

Catalano Seafood Ltd

ACN 633 353 125

Interim Consolidated Financial Report

For the Half Year Ended 31 December 2021

Directors' Report

The Directors of Catalano Seafood Ltd present their report together with the Consolidated Interim financial statements of the Group, for the year ended 31 December 2021 and the Independent Auditor's Report thereon.

Director's Details

The following persons were Directors of Catalano Seafood Ltd during the half year and to the date of this report:

Nicolino (Nick) Catalano – Chairman (Appointed: 27 May 2019)

Low Koon Poh - Managing Director (Appointed: 1 November 2019)

Shamin Sahafi – Non-Executive Director (Appointed: 8 November 2019)

Directors have been in office since the start of the financial half year to the date of this report unless otherwise stated.

Review of Operations

A review of the operations of the Company during the half year and the results of those operations saw a decrease in revenue from the previous half year from \$9,047,960 to Dec 2021 to \$8,195,898 to Dec 20. The loss of the Company for the half year before providing for income tax amounted to \$508,365 from a \$117,215 profit to December 2020. The strategy of the Company is the reduction in Company owned stores and a focus on contract processing and a move towards store within a store activity. No other significant change in the state of affairs were noted during the period.

After Balance Date Events

Commencement of listing on the Australian Stock Exchange

The Company on the 25th February 2022 successfully raised approximately \$5 million from an Initial Public Offering. The Company expects to be admitted to the Australian Stock Exchange on the week ending the 11th March 2022.

No other matters or circumstances other than those detail above have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.



Mr Nick Catalano
Director

Dated this 3rd day of March 2022

Auditor's Independence Declaration

To the Directors of Catalano Seafood Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Catalano Seafood Ltd for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



L A Stella
Partner – Audit & Assurance

Perth, 3 March 2022

Contents

Condensed Consolidated Statement of Financial Profit or Loss and other Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cashflows	8
Notes to Condensed Consolidated Financial Statements	9
Directors' Declaration	15
Independent Auditor's Review Report	16

Condensed Consolidated Statement of Financial Profit or Loss and other Comprehensive Income

	Note	31 December 2021 \$	31 December 2020 \$
Revenue	4	8,195,898	9,047,960
Cost of sales		(5,130,979)	(5,903,757)
Gross Profit		3,064,919	3,144,203
Other income		6,666	44,854
Selling and distribution expenses		(2,643,680)	(2,533,030)
Administrative expenses		(662,613)	(229,096)
Other expenses		(273,657)	(309,716)
Operating (Loss)/profit		(508,365)	117,215
Finance costs			
(Loss)/profit before tax from continuing operations		(508,365)	117,215
Income tax expense		-	-
(Loss)/profit after income tax expense		(508,365)	117,215
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive (loss)/profit for the period		(508,365)	117,215
Earnings per share:			
Basic and diluted (loss)/earnings per share (cents)		(0.09)	0.02

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Condense Consolidated Statement of Financial Position

	Note	31 December 2021 \$	30 June 2021 \$
Assets			
Current assets			
Cash and cash equivalents		763,826	236,490
Trade and other receivables	5	971,927	582,341
Inventories		1,195,782	1,116,059
Other current assets		135,684	19,098
Total current assets		3,067,219	1,953,988
Non-current assets			
Plant and equipment	6	1,043,283	923,937
Right of use assets	7	769,328	1,059,958
Intangible assets	8	2,647,195	2,647,195
Total non-current assets		4,459,806	4,631,090
Total assets		7,527,025	6,585,078
Liabilities			
Current liabilities			
Trade and other payables		2,384,640	1,460,687
Leases liabilities		555,310	609,797
Provisions		631,060	574,442
Total current liabilities		3,571,010	2,644,926
Non-current liabilities			
Lease liabilities		240,770	466,552
Provisions		19,820	19,819
Financial liabilities		300,000	300,000
Total non-current liabilities		560,590	786,371
Total liabilities		4,131,600	3,431,297
Net assets		3,395,425	3,153,781
Equity			
Issued capital	9	5,500,001	4,750,001
Accumulated losses		(2,104,585)	(1,596,220)
Total equity		3,395,416	3,153,781

The above statement of financial position should be read in conjunction with the accompanying notes

