrease due to impairment	**(9,100)**	-
Decrease due to harvest for processing to frozen inventory	**(16,213)**	(11,969)
Carrying amount at end of period	**49,783**	56,585

The closing biomass comprised 4,435 tonnes at an average weight of 2.43kg. This comprised 321 tonnes of 2018 year class (YC18) at an average weight of 4.9kg, 2,963 tonnes of YC19 at an average weight of 3.7 kg and 1,151 tonnes YC20 at an average weight of 1.2 kg (2019: 4,136 tonnes at an average weight of 2.57kg comprising 2,783 tonnes of 2018 year class (YC18) at an average weight of 4.3kg and 1,353 tonnes of YC19 at an average weight of 1.4 kg). During FY20 harvests totalled 3,235 tonnes (FY19: 3,010 tonnes).

At 30 June 2020, the Group recognised an impairment of $9.1 million to ensure that Live fish inventory is stated at fair value in accordance with *AASB 141 Agriculture*.

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	Total $'000
Gross carrying amount			
Balance 1 July 2019	**4,186**	**36,836**	**41,022**
Additions	**58**	**2,316**	**2,374**
Disposals	**-**	**-**	**-**
Balance 30 June 2020	**4,244**	**39,152**	**43,396**
Depreciation and impairment			
Balance 1 July 2019	**(1,504)**	**(22,649)**	**(24,153)**
Disposals	**-**	**-**	**-**
Depreciation	**(163)**	**(2,988)**	**(3,151)**
Balance 30 June 2020	**(1,667)**	**(25,637)**	**(27,304)**
Carrying amount 30 June 2020	**2,577**	**13,515**	**16,092**

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

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 20).

16 Biological assets – non-current

Finfish Broodstock	**2020 $'000**	2019 $'000
Carrying amount at beginning of period	**244**	244
Purchases	**-**	-
Sales	**-**	-
Carrying amount at end of period	**244**	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
Net carrying amount			
Balance at 1 July 2019	**2,827**	**130**	**2,957**
Amortisation and impairment	**-**	**-**	**-**
Net carrying amount 30 June 2020	**2,827**	**130**	**2,957**
Balance at 1 July 2018	2,827	130	2,957
Amortisation and impairment	-	-	-
Net carrying amount 30 June 2019	2,827	130	2,957

At each reporting date, the Directors review intangible assets for impairment.

Impairment assessment

The group operates two cash generating units comprising fin-fish and tuna operations.

The recoverable amount of the consolidated entity's non-current assets has been determined by value-in-use cash flow projections from financial budgets for FY21 as reviewed by the Board. In establishing the cash flow projections, due consideration was given to the material economic uncertainty associated with COVID-19. The discounted cash flow model is based on a 3-year projection period and extrapolated for a further 2 years, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. The following key assumptions were used in the discounted cash flow model for the finfish operation:

- 12.5% discount rate; and
- 2.5% long term revenue and operating cost growth rate.

The discount rate of 12.5% reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the finfish operation, the risk free rate and the volatility of the share price relative to market movements. Sensitivity analysis indicates that headroom continues to be present if the discount rate is increased to 14.2%.

Management believes the projected 2.5% revenue growth rate is prudent and justified, based on the general slowing in the market. Sensitivity analysis on the long-term growth rate indicates that headroom continues to be present if growth rate is reduced to 1%.

The Group believes that the assumptions adopted in the value value-in-use calculation reflects an appropriate balance between the Group's experience to date and the material uncertainty associated with the COVID-19 pandemic.

Accordingly, the Group has concluded that no impairment is required based on current market and economic conditions and expected future performance.

18 Right-of-use assets

The following table shows the movements in right-of-use assets

	Total $'000
Gross carrying amount	
Balance at 1 July 2019 – Restated	**560**
Additions	**-**
Remeasure lease	**269**
Disposals	**-**
Balance at 30 June 2020	**829**
Amortisation and impairment	
Balance at 1 July 2019	**-**
Disposals	**-**
Amortisation	**(290)**
Balance at 30 June 2020	**(290)**
Carrying amount 30 June 2020	**539**

The main leased site is the Royal Park processing plant in Adelaide, South Australia. The 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.

