



Shellfish Culture  
TASMANIA

# Concise Financial Report

for the year ended  
30 June

# 2019





## MISSION STATEMENT

*We will create value by producing premium quality oysters that meet customer needs.*

Shellfish Culture



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The financial statements and other specific disclosures are an extract of, and have been derived from, Shellfish Culture Limited's full financial report for the financial year. Other information included in the concise financial report is consistent with the Group's full financial report.

The concise financial report does not and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

A copy of the 30 June 2019 Annual Financial Report, including the independent audit report, is available to all shareholders, and will be sent to shareholders, without charge, upon request. The full report can be requested by telephoning the Group on (03) 6248 9441 or by sending an email to [secretary@shellfishculture.com.au](mailto:secretary@shellfishculture.com.au).

# Group Profile

Shellfish Culture Limited (SCL) is a public company, first incorporated in Australia on 27 July 1979.

Issued capital:	148 Shareholders hold 3,479,460 shares at 30 June 2019
Registered Office:	290 Bicheno Street, Clifton Beach, Tasmania 7020
Principal Place of Business:	290 Bicheno Street, Clifton Beach, Tasmania 7020
Solicitors:	Page Seager, 179 Murray Street, Hobart, Tasmania 7000
Bankers:	National Australia Bank, 86 Collins Street, Hobart TAS 7000
Auditors:	KPMG, Level 3, 100 Melville Street, Hobart, Tasmania 7000

## Goals

The Group aims to:

Produce and deliver quality oyster seed to specification - consistently, reliably and on time

Produce quality mature oysters for the consumer market

Manage risk by ensuring redundancy in production capability

Ensure adequate funds are available for capital reinvestment and provide a reasonable return to shareholders

Grow its share of existing markets and develop new markets

Develop and maintain a competent multi-skilled and motivated staff team supported by 'best practice' production systems and technology

Conduct business in an environmentally sustainable manner without compromising profitability

Lead in those areas where the Group can influence and shape the industry

- Research & Development and selective breeding technologies
- Best people
- Creating, maintaining, and promoting a safe working environment
- Managing markets and customers
- Creating and capturing value leading to improved profits and margins.

Ensure sound corporate governance



# Chairman's Report

for the year 2018-2019

This year Shellfish Culture Limited (SCL) undertook major initiatives to deliver the strategic vision to build the largest vertically integrated Pacific oyster company in Australia.

As a necessary part of SCL's growth, it appointed James Calvert as Managing Director and recruited Patrick Taskunas as Chief Financial Officer and Company Secretary. Together with other appointments, we now have a very strong management team to take the business forward.

The Group also undertook two capital raisings during the year raising a total of \$10.3m and welcoming 80 new shareholders to the register. I welcome our new shareholders to SCL. We are embarked on an exciting journey.

Since finalising the second capital raising subsequent to year's end, we have completed the acquisition of two significant new farming operations which will enable us to achieve our target of processing ~600,000 dozen market oysters in the 2020 financial year and establishing a strong operating base for 2020 and beyond. As we continue to execute on the vertical integration strategy we will continue to identify and extract operational synergies.

In acknowledging the dedication of the Board this year, I note the retirement of James Groom due to other work commitments. I know James was a greatly respected member of our Board, and I thank him for his service. It was my privilege to succeed James on the Board. I also acknowledge the contribution and leadership of Greg Goodman over 14 years and the fundamental role he has played in transforming the strategy of SCL over that time period.

This year saw further reason to be confident that our counter measures against Pacific Oyster Mortality Syndrome (POMS) are working. Our POMS survival rate was higher over the summer POMS season than expected with just 12% mortality experienced. It was only three years ago that POMS first emerged and caused significant damage to the industry, and the event was pivotal in transforming our Group.

The transition of SCL from a state-based hatchery into a vertically integrated company, where our supply chain is owned by our company, remains a work in progress at the end of the financial year. However the Board is determined to ensure the momentum continues; and with that in mind is exploring the establishment of a central Tasmanian facility to process products from all SCL farms for both the domestic and export markets.

Despite a growing payroll and an increased operational tempo due to farm acquisitions and upgrades, I want to particularly note the Group's strong OH&S record during the year. I welcome the strong corporate commitment by the Group to a safe working environment. The Board and senior management are very aware that vigilance and education must be maintained at a high level so that the Group's safety standards are not compromised in day to day operations. A full OH&S audit for all

sites will be completed in the first half of FY20 which will also introduce a new environmental and sustainability management system to complement the good work completed in OH&S.

I wish to thank my fellow Board members for our year of attainment as we move towards our strategic vision. My thanks also to Managing Director James Calvert who took up his new appointment during the year. James has 30 years' experience in the aquaculture industry, and is a very well respected industry identity as past Chair of the Tasmanian Aquaculture Council and past Chair of the Tasmanian Shellfish Executive Council. James has been a non-executive Director of SCL for the past 12 years which has enabled him to bring a significant amount of industry and company knowledge and strategic vision to his new role. My thanks also to Greg Bowers for his service to the Group over more than four years.

