

## Appendix 4D

(Rule 4.2A.3)

### Angel Seafood Holdings Ltd

ABN 38 615 035 366

For the half-year ended:

**31 December 2019**

Previous Corresponding Period:

31 December 2018

#### Results for announcement to the market

	2019	2018	Mvmt	Mvmt
Revenue and Profit	\$	\$	\$	%
Revenue from ordinary activities	2,481,894	2,482,542	(648)	0%
Net profit/(loss) from ordinary activities attributable to members	412,036	(968,370)	1,380,406	143%
Net profit/(loss) attributable to members	412,036	(968,370)	1,380,406	143%
Profit/(loss) before depreciation, amortisation, finance costs, acquisition and restructuring related expenses	1,009,470	(593,698)	1,603,168	270%

#### Commentary on results for the period

Refer to the accompanying ASX announcement dated 26 February 2020 for commentary on results.

#### Dividends

No dividends were declared or paid during the period.

#### Net tangible assets per ordinary share

	2019	2018
	\$	\$
Net tangible assets per ordinary share	0.043	0.035

Note that oyster lease assets are classified as intangible and are not included in the calculation of net tangible assets per ordinary share. The value of these assets was \$7,155,907 at 31 December 2019 and \$6,498,555 as at 31 December 2018.

#### Issued Capital and other equity instruments:

The Group's issued shares and other equity instruments are summarised in the table below.

	31 Dec 2019	30 Jun 2019
Ordinary shares	131,849,640	131,849,640
Performance Shares	1,000,000	1,000,000
Performance Rights	1,000,000	1,000,000
Options	13,200,000	13,200,000

Each Performance share or Performance Right converts into one ordinary share subject to the completion of performance milestones as set out in the Annual Report for the year ended 30 June 2019. No Performance Share or Performance Right milestones were met, nor any shares converted or redeemed, during the half-year ended 31 December 2019.

43,854,356 ordinary shares, 1,000,000 Performance Shares and 8,000,000 options were released from escrow 21 February 2020. Refer to ASX announcement dated 13 February 2020.

#### Details of entities over which control has been gained

Nil

#### Information on Audit or Review

##### Independent Review by Auditor

This report is based on the attached Interim Report for the half-year ended 31 December 2019, which has been reviewed by William Buck. The review report is attached as part of the Interim Report.



**ANGEL SEAFOOD HOLDINGS LIMITED**

**ACN 615 035 366**

**INTERIM REPORT**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

## Directors' Report

The Directors of Angel Seafood Holdings Ltd (Company or Angel) present their report, together with the interim financial statements of the Company and its controlled entities (the Group) for the half year ended 31 December 2019 ("interim financial period").

### Directors

The following persons were directors of the Company during the interim financial period and to the date of this report:

Tim Goldsmith	Non-executive Chairman
Isaac Halman	Executive Director, Chief Executive Officer and Company Founder
Michael Porter	Non-executive Director
Ashley Roff	Non-executive Director

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

### Principal activities

Angel Seafood Holdings Ltd is an Australian producer, marketer, and seller of certified organic and sustainable oysters. No significant changes occurred in the nature of the principal activities during the interim financial period.

### Company Overview

Angel is Australia's largest producer of fresh, clean, green, certified organic and sustainable oysters. The Company is Organically certified through internationally recognised National Association for Sustainable Agriculture, Australia (NASAA) and sustainably certified with the internationally recognised 'Friends of The Sea' organisation.

The Company runs a multi-bay strategy with nursery and oyster grow out operations in Cowell with a holding capacity of over 20 million oysters, and final conditioning in the internationally acclaimed Coffin Bay with a capacity to finish up to 10 million oysters per year. The Company also holds water leases in Haslam, currently being used for storage of excess stock. This diversification in geographic operating locations provides disease risk mitigation and allows the Company to optimise oyster performance at each stage of the growth cycle.

The Company sells to domestic customers direct from Coffin Bay and processes the oysters for export out of its purpose built and fully AQIS accredited export facility in Port Lincoln.

