

ASX & Media Release

26 February 2016

CLEAN SEAS CORRECTS STRUCTURAL IMBALANCE TO CREATE PLATFORM FOR PROFITABLE GROWTH

Clean Seas Tuna Limited (ASX: CSS) has today released its results for the six months to December 2015, reporting an \$11.8 million pre-tax loss in H1FY16 which compares to a \$0.7 million pre-tax loss in H1FY15. This result reflects;

- An underlying loss of \$3.2 million, and
- A write down of Inventory and Biological Assets at December 2015 of \$8.6 million

Strong Sales Growth Continues

Clean Seas has continued to achieve outstanding Kingfish sales growth rates. After growth in FY15 of 92%, sales volume in H1FY16 grew a further 46% compared to the same period last year. Encouragingly, during this period of significant sales growth, the Company has maintained its farm gate prices in Australia and in its key European markets.

Structural Imbalance

Clean Seas continues to achieve excellent fish health and survival rates which are currently running at close to World's Best Practice, with Year Class 15 running at 96.1%.

Despite slightly lower net growth in H1FY16 compared to the same period last year (724 versus 780 tonnes) due to lower than average sea temperatures and a significant change in year class mix, total biomass at 31 December 2015 was 2,160 tonnes which is 37% higher than the 1,578 tonnes at 31 December 2014.

The ongoing success in fish husbandry has created something of a paradox whereby the Company has become a victim of its own success resulting in a structural imbalance between the Company's Kingfish biomass level and its current sales levels - notwithstanding the high double digit sales growth achieved over the past 18 months.

This structural imbalance has led to excess feeding, stock holding costs and other operational costs and is delaying the Company's return to profitability.

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Write Down of Excess Stock to Correct Structural Imbalance

Under the leadership of the new Managing Director, David Head, who formally took up the role at the end of January 2016, the Company has completed an operational review and has recognised the need to write down Kingfish inventories by approximately \$8.6 million.

This write down will allow excess inventories to be frozen and sold through overseas and local sales channels not currently serviced by the Company to avoid disruption to the company's high value Sashimi Markets in Australia and Europe.

By rebalancing the Company's production and sales operations, the Company expects to return to profit in the second half of FY16.

Cash Position and Liquidity

At 31 December 2015 the Company's \$7.0 million Working Capital Facility remained unused and the cash balance was \$0.4 million.

Dividend

No dividend has been declared.

Strategic Review

The Company's proven success in farming Kingfish provides a platform for significant opportunities to grow and diversify the business.

David Head and the management team have commenced a comprehensive strategic review to be completed over coming months. The strategic review will evaluate a wide range of initiatives including market penetration and growth, sales and distribution, product development and diversification and geographic diversification of farming activities and markets. The Company expects to be able to update shareholders on the results of the strategic review by the end of the financial year.

Outlook

The Board strongly believes that the disappointing results announced for H1FY16 represents a repositioning of the company which will correct the structural imbalance and facilitate an accelerated return to profitability.

Previous guidance had been for sales of approximately 2,000 tonnes in FY16. Current market indications are that FY16 sales will be around 1,700 tonnes, representing full year growth of approximately 55%. It is expected that sales of the frozen product arising from the inventory reduction initiative will commence in H2FY16 but the majority will be sold in FY17.

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

Paul Steere
Chairman

David Head
Managing Director and CEO

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CLEAN SEAS TUNA LIMITED

ABN 61 094 380 435

APPENDIX 4D STATEMENT - HALF YEAR REPORT

**RESULTS FOR ANNOUNCEMENT TO THE MARKET
HALF-YEAR ENDED 31 DECEMBER 2015**

(Comparative figures being the half-year ended 31 December 2014)

	Half-Year ended December 2015	Restated Half- Year ended December 2014	Period Movement up/(down)	Period Movement up/(down)
	\$ '000	\$ '000	\$ '000	%
Revenue from ordinary activities	11,962	8,561	3,401	39.7
EBITDA	(10,878)	(5)	(10,873)	(217,460)
EBIT	(11,750)	(787)	(10,963)	(1,393)
Profit / (Loss) from ordinary activities before tax	(11,766)	(711)	(11,055)	(1,555)
Income tax credit / (expense)	946	0	946	
Profit / (Loss) from ordinary activities after tax attributable to members	(10,820)	(711)	(10,109)	(1,422)
Net tangible asset backing per ordinary share	\$0.034	\$0.043		

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

Record date for determining entitlements to dividends.