Together with our new CFO, Patrick Taskunas, I believe we have a management team that is working in close harmony with both the Board and SCL's workforce to achieve our shared vision.

The Board of Eyre Shellfish (ES) has responded soundly this year to the challenges experienced at the South Australian hatchery and I convey my appreciation to the Board, as well as the various industry-related agencies and departments in both Tasmania and South Australia which have assisted the SCL Group in the progress it has achieved this year. Whilst ES is still not operating as originally envisaged, we are confident of the demand for the ES products and are thankful for the support of its shareholders in persevering with the issues that have had to be overcome in the last two years. It is extremely challenging establishing a greenfield operation in a remote location, and the team have had to deal with many operational setbacks. However, the learnings from key operational staff in having to deal with setbacks and limited resources will be extremely valuable to the business in years to come. It is premature to advise that we have resolved all issues at ES – but we have a team working hard on resolution and a customer base that is looking for product.

The 2020 financial year is pivotal for SCL as we capitalize on progress made during 2019 including further expansion of our vertical integration strategy. Fundamental to this strategy is the ability to acquire other farming operations on a value accretive acquisition metric and the ability to access capital on an equally value accretive metric. We are confident in the attractiveness of SCL as an aggregation vehicle and the ability to extract synergistic benefits from acquisition targets. During the 2020 financial year we need to finalise the most value accretive structure for existing shareholders to continue to roll out the integration strategy.

We look forward to updating shareholders early in the new calendar year of progress on all major initiatives.

Sandy Beard  
Chairman

# Managing Director's Report

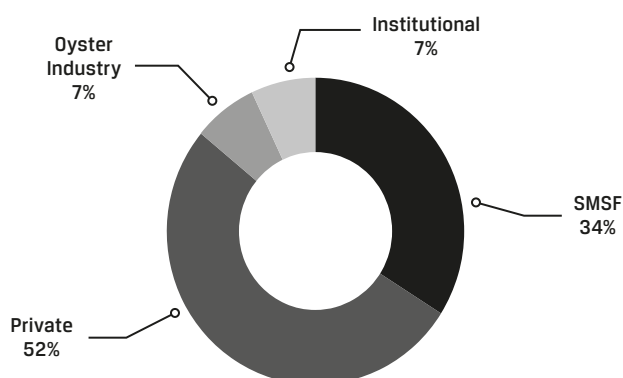
for the year 2018-2019

This is my first Annual Report as Managing Director of the SCL Group, and I am pleased to note that our business continues to change and grow in accordance with our three year strategic plan for the Group.

With the past Tasmanian POMS season showing a major advancement in disease resistance, science and breeding, the opportunity for growth appears to be well timed. Indeed, this year has seen SCL experience an unprecedented level of growth as we expand to meet our strategic vision.

POMS was the catalyst for our strategy to mitigate future risk. This has been achieved in great part by expanding our farm holdings and moving into mature sales direct to domestic and international markets, controlling the full growth cycle and marketing of our product. Prior to POMS, SCL relied solely on an income stream from spat production.

Two capital raising exercises during the year have raised a total of \$7.7m in proceeds along with a further \$2.6m equity raised through farm acquisitions. This combined \$10.3m has seen SCL's shareholder list grow from ~80 shareholders at the end of FY18, to 148 shareholders as of June 2019. The new shareholder list is now comprised of predominately sophisticated investors/ individuals, SMSF, oyster growers and institutional investors.



The proceeds from the capital raisings, coupled with some debt, have been used to purchase four farms and improve infrastructure, while also developing previously empty water to increase production for the years to come. This is an ongoing program of water acquisition

Three oyster farm acquisitions in the first half of the year in Pipe Clay Lagoon, Pitt Water and Blackman Bay (Dunalley), and a further Pitt Water acquisition in June 2019, have seen the Group's farming footprint grow from 14ha to 75ha. This has allowed the Group to de-risk from a single product business, selling only seed.

SCL has several more farms in various stages of negotiations. These will be reported to shareholders if successful.

Because of these farm acquisitions, the bulk of our capital expenditure program this year was directed at our newly acquired farms and bringing them up to SCL standards.

Seed (spat) customers have also benefitted from the growth in farming capacity with SCL's ability to now offer a full seed size range, from 2.24mm spat to 50mm (% grown) juveniles.

At the end of the year, I can report that stock numbers available for new year delivery amount to 75 million with sizes ranging from 2.4mm to 80mm. This represents a value of \$3.3 million compared to \$1.55 million at the end of the 2018 financial year. A greatly increased farm presence means SCL is producing more mature oysters than ever before. Both spat and matures' demand are very strong.

POMS free farming regions around Tasmania still have access to SCL's seed through our bio-secure facility at Pipe Clay Lagoon, now entering its fourth year as a fully audited bio-security facility. This facility was audited twice this year to ensure it remains a bio secure supplier.

Our focus has been dedicated to producing the highest quality seed for our loyal customers, and during the year, the SCL triploid breeding program for POMS resistance progressed well.

The four farm acquisitions have resulted in SCL securing the services of some very experienced and capable staff which will provide the Group with a great mix of senior and future management for executing our production plans and further growth targets in the years to come.