## Review of Operations

The half year ended 31 December 2019 was a significant year for the growth of Angel Seafood. The Company grew substantially, both operationally and in terms of financial outcomes, which was driven by the Company's execution of its growth strategy.

Key operational achievements for Angel over the half year ended 31 December 2019 included:

- a) 10% increase in units sold compared to the prior comparative period (pcp) despite adverse growing conditions experienced during the period, demonstrating underlying growth of the business.
- b) Strong growth in exports, accounting for 16% of Q1 sales, before the business redirected focus to the domestic market during summer and the festive season. The export program will recommence in Q3.
- c) Acquisition of additional 1.5Ha of premium water in Coffin Bay increasing finishing capacity to 10 million oysters
- d) Ongoing innovation and research & development activities to increase productivity.
- e) Healthy stock position across farms, albeit slower growing conditions experienced.

Angel restructured its debt facilities during the period to align the funding with the longer-term nature of the business expansion investments made by the Group.

## Operating and financial review

### Operating Results

The Group made a consolidated profit after tax of \$412,036 for the half year ended 31 December 2019 (FY20 H1). (31 December 2018 (FY19 H1): Loss \$968,370).

Revenue from oyster sales for the half year period was \$2,481,894 (FY19 H1: \$2,482,542) from the sale of 3.3 millions units, a 10% increase on the volume for the comparative period. The increase in volume was offset by a reduction in the average price with sales weighted in favour of the smaller size stock, following slow growing conditions experienced during the winter of calendar year 2019. Exports to Asia were 8% of total sales for the period (FY19 H1: Nil).

The consolidated result for the half year period includes a fair value adjustment of \$1,067,254 (FY19 H1: (\$63,308)) reflecting the growth in oysters (biological stock) held by the Company during the period; and Other Income of \$534,599 (FY19 H1: \$29,851), principally composed of Research and Development (R&D) tax incentive in relation to qualifying research and development activities conducted by the company as it continues to innovate and lead the transformation of the oyster industry.

Total expenses for the half year were \$3,671,711 (FY19 H1: \$3,417,455), and included the following:

- Cost of biological stock (oysters) sold during the period \$657,755 (FY19 H1: \$280,960), with the increase in the average costs per unit sold driven by the increase in stock on hand and expected mortality in the early stages of the oyster life cycle.
- Employee benefits comprising payroll costs and oncosts of \$1,465,412 (FY19 H1: \$1,815,103), including non-cash share-based payments of \$103,244 (FY19 H1: \$801,935). Excluding share based payments, the increase in employee benefits cash costs is driven by increase in headcount as the business grows.
- Depreciation and amortisation expense of \$412,518 (FY19 H1: \$353,961) with the increase driven by the increase in the asset base.
- Other expenses of \$951,110 (FY19 H1: \$946,720) comprising other production costs such as repairs and maintenance, freight, consultancy costs as well as administration and corporate costs.

Income tax was not recognised for the half year period (FY19 H1). Income tax is calculated on a full year basis and the company expects to offset income tax expenses with recognition of previously unrecognised tax losses.

Full details in relation to the results of the Company are disclosed in the interim consolidated financial statements and accompanying notes.

## Financial Position

The Group's total assets increased by 7% to \$20,211,320 at 31 December 2019 (30 June 2019: \$18,885,243), driven by the following key changes:

- Cash on hand increased to \$930,981 (30 June 2019: \$530,237) and cash and cash equivalents increased to a net \$109,182 (30 June 2019: \$(937,562)) following the restructure of the NAB bank facilities in November 2019.
- Biological assets increased 22% during the half year period to \$5,071,167 (30 June 2019: \$4,156,869) representing an increase in volume, as well as growth of the biological stock over the period.
- Intangible assets, comprising mainly of oyster leases increased to \$7,164,482 (30 June 2019: \$6,580,356) following acquisition of oyster leases in Coffin Bay in July 2019 for \$552,823 and recognition of right-of-use assets of \$256,101 on adoption of the new leasing standard (AASB 16 Leases).
- Property, plant and equipment decreased to \$6,776,451 (30 June 2019: \$7,038,786) driven by depreciation and disposals during the period, offset by acquisition of new plant equipment and water infrastructure.