During FY20, the Group remeasured the Royal Park lease to include the renewal option of 2 years and gave notice of termination for its Melbourne office.

19 Trade and other payables

Trade and other payables consist of the following:

	2020 $'000	2019 $'000
Current:		
• trade payables	**4,196**	5,407
• related party payables	**63**	22
• other payables	**2,164**	1,553
Total trade and other payables	**6,423**	6,982

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

20 Borrowings

Borrowings consist of the following:

	2020 $'000	2019 $'000
Current:		
• Trade Finance Facility	**8,496**	-
• Lease liabilities – bank (note 32.1)	**1,304**	1,018
• Lease liabilities – other (note 32.2)	**249**	-
• Insurance premium funding	**876**	567
Total borrowings – current	**10,925**	1,585
Non-current:		
• Lease liabilities – bank (note 32.1)	**2,029**	3,356
• Lease liabilities – other (note 32.2)	**311**	-
Total borrowings – non-current	**2,340**	3,356

In February 2020, the Group secured a $14 million increase to the Finance Facility with Commonwealth Bank of Australia, which increased the facility limit to $32.15 million. The Finance Facility comprises $12 million Trade Finance Facility, $14 million Market Rate Loan Facility, $6 million Equipment Finance Facility and $150,000 Corporate Card Facility. This is an ongoing facility subject to annual review and is secured against all Group assets.

The Group has a $6.0 million (2019: $6.0 million) secured Lease Finance and Project Specific Asset Finance Facility with Commonwealth Bank of Australia, of which $3.3 million was utilised at 30 June 2020.

As at 30 June 2020, the Group had utilised $8.5 million of the $12 million Trade Finance Facility.

The Group is subject to financial covenants, including operating cash flows, EBITDA and current ratio, which are reviewed quarterly. The Group was compliant with all its covenants as at 30 June 2020, however, the Bank has agreed to waive the testing of all covenants for the period ending 30 September 2020 with the intent to reach agreement on revised covenants for the period ending 31 December 2020.

The Bank has confirmed that no event of default is subsisting and the Group can continue to utilise each Facility as per the terms outlined in the Facility Agreement.

21 Convertible notes

	2020 $'000	2019 $'000
Non-current:		
• Convertible notes	**13,770**	-
• Note costs capitalised	**(854)**	-
• Costs amortised	**159**	-
Total convertible notes	**13,075**	-

The Company issued 15,403,097 convertible notes with a face value of $1.00 each. The interest rate payable to Noteholders is 8% per annum payable half yearly in arrears. The convertible notes are due to mature on 22 November 2022. Noteholders have the right to convert some or all of their Notes to Shares on a quarterly basis before the maturity date. Notes are issued in accordance with the prospectus dated 15 October 2019. The Notes are unsecured, but rank ahead of shares in a wind up. During FY20 1,633,457 notes were converted into shares. Subsequent to 30 June 2020 a further 1,456,365 convertible notes were converted to 2,913,321 shares.

The costs associated with the notes are amortised to the profit and loss over the term of the notes.

22 Provisions

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

	Annual Leave $'000	**Long Service Leave $'000**	**Total $'000**
Carrying amount 1 July 2019	**720**	**475**	**1,195**
Additional provisions	541	152	693
Amount utilised	(376)	(13)	(389)
Carrying amount 30 June 2020	**885**	**614**	**1,499**
Current employee benefit provision	**885**	**290**	**1,175**
Non-current employee benefit provision	**-**	**324**	**324**

23 Employee remuneration

23.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

	2020 $'000	2019 $'000
Salaries and wages	**9,333**	8,997
Superannuation – Defined contribution plans	**833**	781
Leave entitlement accrual adjustment	**879**	720
Short term incentive	**261**	412
Long term incentive – Share rights	**344**	327
Other on-costs	**720**	929
Total	**12,370**	12,166