Anthony (Tony) Byrne sold his business, Greenfields Oysters, to SCL in June 2019 and has become SCL's largest shareholder as part of the purchasing agreement by converting a percentage of his business sale into SCL shares. Tony has quickly adapted to SCL's production model. He is providing great support for our farm managers and contributing to the overall production plan.

Recent changes in the Group's organisational structure are designed to support our growth and our vision for the future. I'd like to acknowledge the commitment and contribution of Greg Bowers in reaching this point. Patrick (Paddy) Taskunas was appointed CFO and Company Secretary in March 2019 with a further appointment of James Cockerell as Management Accountant in June 2019. Paddy has implemented new accounting, receipts and approvals software which is streamlining the business while providing the financial acumen the Group requires during this period of rapid growth.

Simon Rechner, former Manager at Eyre Shellfish in SA, joined the SCL team as Projects Manager in June 2019. Simon is currently working on a range of exciting new and innovative projects that we hope to update shareholders in the coming 12 – 18 months.



Joe Jacobson, formally SCL TAS Little Swanport Nursery Manager, has been provided a great opportunity by accepting a two-year secondment to Eyre Shellfish in Cowell, SA as General Manager (GM). Joe has many years' experience in oyster nursery production and will provide strong knowledge and support to the ES team in Cowell.

It is one of the strengths of ES that it can draw on the expertise, experience, and operating protocols of SCL through a management and services agreement between the two entities. It is under this agreement that Joe has been seconded as ES General Manager, where he is making considerable progress in the quality of nursery spat output.

During the past six months SCL's marketing/branding committee has been developing a range of initiatives to launch in the coming year. These new initiatives will see the SCL group maintain the current branding format for its seed products of the business, while introducing new brands for different product opportunities in the sales and marketing of mature oysters, including some premium branding.

The marketing/branding committee comprises both internal and external expertise and will drive a marketing plan leveraging off Brand Tasmania, sustainability and organic farming practices to target higher yielding markets.

Finally, I would like to take this opportunity to thank all our SCL Group staff for their amazing contribution during this recent growth phase. The morale developing in the business has been inspirational to watch and I can assure all shareholders their investments are being very well managed and respected. My thanks also to the Board for its strong support throughout the year. We have a long journey ahead. However the foundations are being built to ensure success.

**James Calvert**  
Managing Director



# Discussion and Analysis of Financial Statements

for the year ended 30 June 2019

## Operating results

The Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019 shows the Group made a loss of \$1,578,167 compared with a loss of \$656,368 in the previous year. Of this, a loss of \$1,149,274 was attributable to the parent entity (loss of \$192,146 in 2018). The Group loss is due to the ongoing development of operations at Eyre Shellfish and the expansion of the mature oyster farming arm of Shellfish Culture Ltd. During the financial year, the Group acquired four oyster farming businesses, some of which were distressed businesses requiring significant repatriation to achieve their potential. In addition, expenses relating to business acquisitions and capital raising, including stamp duty, were significant during the financial year and totalled \$593,532.

The value of oyster seed sales for the year ended 30 June 2019 was \$2,894,084, compared with \$3,047,256 in 2018. The total value of sales of mature oysters for the year ended 30 June 2019 was \$851,561 compared with \$367,014 in 2018.

Total expenses for the year were \$9,083,726 compared with \$4,838,197 in 2018. Of the total expenditure, \$2,617,839 related

to operational expenditures associated with the nursery and hatchery operations in South Australia.

Net cash from operations was a net outflow of \$2,748,141 (2018: net outflow of \$739,558). In line with the start-up activities of operations in South Australia and the acquisition of the oyster farm assets in Tasmania, capital and debt raisings were pursued through the year to fund further infrastructure development and operational activities. To this end, \$12,359,789 was raised via capital and finance facilities, including an increased loan facility for Shellfish Culture of \$3,200,000.

Cash generated from operating and financing activities was used mainly for capital expenditure of \$6,348,800 (2018: \$1,201,833) and purchase of goodwill and intangibles of \$3,980,274 (2018: 7,500). The majority of the expenditure related to capital works programs in Tasmania on the newly acquired Marine Farming Licences, to bring them up to standard.

Total shareholders' equity increased by \$8,624,548 over the year.





# Management and Staff of Shellfish Culture Ltd.

## Group Profile

Issued capital: 148 Shareholders hold 3,479,460 shares at 30 June 2019

## Management and Staff

### James Calvert – Managing Director

GAICD, Shellfish Culture Ltd Director since 2007. Former Managing Partner, Tasmanian Oyster Co. Managing Director Tas Prime Oysters Pty Ltd. Director, Arm End Pty Ltd. Oyster farmer for over 30 years.

### Greg Bowers – Chief Executive Officer

Appointed as General Manager from December 2014/Chief Executive Officer from October 2018. Formerly General Manager Supply Chain Vic/Tas for Coca Cola Amatil, National Supply Chain Director with Goodman Fielder and senior manager Nestlé. Extensive experience in manufacturing process operations for the food industry and relationship management with suppliers and customers.