Condensed Consolidated Statement of Changes in Equity

Consolidated	Issued capital \$	Accumulated Losses \$	Total equity \$
Balance at 1 January 2021	4,750,001	(978,667)	3,771,334
Loss after income tax expense for the half year	-	(617,553)	(617,553)
Other comprehensive income for the half year, net of tax	-	-	-
Total comprehensive loss for the half year	-	(617,553)	(617,553)
Balance at 30 June 2021	4,750,001	(1,596,220)	3,153,781

Consolidated	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	4,750,001	(1,596,220)	3,153,781
Loss after income tax expense for the half year	-	(508,365)	(508,365)
Other comprehensive income for the half year, net of tax	-	-	-
Total comprehensive loss for the half year	-	(508,365)	(508,365)
<i>Transactions with owners in their capacity as owners:</i>			
• Issue of shares	750,000	-	750,000
Balance at 31 December 2021	5,500,001	(2,104,585)	3,395,416

The above statement of changes in equity should be read in conjunction with the accompanying notes

Condensed Consolidated Statement of Cashflows

	Note	31 December 2021 \$	31 December 2020 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		7,806,312	8,241,489
Payments to suppliers and employees (inclusive of GST)		(7,556,962)	(7,857,374)
Other income		6,666	46,766
		<u>256,016</u>	<u>430,881</u>
Net cash from operating activities			
Cash flows from investing activities			
Payments for property, plant and equipment		(203,870)	(59,448)
Proceeds from sale of property, plant and equipment		5,455	-
		<u>(198,415)</u>	<u>(59,448)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issue of share capital		750,000	-
Repayment of lease liabilities		(280,266)	(9,962)
Proceeds from borrowings		-	200,000
		<u>469,734</u>	<u>190,038</u>
Net cash from financing activities			
Net increase in cash and cash equivalents		527,336	561,471
Cash and cash equivalents at the beginning of the financial year		236,490	415,136
		<u>763,826</u>	<u>976,607</u>
Cash and cash equivalents at the end of the financial year			

The above statement of cashflows should be read in conjunction with the accompanying notes

Notes to the Financial Statements

Note 1. Significant accounting policies

Corporate information

Catalano Seafood Ltd and its controlled entities (the Group) is a for-profit entity for the purpose of preparing the financial statements. principal activities the processing and sale of fish products, retail sale of fish products via shopping centre stores and a factory retail outlet and contract processing of fish products for various customers.

Catalano Seafood Ltd is domiciled in Australia. The address of its registered office and its principal place of business 301 Collier Road, Bassendean WA 6054.

The financial statements were approved and authorised for issue by the Board of Directors on 3 March 2022.

2. Basis of preparation and statement of compliance

The interim financial statements for the half-year have been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2021.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual financial statements.

3. New and amended accounting standards

The accounting policies adopted in the preparation of the interim financial statements are consistent with those applied in the preparation of the Company's annual financial statements for the year ended 30 June 2021.

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2021 affected any of the amounts recognised in the current period or any prior period.

The Company has not elected to adopt any new Accounting Standards or Interpretations prior to their applicable date of implementation.

Going concern

This financial report is prepared on the going concern basis and assumes the continuation of normal business activities for at least the next 12 months following the signing of these financial statements.

The Company's result for the period included a loss totalling \$508,365 and the Company also recorded a deficiency in working capital totalling \$503,791.

The ability of the Company to continue as going concerns and to pay their debts as and when they fall due is dependent on the following:

- achieving revenue targets in line with management's forecasts.
- managing all costs in line with management's forecasts.
- continued support of the Company's major shareholders and funders; and
- The completion of an anticipated IPO.

Based upon the above, the Board has reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and the Directors consider the going concern basis of preparation to be appropriate for this financial report. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Catalano Seafood Ltd
Notes to the interim financial statements
For the half year ended 31 December 2021

Note 4. Revenue

	31 December 2021	31 December 2020
	\$	\$
Revenue from contracts with customers		
The Company's revenue disaggregated by segment is as follows:		
Processing contracting	1,196,878	1,138,366
Retail sales	6,990,020	7,909,594
Total continuing operations	8,195,898	9,047,960
Revenue recognised at a point in time	8,195,898	9,047,960
Revenue recognised over time	-	-
	8,195,898	9,047,960

Note 5. Trade and other receivables

	31 December 2021	30 June 2021
	\$	\$
Trade receivables	971,927	582,341
Less: Allowance for expected credit losses	-	-
	971,927	582,341