No dividend declared

Consistent with the decision taken in June 2012 not to carry future income tax benefits as an asset in the accounts the income tax benefit attributable to the December 2015 loss has not been recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2015. The Group will continue to assess this treatment on an ongoing basis as Group profitability improves.

Details of the Group's performance for the first six months of FY 2016 are attached to this notice.

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

This half year financial report should be read in conjunction with the 2015 annual financial report.



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Clean Seas Tuna Limited
Interim Consolidated Financial Statements
For the half-year ended 31 December 2015
ABN 61 094 380 435



hiramasa | **kingfish**

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Directors' Report

The Directors of Clean Seas Tuna Limited present their Report together with the financial statements of the Consolidated Entity, being Clean Seas Tuna Limited ('the Company') and its Controlled Entity ('the Group') for the half-year ended 31 December 2015.

Director details

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

- Mr Paul Steere - Chairman
- Mr Nick Burrows
- Mr Hagen Stehr
- Mr Marcus Stehr
- Mr David Head (appointed Managing Director and CEO on 28 January 2016)
- Mr Paul Robinson – Alternate Director for Mr Hagen Stehr

Company Secretary

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

- Mr Wayne Materne

Review of operations and financial results

Clean Seas Tuna Limited (ASX: CSS) has recorded an \$11.8 million pre-tax loss in H1FY16 which compares to a \$0.7 million pre-tax loss in H1FY15. This result reflects;

- An underlying loss of \$3.2 million, and
- A write down of inventory and biological assets at December 2015 of \$8.6 million

Strong Sales Growth Continues

Clean Seas has continued to achieve outstanding Kingfish sales growth rates. After growth in FY15 of 92%, sales volume in H1FY16 grew a further 46% compared to the same period last year. Encouragingly, during this period of significant sales growth, the Company has maintained its farm gate prices in Australia and in its key European markets.

Structural Imbalance

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The ongoing success in fish husbandry has created something of a paradox whereby the Company has become a victim of its own success resulting in a structural imbalance between the Company's Kingfish biomass level and its current sales levels - notwithstanding the high double digit sales growth achieved over the past 18 months.

This structural imbalance has led to excess feeding, stock holding costs and other operational costs and is delaying the Company's return to profitability.

Write Down of Excess Stock to Correct Structural Imbalance

Under the leadership of the new Managing Director, David Head, who formally took up the role at the end of January 2016, the Company has completed an operational review and has recognised the need to write down Kingfish inventories by approximately \$8.6 million.

This write down will allow excess inventories to be frozen and sold through overseas and local sales channels not currently serviced by the Company to avoid disruption to the company's high value Sashimi markets in Australia and Europe.

By rebalancing the Company's production and sales operations, the Company expects to return to profit in the second half of FY16.

Cash Position and Liquidity

At 31 December 2015 the Company's \$7.0 million Working Capital Facility remained unused and the cash balance was \$0.4 million.

Earnings Per Share

Loss per share was 0.98 cents in H1FY16 and 0.06 cents in H1FY15.

Dividend

No dividend has been declared.

Strategic Review

The Company's proven success in farming Kingfish provides a platform for significant opportunities to grow and diversify the business.

David Head and the management team have commenced a comprehensive strategic review to be completed over coming months. The strategic review will evaluate a wide range of initiatives including market penetration and growth, sales and distribution, product development and diversification and geographic diversification of farming activities and markets. The Company expects to be able to update shareholders on the results of the strategic review by the end of the financial year.

Outlook

The Board strongly believes that the disappointing results announced for H1FY16 represent a repositioning of the company which will correct the structural imbalance and facilitate an accelerated return to profitability.

Previous guidance had been for sales of approximately 2,000 tonnes in FY16. Current market indications are that FY16 sales will be around 1,700 tonnes, representing full year growth of approximately 55%. It is expected that sales of the frozen product arising from the inventory reduction initiative will commence in H2FY16 but the majority will be sold in FY17.

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

The Board will continue to keep the market informed of material developments.

Auditor's Declaration

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

Rounding of amounts

Clean Seas Tuna is a type of Company referred to in ASIC Class Order 98/100 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the class order.

Signed in accordance with a resolution of the Directors.