*Note: Resigned from role effective 13 September 2019.*

### Patrick Taskunas – Chief Financial Officer

B.Bus, CA. Appointed Chief Financial Officer in March 2019. Patrick holds a Bachelor of Business with double majors in Finance and Accounting from the University of Tasmania and is a qualified Chartered Accountant. Previous roles include Deloitte Australia, National Pies Pty Ltd, Australian Taxation Office and Woolworths Ltd.

### Joe Jacobson – General Manager – Eyre Shellfish Pty Ltd

Diploma of Leadership and Management, Master 5 Skipper, Marine Engineer Driver Grade 2. Oyster farmer for over 10 years. Former farm manager Shellfish Culture Ltd. Former primary producer of Abalone, Undaria Seaweed and Sea Urchins.

**Pipe Clay Lagoon Hatchery** – Scott Mactier, Greg Hollingsworth, Mary Parker, Vanessa Delpero, David Shorten, Marita Noguera, Jassy Andewartha, Thomas Delfatti

**Pipe Clay Lagoon Farm** - Michael Riley, Frank Kerruish, Allana Jackman, Mark Wright, Tamika Salvesen, Jade Jenkins, Daniel Newman, Adrian Austen, Paddy Bourke, Tim Brett, Zac Curtis, Rueben Hollick, Andy Jack, James Milner, Drew Moss, Jacob Picken, Andrew Studley

**Blackman Bay** - Nick Casey, Riley Batchelor, Joe Byrne, Ryan Byrne, Michael Kerr, Corey Maher, Dion Henricks

**Pittwater** - Kriss Ryan, Scott Singleton, Mathew Baumgarten, Jonty Denny, Nelson Goram-Aitken, Jason Van Beest

**Little Swanport**- Malcolm Graham, Jessie Sutcliffe

**Cowell Hatchery/Nursery** - Joe Jacobson, Simon Rechner, Ben Punch, Bryce Porker, Haydn Wiseman, David Burwell, David Kovac, Danielle Rayner, Darren Fisher, Henry Beeson, Mahbubul Hassan, Rebekah Kirkpatrick, Remy Dardare, Thomas Ryan, Max Austen

**Administration** - Jacqui Singleton, James Cockerell

## Shareholders

The ten largest shareholders of Shellfish Culture Ltd are as follows

Mr Anthony Gerard Byrne	5.78%
Krisami Investments Pty Ltd	5.75%
Langley Superannuation Fund	5.75%
Suetone Pty Ltd (The AK Shadforth Family A/C)	4.31%
Arm End Pty Ltd as Trustee for Harvey Calvert Family Trust	3.92%
GJ & HT Langley Holdings Pty Ltd as Trustee for Langley Family Trust	3.92%
Arm End Pty Ltd as Trustee for James Calvert Family Trust	3.92%
Southern Cross Marine Culture Pty Ltd	3.62%
CVC Limited	3.45%
Ilwella Pty Ltd (Ilwella Trading A/C)	3.45%
W Mitchell Investments PL ATF W Mitchell Superannuation Fund	3.45%

# Directors' Report

Your Directors present their report and the financial accounts of the Group for the year ended 30 June 2019 and the Auditor's report thereon.

## DIRECTORS

The Directors of the Group at any time during or since the end of the financial year are:

**Alexander (Sandy) Beard**, B.Com, FCA, MAICD

Appointed Director 4 May 2019.

Appointed Chairman of Shellfish Culture Ltd 27 September 2019.

CEO CVC Limited 1991-2019. Director of Eildon Capital Limited, Probiotec Ltd, US Residential Fund, Tas Foods Ltd, Lantern Hotels. Extensive experience with investee businesses, both in providing advice and in direct management roles, especially bringing management expertise to early-stage businesses. Director of numerous public and private companies encompassing 25 years.

Interest in shares: 66,666 (1.91%)

**Gregory Goodman**, FAICD, Chairman and Director since 2005.

Chairman Eyre Shellfish Pty Ltd. Chairman G & JA Goodman Pty Ltd. Chairman Kemp and Denning Ltd. Formerly Group Chief Executive, Royal Automobile Club of Tasmania Ltd. Previously 35 years in finance and retail industries.

Interest in shares: 44,639 (1.28%)

Resigned as Chairman and Director of Shellfish Culture effective 26 September 2019. Resigned Chairman and Director of Eyre Shellfish Pty Ltd effective 28 September 2019.

**James Calvert**, GAICD, Director since 2007.

Managing Partner Tasmanian Oyster Co. Managing Director Tas Prime Oysters Pty Ltd. Director Arm End Pty Ltd.

Oyster farmer for over 30 years.

Interest in Shares: 157,790 (4.53%)

**James Hawson**, B.Com, FCPA.

Director since 2016.

Former Principal at Crowe Horwath. Former Chairman Southern Cross Marine Culture Pty Ltd. Tax Agent, Board member Tax Practitioners Board. Director Hobart Friendly Society Dispensary Ltd. Over 35 years experience providing financial and management assistance to small and medium enterprises including the aquaculture industry.