Allowance for expected credit losses

The consolidated entity has recognised a loss of \$nil in profit or loss in respect of the expected credit losses for the year ended 31 December 2021.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	Dec 2021	June 2021	Dec 2021	June 2021	Dec 2021	June 2021
Consolidated	%	%	\$	\$	\$	\$
Not overdue	-	-	770,283	439,504	-	-
0 to 3 months overdue	-	-	143,716	49,534	-	-
3 to 6 months overdue	-	-	1,684	973	-	-
Over 6 months overdue	-	-	56,244	92,330	-	-
			971,927	582,341	-	-

The entity has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay. As a result, the calculation of expected credit losses has been revised as at 30 June 2021 and rates have increased in each category up to 6 months overdue.

Catalano Seafood Ltd
Notes to the interim financial statements
For the half year ended 31 December 2021

Note 6. Plant and equipment

	31 December 2021	30 June 2021
	\$	\$
Fixtures and fittings – at cost	269,711	269,711
Less: Accumulated depreciation	<u>(17,138)</u>	<u>(13,689)</u>
	252,573	256,022
Office and furniture – at cost	969,695	815,600
Less: Accumulated depreciation	<u>(178,986)</u>	<u>(147,685)</u>
	790,709	667,915
	<u>1,043,283</u>	<u>923,937</u>

	Fixtures and fittings	Office and furniture	Total
	\$	\$	\$
<i>Cost</i>			
Balance at 1 July 2021	269,711	815,600	1,085,311
Additions	-	311,587	311,587
Disposals	-	(157,492)	(157,492)
Balance at 31 December 2021	269,711	969,695	1,239,406
<i>Accumulated Depreciation</i>			
Balance at 1 July 2021	(13,689)	(147,685)	(161,374)
Depreciation	(3,449)	(40,138)	(43,587)
Disposals	-	8,837	8,837
Balance at 31 December 2021	(17,138)	(178,986)	(196,124)
Carrying value 31 December 2021	252,573	790,709	1,043,282

Note 7. Right of use asset

	31 December 2021	30 June 2021
	\$	\$
Right of use asset – at cost	1,969,281	1,945,625
Less: Accumulated depreciation	<u>(1,199,953)</u>	<u>(885,667)</u>
	769,328	1,059,958

Additions to the right-of-use assets during the year were \$nil.

The consolidated entity leases land and buildings for its offices, warehouses, and retail outlets under agreements of between five to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated entity also leases plant and equipment under agreements of between three to seven years.

The consolidated entity leases office equipment under agreements of less than two years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Catalano Seafood Ltd
Notes to the interim financial statements
For the half year ended 31 December 2021

Note 8. Intangible assets

	31 December 2021	30 June 2021
	\$	\$
Goodwill	3,147,195	3,147,195
Less: Accumulated impairment losses	(500,000)	(500,000)
	<u>2,647,195</u>	<u>2,647,195</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill	Total
	\$	\$
Balance at 1 July 2020	-	-
Additions through business combinations (note 25)	3,147,195	3,147,195
Impairment of assets	(500,000)	(500,000)
Amortisation expense	-	-
Balance at 30 June 2021	<u>2,647,195</u>	<u>2,647,195</u>
Balance at 1 July 2021	2,647,195	2,647,195
Additions through business combinations (note 25)	-	-
Impairment of assets	-	-
Amortisation expense	-	-
Balance at 31 December 2021	<u>2,647,195</u>	<u>2,647,195</u>

Impairment testing

Goodwill acquired through business combinations have been allocated to the following cash-generating units:

	31 December 2021	30 June 2021
	\$	\$
Retail segment	-	-
Processing segment	2,647,195	2,647,195
Total carrying amount of goodwill	<u>2,647,195</u>	<u>2,647,195</u>

The Company performed an impairment test on the 31 December 2021. The Company considers the relationship between its equity market capitalisation and the net assets as shown on the balance sheet, among other factors, when reviewing for indicators of impairment. No indicators of impairment are noted. In considering the carrying value of goodwill, the Directors have adopted a value in use methodology to determine the recoverable amounts of each CGU which confirms that no impairment charge is necessary.