Total liabilities for the group were \$7,391,056 at 31 December (30 June 2019: \$6,580,259) with the following key movements during the interim period:

- The Group restructured its NAB facilities in November 2019, increasing the Business Expansion Loan facility to \$3 million and reducing the Working Capital (overdraft) facility to \$1 million. At 31 December 2019, the balance of the Business Expansion Loan was \$2,942,076 (30 June 2019: \$1,941,145) and the Working Capital facility balance was \$821,799 (30 June 2019: \$1,467,799).
- The company repaid vendor finance liabilities of \$589,400 during the period, and acquired additional water on Vendor finance in July 2019. The aggregated balance of vendor finance facilities was \$540,500 at 31 December 2019 (30 June 2019: \$588,931). Another \$112,500 was repaid in January 2019.
- Lease liabilities and asset finance were \$2,299,992 at 31 December 2019 (30 June 2019: \$1,800,743) with the increase being additional lease liabilities recognised on adoption of the new leasing standard and a loan of \$350,000 received under an asset finance arrangement (closing balance of \$323,285 at 31 December 2019).
- An additional \$1 million facility was made available to Angel from the NAB to fund additional asset purchases as the business grows. This additional facility was undrawn as at 31 December 2019.

Net assets for the Group at 31 December 2019 were \$12,820,264 (30 June 2019: \$12,304,984) with the increase due to net profit for the period and increase in share based payments reserve.

The Group has a net current asset position \$2,901,373 at 31 December 2019 (30 June 2019: \$990,039).

The Group's projections show that the group will generate sufficient cash from operating and financing activities to settle debts as they fall due.

## Material Business Risks

Business risks with the potential to impact the Group's operations, financial results and its ability to deliver corporate objectives are disclosed in the Annual Report for the year ended 30 June 2019. There was no significant change in the Group's assessment of material business risks during the interim period to 31 December 2019.

## **Changes in the state of affairs**

There were no significant changes in the state of affairs of the Group during the interim financial report.

## **Subsequent events**

No matter or circumstances have arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial periods.

## **Company Dividends**

No dividends were paid or declared during the interim period.

## **Auditor's independence declaration**

The auditor's independence declaration is included on page 6 of this interim financial report.

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s298(2) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in blue ink, appearing to read 'Tim Goldsmith', is enclosed within a faint rectangular border.

Tim Goldsmith  
**Chairman**

26 February 2020

## Auditor's Independence Declaration Under Section 307C of The Corporations Act 2001 To The Directors Of Angel Seafood Holdings Ltd And Controlled Entities

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2019 there have been:

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

William Buck

**William Buck**  
ABN 38 280 203 274

M. D. King

**M. D. King**  
Partner

Adelaide, 26<sup>th</sup> February 2020

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## Angel Seafood Holdings Ltd and Controlled Entities

### Independent auditor's review report to members

## Report on the Review of the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of Angel Seafood Holdings Ltd (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity) on pages 10 to 25, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting and other explanatory information, 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 half-year financial report of Angel Seafood Holdings Ltd and Controlled Entities on pages 10 to 25 is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

### Responsibilities of the Directors 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 Responsibilities for the Review of the Half-Year Financial Report

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 financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and

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- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Angel Seafood Holdings Ltd and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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 have complied with the independence requirements of the Corporations Act 2001.

William Buck

**William Buck**  
ABN: 38 280 203 274

M.D. King

**M.D. King**  
Partner

Adelaide, 26<sup>th</sup> February 2020

# INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

The interim financial statements are presented in Australian dollars which is the functional currency of the Group.

Angel Seafood Holding is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

48 Proper Bay Road  
Port Lincoln SA 5606  
Australia

A description of the nature of the consolidated entities operations and its principal activities is included in the directors report on pages 2 to 5 which is not a part of these financial statements.

The interim financial statements were authorised for issue by the Directors of the company on 26 February 2020. The Directors have the power to amend and reissue the interim financial statements.