Interest in Shares: 7,787 (0.22%)

**Anthony Johnston**, MAICD, B.Ag.Ec, Director since 2004.

Former Chairman Abalone Association of Australasia Inc. Executive Member Tasmanian Abalone Council. Industry Member Seafood Export Consultative Committee. Former General Manager Tasmanian Seafoods Pty Ltd, Margate. 33 years in primary industry and fisheries management and marketing.

Interest in Shares: 8,461 (0.24%)

**Jonathon Poke**, MAICD, Director since 2009. Previously Director of the Company from 1992 to 2004.

Oyster grower since 1979. Director of Bolduans Bay Oysters Pty Ltd, Bolduans Bay Holdings Pty Ltd, Tas Prime Oysters Pty Ltd. Director of Estuarine Oyster Company Pty Ltd and past Chairman Tasmanian Shellfish Executive Council 2012-14.

Interest in Shares: 109,715 (3.15%)

*Jon Poke is on an approved leave of absence from the Board of Directors of the Group from 31 May 2019 until further notice to avoid any conflict of interest.*

**Kenneth Fleming**, B.Ec (Hons), GradDipEd, GradDipFS, DipFinServ, FFin. Director since 2017.

Director Castray Capital Pty Ltd; Non-Executive Director TasmaNet Pty Ltd and Pure Foods Tasmania; former Head of Research Tricom Equities (2004-2008), former head of Research and Director Aegis Equities Research, former Head of Telecoms, Technology and Media, Deutsche Bank.

Interest in shares: 66,030 (1.89%)

**Michael Cooper** – appointed 28 September 2018

Member Pure Foods Tasmania. Director The Royal Yacht Club of Tasmania. Managing Director Willar Pty Ltd. Director Vending Solutions Tasmania. Former Member Juicy Isle Fruit Juices. Former CEO Juicy Isle Fruit Juices. Former Director Ausfec Ltd. Former Director FBA.

Interest in shares: 11,680 (0.34%)

**James Groom** – 12/11/2018 to 01/03/2019

## COMPANY SECRETARY

**Jacqui Singleton**. Company Secretary

31 July 2015 – 30 June 2019.

Administration Manager Shellfish Culture Ltd since 2010.

Nine years of experience in providing executive assistance and administrative support to the Shellfish Culture Ltd Board.

Interest in Shares: Nil



## DIRECTORS' MEETINGS

During the year 13 meetings of Directors were held. Attendances were:

	Number Eligible To Attend	Number Attended
Greg Goodman	14	14
James Calvert	14	14
Anthony Johnston	14	14
Jonathon Poke	11	11
James Hawson	14	12
Ken Fleming	14	14
Michael Cooper	9	8
James Groom	3	2
Alexander Beard	4	4

## CORRESPONDENCE TO SHAREHOLDERS

- 7/9/18 - notice of capital raising
- 16/5/19 - notice of capital raising

## CORPORATE GOVERNANCE

The Board's primary role is the protection and enhancement of long-term shareholder value and the supply of shellfish seed and mature oysters to all customers.

To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration of managers, establishing and monitoring the achievement of the Group's goals and ensuring the integrity of internal control systems. It is also responsible for approving and monitoring financial and other reporting.

The Board has delegated responsibility for operation and administration of the Group to the Managing Director and his team.

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

All Directors are required to comply with the Directors Code of Conduct which has been developed for the Group from the Australian Institute of Company Directors Code of Conduct.

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the Group are set out in Note 25 of the full financial statements.

Directors and employees of Shellfish Culture Ltd may only trade directly or indirectly in the Company's shares:

- In the three month period following the release of the Group's annual financial report to shareholders

- When the Director or employee may suffer unavoidable material hardship if restrained from doing so
- Where required to by law.

A review of risk management has been undertaken to assess and manage operational, financial and compliance risks for the Group.

The Managing Director and Chief Financial Officer have provided assurance in writing to the Board that the Group's financial report is founded on a sound system of risk management and internal compliance and control systems which implement policies adopted by the Board.

During the year Directors released two letters to shareholders in addition to the Concise Annual Report and regular Company newsletters. Shareholders are encouraged to attend the Annual General Meeting at which Directors, Management and the Auditor are available to respond to questions.

## REMUNERATION OF MANAGERS AND DIRECTORS

The Group's policy on remuneration of managers and directors is described in Note 25 – Related parties in the full financial statements.

## PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was the production of shellfish seed and sale commencement of mature oysters.

## IMPACT OF LEGISLATION AND OTHER EXTERNAL REQUIREMENTS

The Group is subject to significant environmental regulation under both State and Commonwealth legislation in relation to its operations. Compliance with the requirements of environmental regulations and specific site licences was achieved across all operations. During the current or previous year, the Board is not aware of any breaches in legislation or licence requirements.

## DIVIDENDS

No dividends were paid during this financial year.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the end of the financial year the Group has raised further capital in connection with the capital raising event held in June 2019 and has successfully secured a finance extension with the National Australia Bank for all current facilities, plus an additional \$2,000,000. The Group has entered into a binding purchase agreement to purchase the assets of Marion Bay Oysters Pty Ltd, as at the date of this report, and expects settlement by 31 October 2019. This acquisition adds an additional 33Ha to the total farming footprint of SCL.