23.2 Share-based employee remuneration

The Company granted a total of 1,037,521 FY20 LTI Share Rights to senior executives during the year (2019: 684,099). The share rights will vest if specified performance targets are achieved and the executive remains employed by the Company for three years including the year for which the share rights were granted, or in other circumstances agreed with the executive or at the discretion of the Board. Each share right on exercise converts to one ordinary share, subject to adjustment in specified circumstances. On exercise of share rights, a dividend equivalent issue of additional shares replicates the benefit of any dividends paid on ordinary shares during the performance period. No amount is payable on vesting or exercise. During FY20 678,899 fully paid ordinary shares (FY19 130,766) were issued on the exercise of vested Share Rights and 132,695 Share Rights lapsed (FY19 243 193).

The FY20 LTI Share Rights were valued by the Directors on a basis consistent with prior issues. One-third of the valuation at the end of the first year is expensed in the first year. Two-thirds of the valuation in the second year, less the amount expensed in the first year, is expensed in the second year. The final valuation at the end of the third year, less amounts expensed in the previous two years, is expensed or written back in the third year. Each year is subject to further review of the number of Share Rights expected to vest, in accordance with AASB 2 *Share Based Payment.*

The Share Rights valuation is based on the fair value at grant date of the equity instruments granted. For the FY20 LTI Share Rights this includes the Clean Seas share price on 1 July 2019 being $0.89 and on 29 November 2019 (AGM date) being $0.76 with no adjustment being required for future dividends, achievement of one of the three performance targets in FY20 and assessment of the probability of achievement of the second and third (NPAT) performance targets in FY21 and FY22.

24 Equity

24.1 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.

	2020 Shares	2019 Shares	**2020 $'000**	2019 $'000
Shares issued and fully paid:				
• at beginning of the year	**83,498,060**	1,667,314,190	**182,436**	182,345
• consolidation of share capital (1:20)(i)	**-**	(1,583,946,896)	**-**	-
• share placements (ii)	**18,241,506**	-	**11,393**	-
• convertible notes	**3,558,905**	-	**1,633**	
• share rights	**678,899**	130,766	**475**	91
Total contributed equity at 30 June	**105,977,370**	83,498,060	**195,937**	182,436

Notes:

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

(ii) Share Placement with Hofseth & Nevera LLC and Bonafide Wealth Management.

24.2 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:

	2020 Share rights	2019 Share rights	**2020 $'000**	2019 $'000
Share rights outstanding:				
• at beginning of the year	2,425,061	42,298,373	**897**	661
• consolidation of share capital (1:20)(i)	**-**	(40,183,453)	**-**	-
• granted during the year	**1,037,521**	684,099	**344**	373
• exercised during the year	**(678,899)**	(130,766)	**(475)**	(91)
• lapsed during the year	**(132,695)**	(243,192)	**-**	(46)
Total share rights at 30 June	**2,650,988**	2,425,061	**766**	897

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

Details of these Share Rights are provided at note 23.2.

25 Earnings per share and dividends

25.1 Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit/(loss) attributable to shareholders of Clean Seas Seafood Limited as the numerator (i.e. no adjustments to profit were necessary in 2020 or 2019).

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:

	2020 '000	2019 '000
Amounts in thousand shares:		
• weighted average number of shares used in basic earnings per share	**92,838**	83,370
• shares deemed to be issued for no consideration in respect of share based payments and convertible notes	**-**	2,426
Weighted average number of shares used in diluted earnings per share	**92,838**	85,796

The potential exercise of share rights and convertible notes has been excluded from the diluted earnings per share calculation for the period ending 30 June 2020 due to being antidilutive, in accordance with *AASB 133 Earnings Per Share,* paragraph 43.