CONTENTS		Page
<b>Financial statements</b>		
	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	10
	Condensed Consolidated Statement of Financial Position	11
	Condensed Consolidated Statement of Changes in Equity	12
	Condensed Consolidated Statement of Cash Flows	13
<b>Notes to the financial statements</b>		
1	Basis of preparation and accounting policies	14
2	Segment information	17
3	Revenue	17
4	Other income	17
5	Expenses	18
6	Financial assets and liabilities	19
7	Non-financial assets and liabilities	21
8	Equity	24
9	Commitments, contingencies and guarantees	24
10	Events occurring after the reporting date	24
	<b>Directors' declaration</b>	<b>25</b>

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2019

		31 Dec 2019	31 Dec 2018
	Note	\$	\$
Revenue	3	2,481,894	2,482,542
Fair value adjustment of biological assets	7(a)	1,067,254	(63,308)
Other income	4	534,599	29,851
Cost of biological stock	7(a)	(657,755)	(280,960)
Employee benefits	5	(1,465,412)	(1,815,103)
Depreciation and amortisation expense	5	(412,518)	(353,961)
Other expenses		(951,110)	(946,720)
Finance costs		(184,916)	(20,711)
<b>Profit/(Loss) before income tax</b>	5	412,036	(968,370)
Income tax		-	-
<b>Profit/(Loss) for the year</b>		412,036	(968,370)
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		412,036	(968,370)
Total comprehensive income/(loss) attributable to:			
Members of the Angel Seafood Holdings Limited		412,036	(968,370)

### Earnings per share (EPS)

Basic EPS (cents)	0.31	(0.77)
Diluted EPS (cents)	0.30	(0.77)

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes, which form an integral part of the financial report.

# Condensed Consolidated Statement of Financial Position

As at 31 December 2019

		31 Dec 2019	30 Jun 2019
	Note	\$	\$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	6(a)	930,981	530,237
Trade and other receivables	6(b)	245,363	525,817
Biological assets	7(a)	4,261,740	3,237,149
Other assets		2,788	28,333
TOTAL CURRENT ASSETS		5,440,872	4,321,536
NON-CURRENT ASSETS			
Biological assets	7(a)	809,427	919,720
Property, plant and equipment	7(b)	6,776,451	7,038,786
Intangible assets	7(c)	7,164,482	6,580,356
Other assets		20,088	24,845
TOTAL NON-CURRENT ASSETS		14,770,448	14,563,707
TOTAL ASSETS		20,211,320	18,885,243
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	6(c)	529,504	569,344
Borrowings	6(d)	1,812,440	2,580,299
Employee benefits		197,555	181,854
TOTAL CURRENT LIABILITIES		2,539,499	3,331,497
NON-CURRENT LIABILITIES			
Borrowings	6(d)	4,791,927	3,218,319
Employee benefits		59,630	30,443
TOTAL NON-CURRENT LIABILITIES		4,851,557	3,248,762
TOTAL LIABILITIES		7,391,056	6,580,259
NET ASSETS		12,820,264	12,304,984
<b>EQUITY</b>			
Share Capital	8(a)	14,923,061	14,923,061
Reserves	8(b)	789,938	686,694
Accumulated losses		(2,892,735)	(3,304,771)
Equity attributable to shareholders of the Company		12,820,264	12,304,984
TOTAL EQUITY		12,820,264	12,304,984

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes, which form an integral part of the financial report.

## Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2019

	Share capital	Reserves	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance at 1 July 2019	14,923,061	686,694	(3,304,771)	12,304,984
Comprehensive profit for the year	-	-	412,036	412,036
<i>Transactions with owners in their capacity as owners</i>				
Share based payment expense recognised	-	103,244	-	103,244
	-	103,244	-	103,244
<b>Balance at 31 December 2019</b>	<b>14,923,061</b>	<b>789,938</b>	<b>(2,892,735)</b>	<b>12,820,264</b>
Balance as at 1 July 2018	14,007,061	721,726	(3,610,148)	11,118,639
Comprehensive loss for the year	-	-	(968,370)	(968,370)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued during the year	116,000	(116,000)	-	-
Share based payment expense recognised	-	801,935	-	801,935
	116,000	685,935	-	801,935
<b>Balance at 31 December 2018</b>	<b>14,123,061</b>	<b>1,407,661</b>	<b>(4,578,518)</b>	<b>10,952,204</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes, which form an integral part of the financial report.