Paul Steere
Chairman

26 February 2016

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Clean Seas Tuna Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton,

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner - Audit & Assurance

Adelaide, 26 February 2016

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2015

	Notes	31-Dec-2015 \$'000	Restated 31-Dec-2014 \$'000
Revenue	6	11,962	8,561
Other income	7	523	23
Net gain / (loss) arising from changes in fair value of Yellowtail Kingfish	10	(6,536)	3,071
Fish husbandry expense		(8,420)	(6,443)
Employee benefits expense		(3,020)	(2,650)
Fish processing and selling expense		(2,542)	(1,640)
Frozen inventory valuation adjustment		(1,247)	-
Frozen inventory sold		(309)	(20)
Depreciation and amortisation	11	(872)	(792)
Other expenses		(1,289)	(897)
Loss before finance items and tax		(11,750)	(787)
Finance costs		(22)	(10)
Finance income		6	86
Loss before tax		(11,766)	(711)
Income tax benefit / (expense)	8	946	-
Loss for the period from continuing operations		(10,820)	(711)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(10,820)	(711)
Loss for the period and total comprehensive loss for the period Is attributable to owners of the parent.			
Earnings per share from continuing operations;			
Basic earnings per share (cents per share)	12	(0.98)	(0.06)
Diluted earnings per share (cents per share)	12	(0.98)	(0.06)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	31-Dec-2015 \$'000	30-Jun-2015 \$'000
Assets			
<i>Current</i>			
Cash and cash equivalents		377	1,513
Trade and other receivables		2,307	6,240
Inventories	9	6,270	2,451
Prepayments		483	209
Biological assets	10	19,073	27,598
Current assets		28,510	38,011
<i>Non-current</i>			
Property, plant and equipment	11	13,225	13,262
Biological assets		244	244
Other non-current assets		3,027	3,027
Non-current assets		16,496	16,533
TOTAL ASSETS		45,006	54,544
Liabilities			
<i>Current</i>			
Trade and other payables		2,871	1,791
Borrowings	15	343	166
Provisions		610	556
Current liabilities		3,824	2,513
<i>Non-current</i>			
Borrowings	15	44	84
Provisions		59	48
Non-current liabilities		103	132
TOTAL LIABILITIES		3,927	2,645
NET ASSETS		41,079	51,899
Equity			
Equity attributable to owners of the Parent:			
• share capital		157,736	157,736
• accumulated losses		(116,657)	(105,837)
TOTAL EQUITY		41,079	51,899

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2015

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

For the half-year ended 31 December 2014 (restated)

	Share Capital \$'000	Share Option Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2014	157,736	1,054	(115,166)	43,624
Adjustment on error correction	-	-	4,167	4,167
Balance at 1 July 2014 (restated)	157,736	1,054	(110,999)	47,791
Reported profit for the period	-	-	3,456	3,456
Adjustment on error correction	-	-	(4,167)	(4,167)
Restated profit for the period	-	-	(711)	(711)
Transfers	-	(1,054)	1,054	-
Balance at 31 December 2014	157,736	-	(110,656)	47,080

The accompanying notes form part of these financial statements

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Consolidated Statement of Cash Flows

For the half-year ended 31 December 2015

	Notes	31-Dec-2015 \$'000	31-Dec-2014 \$'000
Operating activities			
Receipts from customers		10,963	8,187
Payments to suppliers (excluding feed) and employees		(10,206)	(8,079)
Payments for fish feed		(7,228)	(6,974)
R & D tax incentive refund		6,031	4,167
Interest received		6	87
Finance costs		(28)	(3)
Net cash used in operating activities		(462)	(2,615)
Investing activities			
Purchase of property, plant and equipment		(845)	(910)
Proceeds from disposals of property, plant and equipment		-	1
Net cash used in investing activities		(845)	(909)
Financing activities			
Proceeds from borrowings		3,025	402
Repayments of borrowings		(2,854)	(86)
Net cash from financing activities		171	316
Net change in cash and cash equivalents			
Net change in cash held		(1,136)	(3,208)
Cash and cash equivalents, beginning of period		1,513	9,925
Cash and cash equivalents, end of period		377	6,717

The accompanying notes form part of these financial statements.

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Notes to the Condensed Interim Consolidated Financial Statements

1 Nature of operations

The principal activities of the Group during the period were:

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

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

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

2 General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2015 and are presented in Australian Dollars (\$AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2015 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 26 February 2016.