25.2 Dividends

Dividends Paid and Proposed

	2020 $'000	2019 $'000
Dividends declared during the year	**-**	-

25.3 Franking credits

	Parent	
	2020 $'000	2019 $'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	**-**	-
	-	-

26 Reconciliation of cash flows from operating activities

	2020 $'000	2019 $'000
(Loss)/Profit for the year	**(14,454)**	1,446
Adjustments for:		
• Depreciation and amortisation	**3,441**	3,079
• LTI share rights expense	**344**	327
• net interest expense included in investing and financing	**1,378**	256
• non-cash insurance expense	**1,392**	667
Net changes in working capital:		
• change in inventories	**(1,426)**	(3,981)
• change in trade and other receivables	**2,791**	(631)
• change in prepayments	**(25)**	(466)
• change in biological assets	**6,802**	(11,356)
• change in trade and other payables	**(559)**	478
• change in other employee obligations	**304**	155
• changes offset in investing	**(14)**	684
Net cash used in operating activities	**(26)**	(9,342)

27 Auditor remuneration

	2020 $	2019 $
Audit and review of financial statements	**89,571**	96,679
Other services		
• taxation compliance	**12,000**	11,900
• other tax services	**8,000**	15,004
Total other service remuneration	**20,000**	26,904
Total auditor's remuneration	**109,571**	123,583

28 Related party transactions and key management personnel disclosures

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

A major shareholder in Clean Seas Seafood Limited is Australian Tuna Fisheries Pty Ltd (ATF). ATF and its associated entities controlled 6.15% of issued shares at 30 June 2020 (2019: 7.1%) and it is associated with Stehr Group Pty Ltd, H & A Stehr Superannuation Fund and Sanchez Tuna Pty Ltd. These transactions were as follows:

	2020 $'000	2019 $'000
Australian Tuna Fisheries Pty Ltd:		
• Receipts for ice, expenses, SBT quota lease and contract labour	**33**	5
• Payments for towing, contract labour, fish feed, marina and net shed rent and electricity	**389**	495
Stehr Group Pty Ltd		
• Payments for office rent	**35**	36
• Other payments	**-**	30

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

	2020 $'000	2019 $'000
Current payables		
• Australian Tuna Fisheries Pty Ltd	**61**	22
• Stehr Group Pty Ltd	**2**	-

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

	2020 $	2019 $
Short-term employee benefits	**1,429,713**	1,260,641
Post-employment benefits	**62,532**	54,931
Long-term benefits	**215,048**	318,840
Total Remuneration	**1,707,293**	1,634,412

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 2020.

29 Contingent assets and liabilities

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

At 30 June 2020, the Group has bank guarantees of $112,229 (2019: $112,229).

There are no other material contingent assets or liabilities.

30 Capital commitments

	2020 $'000	2019 $'000
Property, plant and equipment	**797**	262

Capital commitments relate to items of plant and equipment and site works where funds have been committed but the assets not yet received. The amounts are expected to be paid to suppliers in FY21.

31 Interests in subsidiaries

Set out below are details of the subsidy 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 2020	30 June 2019
Clean Seas Aquaculture Growout Pty Ltd	Australia	Growout and sale of Yellowtail Kingfish	**100%**	100%
Clean Seas Seafood International Pty Ltd	Australia	Sale of Yellowtail Kingfish	**100%**	100%

32 Leases

32.1 Lease liabilities – Bank

The Group holds a number of motor vehicles and plant & equipment under lease arrangements with the Commonwealth Bank of Australia. The net carrying amount of these assets is $3,438 (2019: $4,479k).

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

Lease liabilities - Bank	2020 $'000	2019 $'000
Current:		
• Lease liabilities - bank	**1,304**	1,018
Non-current:		
• Lease liabilities - bank	**2,029**	3,356

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

	Minimum lease payments due			
	Within 1 year $'000	**1-5 years $'000**	**After 5 years $'000**	**Total $'000**
30 June 2020				
Lease payments	**1,446**	**2,143**	**-**	**3,589**
Finance charges	**(142)**	**(114)**	**-**	**(256)**
Net present values	**1,304**	**2,029**	**-**	**3,333**
30 June 2019				
Lease payments	1,212	3,612	-	4,824
Finance charges	(194)	(256)	-	(450)
Net present values	1,018	3,356	-	4,374

32.2 Lease liabilities – Other

On adoption of AASB 16, the Group recognised leases liabilities in relation to leases which had previously been classified as “operating leases” under *AASB 117 Leases*. These liabilities were measured at the present value of remaining lease payments, discounted using the lease incremental borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.5%.