## Condensed Consolidated Statement of Cash Flows

For the half year ended 31 December 2019

	31 Dec 2019	31 Dec 2018
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	2,720,009	1,878,445
Payments to suppliers and employees	(2,781,663)	(2,484,372)
R&D Tax Incentive	659,425	-
Interest received	-	6,864
Finance costs	(174,095)	(26,179)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>423,676</b>	<b>(625,242)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for oyster lease	(122,823)	(1,601,255)
Purchase of property, plant and equipment	(152,510)	(2,925,276)
Proceeds from disposal of property, plant and equipment	311,000	-
<b>Net cash inflow/(outflow) from investing activities</b>	<b>35,667</b>	<b>(4,526,531)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of related party loans	-	(5,667)
Proceeds from borrowings	1,321,115	1,565,085
Repayment of borrowings	(655,900)	(26,729)
Repayment of lease liabilities	(77,814)	(79,428)
<b>Net cash inflow from financing activities</b>	<b>587,401</b>	<b>1,453,261</b>
Net increase/(decrease) in cash and cash equivalents	1,046,744	(3,698,512)
Cash and cash equivalents at the beginning of the period	(937,562)	3,957,344
Cash and cash equivalents at the end of the period	6(a) <b>109,182</b>	<b>258,832</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes, which form an integral part of the financial report.

## **NOTE 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

Angel Seafood Holdings Ltd and its controlled entities (the “Consolidated Group” or “Group”) principal activity is the growing, marketing and sale of certified organic and sustainable oysters.

The interim consolidated financial statements and notes represent those of Angel Seafood Holdings Ltd and its wholly controlled entities.

The interim consolidated financial statements were authorised for issue on 26 February 2020 by the Directors of the Company.

### **(a) Basis of preparation**

The condensed consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by Angel Seafood during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

#### *(i) New and amended standards adopted by the group*

The new leasing standard, AASB 16 *Leases* became applicable for the first time in the current financial reporting period and the group had to change its accounting policies and make adjustments as a result of its adoption. The impact of the adoption of the leasing standard and the new accounting policies are disclosed below.

The other new standards and pronouncement did not have any impact on the group’s accounting policies and did not require adjustments.

### **(b) Changes in accounting policies**

This note explains the impact of the adoption of AASB 16 *Leases* on the group’s financial statements and discloses the new accounting policies that have been applied from 1 July 2019.

The group has adopted AASB 16 *Leases* retrospectively from 1 July 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening Statement of Financial Position on 1 July 2019.

#### *(i) Adjustments recognised on adoption of AASB 16 Leases*

On adoption of AASB 16 *Leases*, the group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using an estimate of the group’s incremental borrowing rate as of 1 July 2019. The weighted average Group’s incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5%.

# NOTE 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

For leases previously classified as finance leases the group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. There were no changes to the carrying amount of right of use asset and the liability at the date of initial application.

	1 Jul 2019
	\$
Operating lease commitments disclosed as at 30 June 2019	342,000
Less: Short term lease (<12 months) not recognised	(22,667)
Less: Impact of discounting	(63,233)
Lease liability recognised on adoption of AASB 16	256,101
Add: Finance lease liabilities previously recognised	1,800,743
Total lease liabilities at 1 July 2019	2,056,844

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

	Intangible Assets	Plant and equipment	Total Right of use assets
	\$	\$	\$
Finance lease assets at 30 June 2019	1,803,250	202,256	2,005,506
IFRS 16 transition adjustment	256,101	-	256,101
Right-of-use assets at 1 July 2019	2,059,351	202,256	2,261,607
Amortisation and depreciation	(34,644)	(61,997)	(96,641)
Right-of-use assets at 31 December 2019	2,024,707	140,259	2,164,966

The change in accounting policies affected the following items on the Statement of Financial Position

	1 Jul 2019
	\$
Increase in intangible assets – oyster leases	256,101
Increase in lease liabilities	256,101

An expense of \$15,454 was recognised in the profit and loss for the half year financial period in relation to short term leases for which no right of use assets were recognised.