Mr. Greg Goodman resigned in September as independent Chairman after 14 years. At the age of 69, he felt it was time to move towards retirement and make more time for private pursuits. Mr Goodman brought a strong financial and business acumen to his role at Shellfish Culture. The recovery following POMS, and the diversification of the Company to de-risk from a single focus entity, were significant achievements which occurred under his chairmanship. Former CEO and more latterly Chief Operating Officer Greg Bowers also resigned from the Group after the end of the financial year. Greg played an important role in the establishment of Eyre Shellfish, and the recovery of SCL's operations post-POMS.

Other than this, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

## LIKELY DEVELOPMENTS

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

## DIRECTORS' BENEFITS

No Director of the Group has, during or since the financial year, received or become entitled to receive, a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial statements) because of a contract made by the Group, a controlled entity or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, with the exception of benefits that may be deemed to have arisen in relation to the transactions entered into in the ordinary course of business.

## DIRECTORS' INDEMNIFICATION AND INSURANCE

### INDEMNIFICATION

The Group's constitution provides that the Group will indemnify any director or executive officer of the Group to the extent permitted by law against a liability that may arise from their position as director or officer of the Group, except where that liability arises out of conduct involving a wilful breach of duty.

### INSURANCE

Since the end of the previous financial year the Group has paid premiums totalling \$4,511 (2018: \$4,334) to insure each of the following Directors against liabilities for costs and expenses incurred by each of them in defending any legal proceeding arising out of their conduct while acting in the capacity of Director of the Group, other than conduct involving a wilful breach of duty in relation to the Group:

Greg Goodman	Anthony Johnston
Ken Fleming	James Calvert
James Hawson	Jonathon Poke
Alexander Beard	Michael Cooper
James Groom	

These premiums were also paid to include current officers of the Group holding management positions.

### AUDIT AND NON-AUDIT SERVICES

During the year KPMG, the Group's auditor, provided taxation compliance services in addition to its statutory audit duties.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is included on page 15 and forms part of the Directors Report for the financial year ended 30 June 2019.

Details of amounts paid to the auditors of the Group, KPMG, for audit and non audit services are set out in Note 3 of the full financial statements.

Signed in accordance with a resolution of Directors at Hobart on 16 October 2019.



**Alexander Beard**  
Chairman



**James Calvert**  
Director





# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Shellfish Culture Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Shellfish Culture Limited for the financial year ended 30 June 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Andrew Gray'.

Andrew Gray  
Partner  
Hobart

16 October 2019

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2019

	Year Ended 30 June 2019 \$AUD	Year Ended 30 June 2018 Restated \$AUD
<b>Revenue and other income:</b>		
Sales	3,745,645	3,414,270
Increase/(decrease) in stock values	1,959,358	234,863
Other income	713,702	861,550
<b>Total Revenue and other income</b>	<b>6,418,705</b>	<b>4,510,683</b>
<b>Expenses:</b>		
Production expenses	6,475,338	3,580,419
Administrative expenses	1,336,006	1,082,077
Finance expenses	187,752	109,482
Impairment expense	361,521	275
Acquisition costs	593,532	-
Marketing and selling expenses	26,926	18,708
Occupancy expenses	102,651	47,236
<b>Total Expenses</b>	<b>9,083,726</b>	<b>4,838,197</b>
<b>Profit/(loss) before tax</b>	<b>(2,665,022)</b>	<b>(327,514)</b>
Income tax benefit/(expense)	286,537	(328,854)
<b>Profit/(loss) for the year</b>	<b>(2,378,485)</b>	<b>(656,368)</b>
<b>Other comprehensive income for the year</b>		
Items that will not be reclassified to profit and loss		
Revaluation of property, plant and equipment	1,103,888	-
Related income tax	(303,570)	-
<b>Total comprehensive income/(loss) for the year</b>	<b>(1,578,167)</b>	<b>(656,368)</b>
<b>Total surplus/(deficit) for the year attributable to:</b>		
Non-controlling interest	(428,893)	(464,222)
Parent entity	(1,149,274)	(192,146)
	<b>(1,578,167)</b>	<b>(656,368)</b>

This Consolidated Statement of Profit or Loss and Other Comprehensive Income needs to be read in conjunction with the notes on pages 16 to 17.



# Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

2019	Retained Earnings \$	Asset Revaluation Reserve \$	Issued Capital \$	Non-Controlling Interests \$	Total \$
Balance at 1 July 2018	2,876,467	572,634	2,767,587	1,117,986	7,334,674
Profit/(loss) for the year	(1,949,592)	-	-	(428,893)	(2,378,485)
Revaluation increment	-	800,318	-	-	800,318
Shares issued during the year	-	-	10,035,478	167,237	10,202,716
Balance at 30 June 2019	926,875	1,372,952	12,803,065	856,330	15,959,204