2.1 Correction of prior period error

A June 2015 review of the accounting treatment for the Research and Development (R&D) Tax Incentive Refund concluded that it should be recognised in the financial year that the relevant R&D activity occurred (i.e. accrual basis). This has previously been recognised on a cash basis. It was also concluded that of the 45% of eligible expenditure refunded, the 15% incentive component should be recognised as other income and the 30% corporate tax rate component recognised as a tax expense credit. The full 45% had previously been recognised as a tax expense credit. This has been rectified by restating each of the affected financial statement line items for prior periods as follows:

31 December 2014			
Statement of Changes in equity (extract)	Previous amount \$'000	Adjustment \$'000	Restated amount \$'000
Retained earnings	(110,656)	-	(110,656)
Total equity	47,080	-	47,080

31 December 2014			
Statement of Profit or Loss and Other Comprehensive Income (extract)	Previous amount \$'000	Adjustment \$'000	Restated amount \$'000
Income tax expense	4,167	(4,167)	-
Profit for the period	3,456	(4,167)	(711)
Other comprehensive income	-	-	-
Total comprehensive income for the period	3,456	(4,167)	(711)
Basic earnings per share (cents)	0.31	(0.25)	0.06
Diluted earnings per share (cents)	0.31	(0.25)	0.06

3 Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2015.

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

4 Estimates

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2015.

5 Seasonal fluctuations

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

6 Revenue

	6 months to 31 December 2015 \$'000	6 months to 31 December 2014 \$'000
Sale of fresh finfish	11,644	8,517
Sale of frozen fish products	318	44
Total revenue	11,962	8,561

7 Other Income

	6 months to 31 December 2015 \$'000	6 months to 31 December 2014 \$'000
R&D tax incentive refund – 15% incentive component	473	-
Other	50	23
Total other income	523	23

8 Income Tax

	6 months to 31 December 2015 \$'000	6 months to 31 December 2014 \$'000
R&D tax incentive refund – 30% corporate tax rate component	946	-
Income tax expense	-	-
Total income tax benefit	946	-

The above 2014 amounts reflect the change in accounting policy for the R&D tax incentive refund as detailed on pages 29 to 30 of the 2014/15 Annual Report and Note 2.1 of these accounts.

9 Inventories

	December 2015 \$'000	June 2015 \$'000
Pellet feed	4,658	1,656
Frozen fish	1,593	768
Packaging Materials	19	27
Total inventories	6,270	2,451

10 Current Biological Assets – Live Fish

	6 months to 31 December 2015 \$'000	12 months to 30 June 2015 \$'000
Carrying amount at beginning of period / year	27,598	17,001
Adjusted for:		
Gain arising from physical changes at fair value less costs to sell	2,701	25,621
Decrease due to harvest for sale as fresh	(9,240)	(14,243)
Net gain recognised in profit and loss	(6,539)	11,378
Decrease due to harvest for processing to frozen inventory	(1,986)	(781)
Carrying amount at end of period / year	19,073	27,598

11 Property, plant and equipment

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

	Land & Buildings \$'000	Plant & Equipment \$'000	Marina Lease \$'000	Dams & Fishponds \$'000	Total \$'000
Gross carrying amount					
Balance at 1 July 2015	11,797	19,455	2,000	364	33,616
Additions	44	796	-	-	840
Transfers and other movements	(1)	(1,422)	(2,000)	(364)	(3,787)
Disposals		(10)	-	-	(10)
Balance at 31 December 2015	11,840	18,819	-	-	30,659
Depreciation and impairment					
Balance at 1 July 2015	(4,694)	(13,296)	(2,000)	(364)	(20,354)
Disposals		10			10
Transfers and other movements	1	1,417	2,000	364	3,782
Depreciation	(231)	(641)	-	-	(872)
Balance at 31 December 2015	(4,924)	(12,510)	-	-	(17,434)
Carrying amount at 31 December 2015	6,916	6,309	0	0	13,225
Gross carrying amount					
Balance at 1 July 2014	11,854	17,854	2,000	364	32,072
Additions	287	1,413	-	-	1,700
Transfers and Other Movements	(344)	344	-	-	-
Disposals	-	(156)	-	-	(156)
Balance at 30 June 2015	11,797	19,455	2,000	364	33,616
Depreciation and impairment					
Balance at 1 July 2014	(4,244)	(12,189)	(2,000)	(364)	(18,797)
Disposals	-	148	-	-	148
Depreciation	(450)	(1,255)	-	-	(1,705)
Balance at 30 June 2015	(4,694)	(13,296)	(2,000)	(364)	(20,354)
Carrying amount at 30 June 2015	7,103	6,159	0	0	13,262

12 Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company (Clean Seas Tuna Limited) as the numerator, i.e. no adjustments to profits were necessary during the six month period to 31 December 2015 and 31 December 2014.