## **NOTE 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

### **(b) Changes in accounting policies (Continued)**

#### *(ii) The Group's leasing activities and how these are accounted for*

The Group leases/rents oyster leases and plant and equipment. Rental contracts are typically made for fixed periods of 2 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Until the financial year ended 30 June 2019, leases were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- the lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are depreciated/amortised over the period that the Group has the right of use, or the expected useful life of the asset, and are included in the asset categories that the respective assets would be classified if they were owned by the company.

### **(c) Critical accounting estimates**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The Annual Report for the year ended 30 June 2019 discloses all significant estimates and judgments used in the preparation of the consolidated financial report. There has been no significant change in significant estimates and judgments applied by management unless otherwise stated in this interim report.

## NOTE 2. SEGMENT INFORMATION

The Group has one operating segment, being the multi-bay operations in South Australia that include oyster nursery and grow out operations in Cowell, and conditioning and finishing in Coffin Bay.

All of the Group's activities are interrelated and financial information is reported to the Board (Chief Operating Decision Maker) encompassing the results of the Group on a consolidated basis, consistent with the presentation of the results in the statutory consolidated financial statements.

## NOTE 3. REVENUE

The Group's revenue is from the sales of oysters.

### Geographical distribution of sales

	31 Dec 2019	31 Dec 2018
	\$	\$
Revenue from sales of oysters		
- Australia	2,286,723	2,482,542
- Asia	195,171	-
<b>Total revenue</b>	<b>2,481,894</b>	<b>2,482,542</b>

### Major customer information

88% of the Group's sales during the interim financial period were attributable to 2 major customers, each with more than 10% of the Group's revenue (2018: 83% from 2 customers).

## NOTE 4. OTHER INCOME

	31 Dec 2019	31 Dec 2018
	\$	\$
R&D Tax Incentive	440,586	-
Net gain from disposal of assets	38,243	-
Interest income	18	6,864
Sundry income	55,752	22,987
<b>Total other income</b>	<b>534,599</b>	<b>29,851</b>

## NOTE 5. EXPENSES

The result for the interim financial period was derived after charging the following items:

	31 Dec 2019	31 Dec 2018
	\$	\$
<i>Employee benefits:</i>		
Salaries and wages	1,032,871	746,437
Directors fees	70,000	65,000
Superannuation	105,641	77,963
Leave entitlements	62,639	41,131
Oncosts	91,017	82,637
Share based payments	103,244	801,935
Total employee benefits and oncosts	1,465,412	1,815,103
<i>Depreciation and amortisation:</i>		
Depreciation	375,792	351,727
Amortisation	36,726	2,234
Total depreciation and amortisation	412,518	353,961
<i>Other expenses include the following:</i>		
Repairs and maintenance costs	168,149	106,838
Freight and cartage	132,780	120,170
Consultancy costs	141,791	155,069

## NOTE 6: FINANCIAL ASSETS AND LIABILITIES

### a) Cash and cash equivalents

	31 Dec 2019	30 Jun 2019
	\$	\$
Cash at bank	930,981	530,237
	930,981	530,237

### i. Reconciliation to cash flow statements

	31 Dec 2019	30 Jun 2019
	\$	\$
Cash and cash equivalents as stated above	930,981	530,237
Bank overdraft (working capital facility)	(821,799)	(1,467,799)
Cash and cash equivalents per cash flow statement	109,182	(937,562)

### b) Trade and other receivables

	31 Dec 2019	30 Jun 2019
	\$	\$
Trade receivables	115,762	252,379
GST receivable	13,873	25,511
R&D Tax Incentive	-	244,339
Other receivables	115,728	3,588
	245,363	525,817

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. No allowance for credit loss is required as of 31 December 2019 (30 June 2019: Nil).