	2020 $’000	2019 $’000
Current:		
• Lease liabilities	**249**	-
Non-current:		
• Lease liabilities	**311**	-

	Minimum lease payments due			
	Within 1 year $’000	**1-5 years $’000**	**After 5 years $’000**	**Total $’000**
30 June 2020				
Lease payments	**270**	**324**	**-**	**594**
Finance charges	**(21)**	**(13)**	**-**	**(34)**
Net present values	**249**	**311**	**-**	**560**
30 June 2019				
Lease payments	-	-	-	-
Finance charges	-	-	-	-
Net present values	-	-	-	-

33 Financial instrument risk

33.1 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.

33.2 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
30 June 2020						
• financial assets	**1,108**	**582**	**22**	-	-	-
• financial liabilities	**(882)**	**(28)**	**-**	-	-	-
Total exposure	**226**	**554**	**22**	**-**	**-**	**-**
30 June 2019						
• financial assets	2,997	29	14	-	-	-
• financial liabilities	(1,435)	(18)	(51)	-	-	-
Total exposure	1,562	11	(37)	**-**	**-**	**-**

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 2020 (2019: +/- 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% A$'000	Decrease 5% A$'000
30 June 2020	**(1,092)**	**1,207**
30 June 2019	(1,171)	1,294

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.

33.3 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:

	2020 $'000	2019 $'000
Classes of financial assets		
Carrying amounts:		
• cash and cash equivalents	**22,169**	1,004
• trade and other receivables	**2,973**	5,764
Total	**25,142**	6,768

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:

	2020 $'000	2019 $'000
Not more three (3) months	**960**	1,786
More than three (3) months but not more than six (6) months	**28**	77
More than six (6) months but not more than one (1) year	**-**	25
More than one (1) year	**-**	150
Total	**988**	2,038

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

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

The expected loss rates are based on the payment profile for sales over the past 24 months before 30 June 2020 and 1 July respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

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

On the above basis the expected credit loss for trade receivables as at 30 June 2020 and recognised a provision for $76k.

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

33.4 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 2020, 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**
30 June 2020				
Convertible notes	**-**	**-**	**13,075**	**-**
Trade Finance Facility	**8,496**	**-**	**-**	**-**
Trade and other payables	**6,423**	**-**	**-**	**-**
Finance lease obligations	**526**	**778**	**2,029**	**-**
Lease obligations	**131**	**118**	**311**	**-**
Other borrowings	**750**	**126**	**-**	**-**
Total	**16,326**	**1,022**	**15,415**	**-**

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**
30 June 2019				
Trade and other payables	6,982	-	-	-
Finance lease obligations	524	494	3,356	-
Bank overdraft	7,275	-	-	-
Other borrowings	567	-	-	-
Total	15,348	494	3,356	-

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

34 Fair value measurement

34.1 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 2020:

30 June 2020	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Biological assets - current	**-**	**49,783**	**-**	**49,783**
Biological assets – non-current	**-**	**244**	**-**	**244**
Southern bluefin tuna quota	**-**	**130**	**-**	**130**
Total	**-**	**50,157**	**-**	**50,157**

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

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

35 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 Finance Facility Commonwealth Bank of Australia at 30 June 2020.

36 Parent entity information

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

	2020 $'000	2019 $'000
Statement of financial position		
Current assets	**883**	610
Total assets	**93,535**	57,968
Current liabilities	**12,443**	10,438
Total liabilities	**28,037**	13,842
Net assets	**65,498**	44,126
Issued capital	**195,939**	182,437
Share rights reserve	**766**	897
Accumulated losses	**(131,207)**	(139,208)
Total equity	**65,498**	44,126
Statement of profit or loss and other comprehensive income		
Profit/(Loss) for the year	**8,001**	(6,495)
Other comprehensive income	**-**	-
Total comprehensive income	**8,001**	(6,495)

The Parent Entity has no capital commitments to purchase plant and equipment (2019: Nil). Refer Note 30 for further details of the commitment.