The recoverable amount of each CGU has been determined based on a value in use calculation that uses the cash flow budgets over a one-year period, followed by an extrapolation of expected cash flows for the CGUs over a four-year period using the growth rates determined by management and the assumptions outlined below. The present value of the expected cash flows and a terminal value for each segment is determined by applying a suitable discount rate.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

Management's key assumption is that stable economic conditions prevail for the foreseeable future. Cash flow projections reflect stable profit margins previously achieved and that no material deterioration in the cash margin is anticipated. In making this assessment the possible impacts of COVID-19 have been considered. The sensitivity analysis undertaken considers each key assumption in isolation and does not consider any remedial action that may be taken if, for example, margins were to deteriorate.

Catalano Seafood Ltd
Notes to the interim financial statements
For the half year ended 31 December 2021

Note 8. Intangible assets (Cont.)

The calculation of value in use for each CGU is most sensitive to the following assumptions:

Gross profit margins - are based upon FY22 budgets and margins achieved in the current year. Gross profit margins are the most sensitive variable to the value in use calculation. However, a reasonable possible change is not likely to cause a material impairment. If gross profit margins were to reduce by more than 400 basis points without any compensating adjustment to cash flows, then it is likely that a goodwill impairment charge would occur.

Cost price inflation – has been based upon publicly available inflationary data.

Growth rate estimates – It is acknowledged that technological change, macro-economic factors, and an action of competitors can have an impact on growth rate assumptions. Growth rates for revenue and costs have been assumed post year 4 at 2%. If terminal growth was to reduce to zero, in real terms, then it is estimated that a goodwill impairment charge is unlikely.

Discount rates – represent the current market risks, taking into consideration the time value of money and specific risks not incorporated in the cash flow forecasts. The discount rate is based upon the weighted average cost of capital (WACC). WACC is assessed considering the expected return on investment by investors, the cost of debt servicing plus beta factors for industry risk. The Directors have adopted a WACC of 10% which is applied to the forecast pre-tax cash flows after capital expenditure of each CGU.

Note 9. Equity - issued capital

	No. of shares	\$
Share capital as at 1 July 2021	4,750,001	4,750,001
Shares issued during the period	7,500,000	750,000
Share capital as at 31 December 2021	<u>12,250,001</u>	<u>5,500,001</u>
	No. of shares	\$
Share capital as at 1 July 2020	4750,001	4,750,001
Shares issued during the year		0
Share capital as at 30 June 2021	<u>4,750,001</u>	<u>4,750,001</u>
	4,750,001	4,750,001

Note 10. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit/(loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	31 December 2021	31 December 2020
	\$	\$
Profit (loss)/profit attributable to ordinary equity holders of the Company	(500,365)	<u>117,215</u>
Profit (Loss) attributable to ordinary equity holders of the parent for basic earnings	<u>(500,365)</u>	<u>117,215</u>
Weighted average number of ordinary shares for basic EPS	<u>5,500,001</u>	<u>4,750,001</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

Catalano Seafood Ltd
Notes to the interim financial statements
For the half year ended 31 December 2021

Note 11. Contingent assets and liabilities

The Company has no contingent assets. There were no material warranty or legal claims brought against the Company during the year. Unless recognised as a provision, management considers any claims to be unjustified and the probability that they will require settlement at the Company's expense to be remote.

Further information on these contingencies is omitted so as not to prejudice the Company's position in the related dispute.

Note 12. Events after the reporting period

Since the end of the reporting period to the date of authorisation, the Company has raised approximately \$5M from an initial public offering, the company is expected to list on the Australian Stock Exchange (ASX) by the week ending the 11 March 2022.

No matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future periods.

Catalano Seafood Ltd
Directors' declaration
31 December 2021

In accordance with a resolution of the directors of Catalano Seafood Ltd, I state that:

In the opinion of the directors of Catalano Seafood Ltd:

- a) The half-year financial statements and notes of Catalano Seafood Ltd for the half-year ended 31 December 2021 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's half-year financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting*.
- 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.

On behalf of the directors



Mr Nick Catalano
Director

Perth, 3 March 2022

Independent Auditor's Review Report

To the Members of Catalano Seafood Ltd

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Catalano Seafood Ltd (the Company) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2021, and the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Catalano Seafood Ltd does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of the [name of group's] financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$508,735 during the half year ended 31 December 2021 and, as of that date, the Group's current liabilities exceeded its current assets by \$503,801. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The Directors of the Company 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 internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with 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 Group's financial position as at 31 December 2021 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*.

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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



L A Stella
Partner – Audit & Assurance

Perth, 3 March 2022