### c) Trade and other payables

	31 Dec 2019	30 Jun 2019
	\$	\$
Trade creditors and accruals	366,403	336,292
Other payables	163,101	233,052
	529,504	569,344

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying amounts are considered to be a reasonable approximation of fair value.

**NOTE 6: FINANCIAL ASSETS AND LIABILITIES (Continued)****d) Borrowings**

	31 Dec 2019	30 Jun 2019
	\$	\$
<b>Current</b>		
<i>Secured liabilities</i>		
Bank overdraft (Working Capital Facility)	821,799	1,467,799
Bank loan facility (Business Expansion Loan)	242,076	441,145
Vendor finance liabilities	412,500	337,031
Lease liabilities and asset finance	208,065	82,424
<i>Unsecured liabilities</i>		
Vendor finance liabilities	128,000	251,900
	<u>1,812,440</u>	<u>2,580,299</u>
<b>Non-current</b>		
<i>Secured liabilities</i>		
Bank loan facility (Business Expansion Loan)	2,700,000	1,500,000
Lease liabilities and asset finance	2,091,927	1,718,319
	<u>4,791,927</u>	<u>3,218,319</u>

**ii. Bank Facilities**

The Group has two revolving credit facilities with National Australia Bank (NAB); a Working Capital Facility (bank overdraft) of \$1 million, and Business Expansion loan facility for \$3 million. Both facilities are secured by a first claim over the oyster leases owned by the Group. Interest is incurred on the drawn down portion of these facilities at a floating interest rate. As at 31 December 2019 the interest rate on these facilities was 4.42% (30 June 2019: 4.87%).

**Working Capital Facility (Overdraft) – \$1 million**

This is a working capital facility renewable every year at the anniversary date, subject to an annual review. The next renewal date is 30 November 2020.

**Business Expansion Loan Facility – \$3 million**

The loan facility limit (or balance, if the facility has been fully drawn) will reduce by \$75,000 every quarter starting on 28 February 2020, until 30 November 2022 when the facility expires.

**iii. Vendor Finance Loans**

The Group acquires water leases and other operating assets on deferred payments arrangements (Vendor financing) where such terms can be made available. Such arrangements are individually negotiated with each vendor and where security is required, are secured by the respective assets acquired in that transaction. Vendor finance liabilities as at 31 December 2019 had repayments as follows:

- \$112,500 no later than 31 January 2020;
- \$128,000 no later than 30 June 2020; and
- \$300,000 no later than 1 July 2020.

## NOTE 7. NON FINANCIAL ASSETS AND LIABILITIES

### a) Biological assets

	31 Dec 2019	30 Jun 2019
	\$	\$
<b>Live Oysters</b>		
Oyster stock (at cost)	883,755	1,036,711
Oyster stock (fair value adjustment)	4,187,412	3,120,158
Total biological stock	5,071,167	4,156,869
<b>Statement of Financial Position classification:</b>		
Current	4,261,740	3,237,149
Non-current	809,427	919,720
Total biological stock	5,071,167	4,156,869

The biological assets disclosed as a current asset are oysters that will be available to sell in the next 12-months (i.e. an adequate size for sale).

### Reconciliation of biological assets

	31 Dec 2019
	\$
Stock value at the beginning of the period	4,156,869
Purchases/additions	450,799
Cost of biological stock (sales and mortality)	(657,755)
Net movement in fair value adjustment	1,067,254
Stock value at the end of the period	5,071,167

**NOTE 7. NON FINANCIAL ASSETS AND LIABILITIES (Continued)****b) Property plant and equipment**

	Land and buildings	Oyster lease infrastructure	Plant and equipment	Assets under construction	Total
	\$	\$	\$	\$	\$
<b>At 30 June 2019</b>					
Cost	2,482,936	3,512,064	2,281,538	-	8,276,538
Accumulated depreciation	(31,544)	(666,560)	(539,648)	-	(1,237,752)
Net book amount	2,451,392	2,845,504	1,741,890	-	7,038,786