The Parent Entity has not entered into a Deed of Cross Guarantee. Refer Note 29 in relation to contingent assets and liabilities.

37 Post-reporting date events

Retirement of Managing Director and CEO:
On 27th August 2020, the Company announced to the market that the Managing Director & CEO Mr David Head will retire from his full time role with the Company in October 2020, to seek a portfolio of Non-Executive Directorship roles. Mr Head flagged retirement options with the Board earlier this year, but at the time had not settled on timing. The business impact of COVID-19 and subsequent change in market focus for FY21 and FY22 led to discussions and subsequent agreement with the Board to bring forward retirement plans to October 2020.

Consequent Key Management Personnel Changes:
The Company's Chief Financial Officer and Joint Company Secretary, Mr Robert Gratton has been appointed Acting CEO, in the interim. Mr David Brown the Company's Group Financial Controller and Joint Company Secretary will assume the role of Acting CFO, a role he has previously held.

Other matters:
The Group is subject to financial covenants, including operating cash flows, EBITDA and current ratio, which are reviewed quarterly. The Group was compliant with all its covenants as at 30 June 2020, however, the Bank has agreed to waive the testing of all covenants for the period ending 30 September 2020 with the intent to reach agreement on revised covenants for the period ending 31 December 2020.

The Bank has confirmed that no event of default is subsisting and the Group can continue to utilise each Facility as per the terms outlined in the Facility Agreement. This will provide the Group with sufficient funding to navigate through the potential uncertainty associated with the ongoing impact of COVID-19 pandemic.

Subsequent to 30 June 2020 a further 1,456,365 convertible notes were converted to 2,913,321 shares.

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

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

Directors' Declaration

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

- The consolidated financial statements and notes of Clean Seas Seafood Limited are in accordance with the *Corporations Act 2001*, including:
  - Giving a true and fair view of its financial position as at 30 June 2020 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 2020.

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 28 day of August 2020

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Adelaide SA 5000

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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 2020, 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 2020 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Emphasis of matter – COVID-19

We draw attention to Note 2 and Note 4.23 of the financial report, which describes the circumstances relating to COVID-19 and the uncertainty surrounding any potential financial impact on the financials. Our opinion is not modified in respect of this matter.

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.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Intangible assets **Note 17**	
As at 30 June 2020, the Group's intangible assets of $2,957,000 comprise of PIRSA Leases and Licences, and Southern Bluefin Tuna Quota. The Group is required to perform an annual impairment test of intangible assets with an indefinite useful life in accordance with AASB 136 *Impairment of Assets*. Management has tested the intangibles for impairment by comparing the carrying amount with the recoverable amount. The recoverable amount was determined on a value-in-use basis. The Group's computations require a number of estimates and assumptions and therefore there is an inherent risk involved in the determination of the value of a material asset. We have determined this is a key audit matter due to the judgements and estimates required in calculating the recoverable amount on a value-in-use basis.	Our procedures included, amongst others: • enquiring with management to obtain and document an understanding of management's process and controls related to the assessment of impairment, including management's calculation of the recoverable amount; • reviewing the model against the requirements of AASB 136 with consultation of our valuations experts; • reviewing management's value-in-use calculations to assess for reasonableness of: – mathematical accuracy of the calculations; – management's ability to perform accurate estimates; – forecast cash inflows and outflows to be derived by the intangible assets; – other inputs applied to the value-in-use calculations, including discount rates, expected terminal value, and cash flow adjustments; – performed sensitivity analysis on the significant inputs and assumptions made by management in preparing its calculation; • engaging Grant Thornton's Corporate Finance team to review the management models for appropriateness; and • assessing the adequacy of the Group's disclosures within the financial statements regarding the judgements and estimates used by management in their assessment of recoverable value of the intangible assets.
Revenue recognition **Note 4 and 6**	
Revenue is the key driver of the Group. 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. This area is a key audit matter due to the volume of transactions and the total balance of revenue.	Our procedures included, amongst others: • documenting the processes and assessing the internal controls relating to revenue processing and recognition; • testing the operating effectiveness of key controls relating to revenue recognition; • reviewing the revenue recognition policy to assess its compliance with AASB 15 *Revenue from Contracts with Customers;* • performing analytical procedures to understand the movements and trends in revenue for comparison against audit expectations;