## 2018 - Restated

	Retained Earnings \$	Asset Revaluation Reserve \$	Issued Capital \$	Non-Controlling Interests \$	Total \$
Balance at 1 July 2017	3,068,595	572,634	2,469,023	1,032,876	7,143,128
Profit/(loss) for the year	(192,146)	-	-	(464,222)	(656,368)
Shares issued during the year	-	-	298,564	549,332	847,896
Balance at 30 June 2018	2,876,449	572,634	2,767,587	1,117,986	7,334,656

*This Consolidated Statement of Changes in Equity needs to be read in conjunction with the notes on pages 16 to 17.*

# Consolidated Statement of Financial Position

for the year ended 30 June 2019

	Year Ended 30 June 2019 \$AUD	Year Ended 30 June 2018 Restated \$AUD	1 July 2017 Restated \$AUD
<b>Current Assets</b>			
Cash and Cash Equivalents	157,071	241,433	896,604
Trade and Other Receivables	457,932	812,444	128,434
Other assets	21,825	40,244	17,929
Biological Assets	3,555,926		1,322,296
Assets Held for Sale	-	-	70,000
Inventory	-	-	37,966
<b>Total Current Assets</b>	<b>4,192,754</b>	<b>2,651,280</b>	<b>2,473,229</b>
<b>Non-Current Assets</b>			
Deferred Tax Asset	-	-	45,010
Property, Plant and Equipment	13,065,847	6,548,547	6,047,922
Intangible Assets	4,390,502	1,149,649	1,149,963
Goodwill	544,097	-	-
Investment Property	-	237,166	243,583
<b>Total Non-Current Assets</b>	<b>18,000,446</b>	<b>7,935,362</b>	<b>7,486,478</b>
<b>Total Assets</b>	<b>22,193,200</b>	<b>10,586,642</b>	<b>9,959,707</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	890,014	506,823	646,617
Loans and Borrowings	3,931,217	398,283	233,090
Income in Advance	-	5,010	58,500
Employee Benefits	346,435	128,369	192,991
<b>Total Current Liabilities</b>	<b>5,167,666</b>	<b>1,038,485</b>	<b>1,131,198</b>
<b>Non-Current Liabilities</b>			
Loans and Borrowings	973,673	1,865,589	1,669,312
Deferred Tax Liabilities	65,697	319,780	-
Employee Benefits	26,960	28,132	16,069
<b>Total Non-Current Liabilities</b>	<b>1,066,330</b>	<b>2,213,501</b>	<b>1,685,381</b>
<b>Total Liabilities</b>	<b>6,233,996</b>	<b>3,251,986</b>	<b>2,816,579</b>
<b>Net Assets</b>	<b>15,959,204</b>	<b>7,334,656</b>	<b>7,143,128</b>
<b>Equity</b>			
Issued Capital	12,803,065	2,767,587	2,469,023
Asset Revaluation Reserve	1,372,952	572,634	572,634
Retained Earnings	926,857	2,876,449	3,068,595
Non-controlling interest	856,330	1,117,986	1,032,876
<b>Total Equity</b>	<b>15,959,204</b>	<b>7,334,656</b>	<b>7,143,128</b>

This Consolidated Statement of Financial Position needs to be read in conjunction with the notes on pages 16 to 17.

# Consolidated Statement of Cash Flows

for the year ended 30 June 2019

	Year Ended 30 June 2019 \$AUD	Year Ended 30 June 2018 \$AUD
<b>Cash Flows from Operating Activities:</b>		
Cash receipts from customers	5,076,694	4,529,450
Cash paid to suppliers and employees	(5,530,307)	(5,153,766)
Cash paid for business acquisition costs	(593,532)	-
Cash paid for biological assets in business combinations	(1,521,870)	-
Interest received	8,626	1,025
Interest paid	(187,752)	(116,267)
Net cash used in operating activities	(2,748,141)	(739,558)
<b>Cash Flows from Investing Activities:</b>		
Proceeds on sale of property, plant & equipment	245,455	14,354
Payments for property, plant & equipment	(6,348,800)	(1,201,833)
Payments for goodwill and intangible assets	(3,980,274)	(7,500)
Proceeds from sale of held for sale asset	-	70,000
Net cash used by investing activities	(10,083,619)	(1,124,979)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from NAB borrowings	2,253,409	694,683
Repayment of borrowings	(159,230)	(576,423)
Proceeds from issue of shares	10,106,380	847,896
Net cash provided by financing activities	12,200,559	966,156
Net increase/(decrease) in cash and cash equivalents	(631,201)	(898,381)
Cash and cash equivalents at beginning of year	(1,777)	896,604
<b>Cash and cash equivalents at end of financial year</b>	<b>(632,978)</b>	<b>(1,777)</b>

*This Consolidated Statement of Cash Flows needs to be read in conjunction with the notes on pages 16 to 17.*



# Notes to and Forming Part of the Accounts

for the year ended 30 June 2019

## Note 1 Basis of Preparation of Concise Financial Report

The concise financial report has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 1039 "Concise Financial Reports". The financial statements and specific disclosures required by AASB 1039 have been derived from the Group's full financial report for the financial year. Other information included in the concise financial report is consistent with the Group's full financial report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The financial report has been prepared on the basis of historical cost except for freehold land, buildings, investment property and biological assets which are stated at fair value.