**Half year ended 31 December 2019**

Opening net book amount	2,451,392	2,845,504	1,741,890	-	7,038,786
Additions	-	64,682	99,688	53,999	218,371
Disposals	(71,395)	-	(33,519)	-	(104,914)
Depreciation	(23,042)	(195,052)	(157,699)	-	(375,792)
Closing net book amount	2,356,955	2,715,136	1,650,361	53,999	6,776,451

**At 31 December 2019**

Cost	2,411,541	3,576,747	2,340,546	53,999	8,382,833
Accumulated depreciation	(54,586)	(861,611)	(690,185)	-	(1,606,382)
Net book amount	2,356,955	2,715,136	1,650,361	53,999	6,776,451

*Right-of-use assets*

Property, plant and equipment includes right-of-use assets of \$140,259 in relation to leased equipment at 31 December 2019, for which a depreciation charge of \$29,545 was recognised during the half year period. The right-of-use assets are encumbered as security for lease liabilities of \$125,711. At 30 June 2019, property, plant and equipment included finance lease assets of \$202,256, which were encumbered as security for finance lease liabilities of \$176,748.

*Assets pledged as security for borrowings*

Plant and equipment includes \$364,787 of assets pledged as security under asset finance arrangements.

**NOTE 7. NON FINANCIAL ASSETS AND LIABILITIES (Continued)****c) Intangible Assets**

	Oyster leases	Other intangible assets	Total
	\$	\$	\$
<b>At 30 June 2019</b>			
Cost	6,569,699	22,323	6,592,022
Accumulated amortisation	-	(11,666)	(11,666)
Net book amount	6,569,699	10,657	6,580,356
<b>Half year ended 31 December 2019</b>			
Net book amount at the beginning of the year	6,569,699	10,657	6,580,356
AASB 16 transition adjustments	256,101	-	256,101
Additions	552,823	-	552,823
Disposals	(188,072)	-	(188,072)
Amortisation	(34,644)	(2,082)	(36,726)
Net book amount at end of year	7,155,907	8,575	7,164,482
<b>At 31 December 2019</b>			
Cost	6,934,450	22,323	7,212,873
Accumulated amortisation	(34,644)	(13,748)	(48,392)
Net book amount	7,155,907	8,575	7,164,482

Oyster leases include right-of-use assets of \$2,024,707 at 31 December 2019, for which an amortisation charge of \$34,644 was recognised during the half year period. The balance at 30 June 2019 included leases previously classified as finance lease of \$1,803,250. Oyster leases are pledged as security for respective lease liabilities and bank facilities (Note 6(d)).



## NOTE 8. EQUITY

### a) Share capital

	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	SHARES	SHARES	\$	\$
Issued and fully paid ordinary shares	131,849,640	131,849,640	16,809,853	16,809,853
Share issue costs			(1,886,792)	(1,886,792)
			14,923,061	14,923,061

### b) Reserves

	31 Dec 2019	30 Jun 2019
	\$	\$
Share based payments reserve	789,938	686,694
	789,938	686,694

## NOTE 9. COMMITMENTS, CONTINGENCIES AND OTHER GUARANTEES

### a) Capital Expenditure Commitments

There were no significant capital expenditures contracted for at 31 December 2019 that are not recognised as assets and liabilities (30 June 2019: Nil).

### b) Contingencies and guarantees

The Group does not have any contingent liabilities and has not provided any guarantees.

## NOTE 10. EVENTS OCCURRING AFTER THE REPORTING DATE

There are no significant events occurring after 31 December 2019 that would impact the financial position as of that date and the financial performance reported for the interim period and/or future periods.

## Directors' Declaration

In accordance with a resolution of the Directors of Angel Seafood Holdings Limited, the Directors of the Company declare that:

1. the interim financial statements and notes for the half-year ended 31 December 2019 are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standard AASB 134 *Interim Financial Reporting*; and
  - b. give a true and fair view of the financial position as at 31 December 2019 and of the performance for the half-year ended on that date of the Consolidated Group;
2. in the Directors' opinion, 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



Tim Goldsmith  
**Chairman**

26 February 2020