Key audit matter	How our audit addressed the key audit matter
Revenue recognition **Note 4 and 6**	
	• tracing a sample revenue transactions to supporting documentation to evaluate whether or not revenue is being recognised in line with the revenue recognition policy and accounting standards; and • assessing the adequacy of the related disclosures within the financial statements.
Biological assets **Note 4, 14 and 16**	
The Group's biological assets include Kingfish, which is measured at fair value less costs of disposal. 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. This area is a key audit matter due to the complex nature involving a number of judgements and estimates.	Our procedures included, amongst others: • Documenting the processes and assessing the internal controls relating to the valuation methodology applied to biological assets; • 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; • Reviewing the historical accuracy of the Group's assessment of the fair value of Kingfish by comparing to actual outcomes; and • Assessing the adequacy of the related disclosures within the financial statements.

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 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilites/ar1_2020.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 2020.

In our opinion, the Remuneration Report of Clean Seas Seafood Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 28 August 2020

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 24 August 2020.

Ordinary share capital (quoted)

108,890,691 fully paid ordinary shares are held by 5,501 shareholders.

Substantial shareholders

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

Shareholder	Number of Shares
Bonafide Wealth Management AG (1)	16,200,139
GCI CSS (Hofseth & Nevera) LLC (2)	10,000,000
Australian Tuna Fisheries Pty Ltd (3)	6,026,690

(1) Notice released to ASX on 27 August 2019.
(2) Notice released to ASX on 15 June 2020.
(3) Notice released to ASX on 21 April 2020.

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	1,980
1,001 - 5,000	1,926
5,001 - 10,000	608
10,001 - 100,000	887
100,001+	100
Total	**5,501**

There were 1,590 holders of less than a marketable parcel of ordinary shares (less than $500).

Twenty (20) largest shareholders	Ordinary shares	
	Number of shares held	Percentage of issued shares
Citicorp Nominees Pty Limited	19,849,905	18.23%
HSBC Custody Nominees	10,004,000	9.19%
J P Morgan Nominees Australia Pty Limited	9,422,217	8.65%
Australian Tuna Fisheries Pty Ltd	5,162,837	4.74%
BNP Paribas Nominees Pty Ltd <Ib Au Noms Retailclient Drp>	2,140,797	1.97%
UBS Nominees Pty Ltd	1,965,678	1.81%
Neweconomy Com Au Nominees Pty Limited <900 Account>	1,176,979	1.08%
3rd Wave Investors Pty Ltd	1,125,005	1.03%
HSBC Custody Nominees (Australia) Limited	1,026,448	0.94%
BNP Paribas Noms Pty Ltd <Drp>	1,011,306	0.93%
Mr Hagen Heinz Stehr & Mrs Anna Stehr <H & A Stehr Super Fund A/C>	863,853	0.79%
Tynong Pastoral Co Pty Ltd <Tynong Pastoral A/C>	752,000	0.69%
Mr Alexandre Vanselow	700,000	0.64%
Fernbow Pty Ltd <The Holland Super Account>	600,880	0.55%
Lidova Pty Ltd <T J A Dickson S/F A/C>	529,189	0.49%
Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account>	519,906	0.48%
DHC International Pty Limited <Donvale Super A/C>	479,980	0.44%
DMSF Pty Ltd <Dino Mazzocato Super A/C>	474,005	0.44%
Netwealth Investments Limited <Wrap Services A/C>	432,839	0.40%
Crofton Park Developments Pty Ltd <The Brougham Superfund A/C>	402,003	0.37%
Total Securities of Top 20 Holdings	**58,639,827**	**53.85%**

Securities Exchange

The Company is listed on the Australian Securities Exchange.

On Market Buy Back

There is no current on market buy back.