A full description of the accounting policies adopted by the Group may be found in the Group's full financial report.

These accounting policies have been consistently applied and are consistent with those of the previous year, with the exception of the changes in accounting policies disclosed in Note 1(s) of the full financial statements. These changes relate to the initial adoption of Australian Accounting Standards AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers, and a change in classification of Marine Licences from finite life intangible assets to indefinite life intangible assets.

The financial report is presented in Australian dollars, which is the Group's functional currency.

## Note 2 Accounting estimates and judgments

Management discussed with the Directors the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The valuation of biological assets has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as biological and environmental events can significantly influence the recovery of seed for sale. The significant estimates and judgments used in determining the carrying value of biological assets is disclosed in Note 11 of the full financial statements.

## Note 3 Segment Reporting

The Group operates entirely in one industry, being the aquaculture industry. The Group operates as a producer and seller in one geographical segment, being Australia.

## Note 4 Other income

	Year Ended 30 June 2019 \$AUD	Year Ended 30 June 2018 \$AUD
<b>Other Income</b>		
Research and development tax incentive	385,191	473,024
Fuel tax credits	89,192	80,231
Profit/(loss) on sale of assets	56,783	(6,707)
Gain on acquisition	53,837	-
Interest	8,626	1,024
Grant	-	266,842
Other	120,073	47,136
	<b>713,702</b>	<b>861,550</b>

## Major Customer

Revenues from one customer; Tas Prime Oysters Pty Ltd represent \$851,620 (2018: \$383,435) of the Group's total revenue.

# Notes to and Forming Part of the Accounts

for the year ended 30 June 2019

## Note 5 Dividends

	Year Ended 30 June 2019 \$AUD	Year Ended 30 June 2018 \$AUD
Dividends recognised in the current year by the Group were as follows:	-	-

All dividends declared or paid during the financial year were franked at the tax rate of 27.5%. No dividends will be paid in respect of the current year.

	Year Ended 30 June 2019 \$AUD	Year Ended 30 June 2018 \$AUD
<b>Dividend franking account</b>		
27.5% franking credits available to shareholders for subsequent financial years		
Class C franking credits	985,607	985,607
	985,607	985,607

The above available amounts are based on the balance of the dividend franking account at year-end. The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends and sufficient cash available.

## Directors' Declaration

for the year ended 30 June 2019

In the opinion of the Directors of Shellfish Culture Limited (A.C.N. 009 519 171) the accompanying concise financial report of the Group for the year ended 30 June 2019, set out on pages 2 to 17.

- (a) has been derived from or is consistent with the full financial report for the financial year; and
- (b) complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Signed in accordance with a resolution of the Directors at Hobart on 14 October 2019.



**Alexander Beard**  
Chairman



**James Calvert**  
Director



# Independent Auditor's Report

To the shareholders of Shellfish Culture Limited

## Opinion

We have audited the **Concise Financial Report** of Shellfish Culture Limited (the Company and its controlled entities (the **Group**) as at 30 June 2019 and for the year ended on that date. The financial statements and related notes in the Concise Financial Report are derived from the audited financial report of the Company as at and for the year ended 30 June 2019 (the Audited Financial Report).

In our opinion, the accompanying Concise Financial Report, including the discussion and analysis of the Company, complies with *Australian Accounting Standard 1039 Concise Financial Reports*.

The **Concise Financial Report** comprises:

- Consolidated Statement of financial position as at 30 June 2019
- 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
- Discussion and analysis
- Related notes.

The **Group** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

## Basis for Opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Concise Financial Report* section of this Auditor's Report.

We are independent of the Group in accordance with 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 Concise Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

## Scope of the Concise Financial Report

The Concise Financial Report does not contain all the disclosures required by *Australian Accounting Standards* in the preparation of the Audited Financial Report. Reading the Concise Financial Report and this Auditor's Report thereon, therefore, is not a substitute for reading the Audited Financial Report and our auditor's report thereon.

## The Audited Financial Report and our auditor's report thereon

We expressed an unmodified audit opinion on the Audited Financial Report in our auditor's report dated 16 October 2019.





## Other Information

Other Information is financial and non-financial information in Shellfish Culture Limited's *Concise report* which is provided in addition to the Concise Financial Report and this Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Concise Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Concise Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Concise Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibility of the Directors for the Concise Financial Report

The Directors are responsible for:

- preparing the Concise Financial Report in accordance with *Australian Accounting Standard AASB 1039 Concise Financial Reports* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of the Concise Financial Report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility for the audit of the Concise Financial Report

Our responsibility is to express an opinion on whether the Concise Financial Report, including the discussion and analysis in all material respects, complies with *Australian Accounting Standard AASB 1039 Concise Financial Reports* based on our procedures, which were conducted in accordance with *Australian Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements*.

KPMG

Andrew Gray  
Partner  
Hobart  
16 October 2019



*"I welcome our new shareholders to this business.  
We are embarked on an exciting journey".*

**Sandy Beard**, Chairman, Shellfish Culture





*"SCL's aim is to achieve excellence in people,  
systems and products".*

**James Calvert**, Managing Director, Shellfish Culture



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