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

	6 months to December 2015	6 months to December 2014
Weighted average number of shares used in basic earnings per share	1,105,282,736	1,105,282,736
Shares deemed to be issued for no consideration in respect of share-based payments	-	-
Weighted average number of shares used in diluted earnings per share	1,105,282,736	1,105,282,736

13 Segment reporting

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

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

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

During the six month period to 31 December 2015, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

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

6 months to 31 December 2015	Finfish Sales \$'000	Tuna Operations \$'000	Unallocated \$'000	Total \$'000
Segment revenues	12,485	-	-	12,485
Segment operating profit / (loss) before tax	(10,410)	(159)	(1,197)	(11,766)
Segment assets	44,218	411	377	45,006

6 months to 31 December 2014 (restated)	Finfish Sales \$'000	Tuna Operations \$'000	Unallocated \$'000	Total \$'000
Segment revenues	8,584	-	-	8,584
Segment operating profit / (loss) before tax	548	(286)	(973)	(711)
Segment assets	40,653	2,231	6,717	49,601

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

	6 months to December 2015 \$'000	Restated 6 months to December 2014 \$'000
Profit or loss		
Total reporting segment operating profit / (loss) before tax	(10,569)	262
Other expenses not allocated – corporate costs	(1,181)	(1,049)
Group operating profit / (loss) before tax	(11,750)	(787)
Finance costs	(22)	(10)
Finance income	6	86
Group profit / (loss) before tax	(11,766)	(711)

14 Contingent assets and liabilities

Clean Seas announced in June 2015 that it has commenced litigation against Gibson's Limited, trading as Skretting Australia, in relation to feed supplied from FY09 to FY12 which contained insufficient taurine. This resulted in mortalities and poor growth in the Yellowtail Kingfish stocks which caused substantial trading losses. It was noted that Clean Seas also reserves its rights against another feed supplier in relation to the same issue. This litigation is at an early stage. No amounts have been recognised in these accounts in relation to potential compensation or future litigation costs.

The Group also has unrecognised carry forward tax losses. This contingent asset is discussed in Note 9 to the financial statements in the 2014/15 Annual Report.

There are no other material contingent assets or liabilities.

15 Borrowings

Borrowings consist of the following:

	December 2015 \$'000	June 2015 \$'000
Current:		
• Finance lease	73	66
• Other – insurance premium funding	270	100
Total borrowings – current	343	166
Non-current:		
• Finance lease	44	84
• Other	-	-
Total borrowings – non-current	44	84

The Group has a secured \$7.0m Trade Finance Facility with Commonwealth Bank of Australia. This is an ongoing facility subject to annual review and is secured against all Group assets. At 31 December 2015 this facility was undrawn. As a consequence of the unanticipated biological asset and inventory write down at 31 December 2015, the Company has received a waiver on one of the banking covenants. The facility remains in place.

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

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- **Level 3:** Inputs for the asset or liability that is not based on observable market data (unobservable inputs)

The Group's biological assets (live fish) held for sale are valued at their fair value in accordance with Note 4.22 of the 2014/15 Annual Report. This valuation method satisfies the criteria for Level 2. At 31 December 2015 the Group has 2,160 tonnes of live fish held for sale valued at \$19.073m (30 June 2015: 2,304 tonnes valued at \$27.598m).

17 Events after the reporting date

There has not arisen in the interval between 31 December 2015 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of Clean Seas Tuna, to affect significantly the operations of the consolidated Group, the results of those operations, or the state of affairs of the consolidated Group, in future periods.

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Directors' Declaration

- 1 In the opinion of the Directors of Clean Seas Tuna Ltd:
- a The consolidated financial statements and notes of Clean Seas Tuna Ltd are in accordance with the *Corporations Act 2001*, including:
 - i Giving a true and fair view of its financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
 - ii Complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and
 - b There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Paul Steere
Chairman

Dated the 26th day of February 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CLEAN SEAS TUNA LIMITED

We have reviewed the accompanying half-year financial report of Clean Seas Tuna Limited (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

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

Auditor’s responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Clean Seas Tuna Limited consolidated entity’s financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Clean Seas Tuna Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

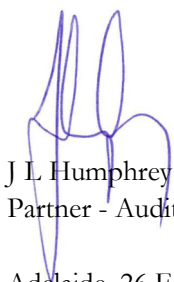
Conclusion

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner - Audit & Assurance

Adelaide, 26 February 2016

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