

Catalano Seafood Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Catalano Seafood Limited
ABN:	47 633 353 125
Reporting period:	For the year ended 30 June 2022
Previous period:	For the year ended 30 June 2021

2. Results for announcement to the market

				\$
Revenues from ordinary activities	Down	15%	to	14,562,970
Loss from ordinary activities after tax attributable to the owners of Catalano Seafood Limited	Up	418%	to	(2,590,160)
Loss for the year attributable to the owners of Catalano Seafood Limited	Up	418%	to	(2,590,160)

Dividends

No dividend has been declared or paid for the year ended 30 June 2022 (30 June 2021: \$nil).

Brief explanation of the figures reported above

The decrease in revenue for the year is due to discontinued sales to PFD (\$2.6m in the previous financial year) due to PFD having been taken over by Woolworths. PFD were supplying processed fish to Coles. In addition, Greater Asia Seafood failed to supply Black Tiger Prawns which in the previous year amounted to revenue of \$1.6m.

The increase in loss from ordinary activities is due to the decline in revenue noted above, costs associated with obtaining the ASX listing and growth plan expenses.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>4.54</u>	<u>(11.65)</u>

4. Control gained over entities

There have been no entities over which control has been gained during the period or previous reporting period.

5. Loss of control over entities

There have been no entities over which control has been lost during the period or previous reporting period.

6. Details of associates and joint venture entities

There were no associates or joint ventures during the period or previous reporting period.

Catalano Seafood Limited
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7. Audit qualification or review

The financial statements are in the process of being audited.

Details of audit/review dispute or qualification (if any):

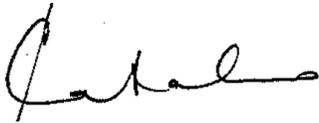
Not applicable

8. Attachments

Details of attachments (if any):

The preliminary final report of Catalano Seafood Limited for the year ended 30 June 2022 is attached.

Signature:



Nicolino Catalano
Executive Chairman
Perth
31 August 2022



Catalano Seafood Limited

ABN 47 633 353 125

**Preliminary Final Report
For the Year Ended 30 June 2022**

Catalano Seafood Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2022

	Note	30 June 2022 \$	30 June 2021 \$
Revenue	2	14,562,970	17,162,025
Cost of sales		(11,973,117)	(13,990,815)
Gross Profit		<u>2,589,853</u>	<u>3,171,210</u>
Other income	3	14,750	65,783
Selling and distribution expenses	4	(2,998,791)	(2,835,776)
Administrative expenses	4	(1,436,154)	(739,806)
Impairment expense		-	-
Share-based payment expense	11	(550,000)	-
Other expenses		(142,553)	(114,414)
Operating loss		<u>(2,522,895)</u>	<u>(453,003)</u>
Finance costs		(67,265)	(47,336)
Loss before tax		<u>(2,590,160)</u>	<u>(500,339)</u>
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense		<u>(2,590,160)</u>	<u>(500,339)</u>
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		<u>(2,590,160)</u>	<u>(500,339)</u>
Earnings per share			
Basic loss per share (cents)		(4.42)	(1.18)
Diluted loss per share (cents)		(4.42)	(1.18)

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

Catalano Seafood Limited
Statement of Financial Position
As at 30 June 2022

	Note	30 June 2022 \$	30 June 2021 \$
Assets			
Current assets			
Cash and cash equivalents		3,122,348	236,490
Trade and other receivables		372,398	582,341
Inventories		1,883,296	1,116,059
Other current assets	5	69,632	19,098
Total current assets		5,447,674	1,953,988
Non-current assets			
Property, plant and equipment	6	1,166,931	923,937
Right of use assets	7	498,108	1,059,958
Intangible assets	8	2,647,195	2,647,195
Total non-current assets		4,312,234	4,631,090
Total assets		9,759,908	6,585,078
Liabilities			
Current liabilities			
Trade and other payables		1,489,732	1,460,687
Leases liabilities		403,891	609,797
Provisions		927,074	574,442
Total current liabilities		2,820,697	2,644,926
Non-current liabilities			
Lease liabilities		108,567	466,552
Provisions		44,325	19,819
Financial liabilities		-	300,000
Total non-current liabilities		152,892	786,371
Total liabilities		2,973,589	3,431,297
Net assets		6,786,319	3,153,781
Equity			
Issued capital	9	10,764,084	4,750,001
Share-based payment reserve	10	208,615	-
Accumulated losses		(4,186,380)	(1,596,220)
Total equity		6,786,319	3,153,781

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

Catalano Seafood Limited
Statement of Changes in Equity
For the year ended 30 June 2022

	Note	Issued Capital \$	Share Based Payment Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2020		4,750,001	-	(1,095,881)	3,654,120
Loss for the period		-	-	(500,339)	(500,339)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		-	-	(500,339)	(500,339)
Balance at 30 June 2021		4,750,001	-	(1,596,220)	3,153,781
Loss for the year		-	-	(2,590,160)	(2,590,160)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		-	-	(2,590,160)	(2,590,160)
Issue of corporate adviser shares	9,11	50,000	-	-	50,000
Issue of management shares	9,11	500,000	-	-	500,000
Pre-IPO seed	9	750,000	-	-	750,000
Shares issued – convertible loan	9	300,000	-	-	300,000
Initial public offer – Public Offer	9	5,025,800	-	-	5,025,800
Initial public offer – Lead Manager	9,11	100,000	-	-	100,000
Options issued - Lead Manager	10,11	-	208,615	-	208,615
Share issue costs	9	(711,717)	-	-	(711,717)
Balance at 30 June 2022		10,764,084	208,615	(4,186,380)	6,786,319

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

Catalano Seafood Limited
Statement of Cash Flows
For the year ended 30 June 2022

	Note	30 June 2022	30 June 2021
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		14,772,914	16,666,808
Payments to suppliers and employees (inclusive of GST)		(16,234,064)	(16,528,155)
Other income		14,750	65,783
		<hr/>	<hr/>
Net cash (used in) / from operating activities		(1,446,400)	204,436
Cash flows from investing activities			
Payments for property, plant and equipment		(482,004)	(204,732)
Proceeds from sale of property, plant and equipment		5,455	7,307
		<hr/>	<hr/>
Net cash (used in) investing activities		(476,549)	(197,425)
Cash flows from financing activities			
Proceeds from issue of share capital		5,775,800	-
Share issue costs		(403,102)	-
Repayment of lease liabilities		(563,891)	(485,657)
Proceeds from borrowings		-	300,000
		<hr/>	<hr/>
Net cash from / (used in) financing activities		4,808,807	(185,657)
Net increase / (decrease) in cash and cash equivalents		2,885,858	(178,646)
Cash and cash equivalents at the beginning of the financial year		236,490	415,136
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year		3,122,348	236,490

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

Catalano Seafood Limited
Notes to the Financial Statements
For the year ended 30 June 2022

Note 1: Significant Accounting Policies

General

These financial statements and notes represent those of Catalano Seafood Limited (the “Company”).

Basis of Preparation

The financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. Catalano Seafood Limited is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with the Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified where applicable, by the measurement at fair value of selected financial assets and financial liabilities. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements have been presented in Australian dollars (AUD), which is the functional currency of the Company.

The preliminary financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide a full understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report. Accordingly, this report is to be read in conjunction with the accompanying notes, the 2021 Annual financial Report, the 2022 Interim Financial Report and any public announcements made by Catalano Seafood Limited in accordance with the continuous disclosure obligations of the ASX listing rules.

This financial report has been prepared on the going concern basis. The accounting policies have been applied consistently for the purposes of preparation of the financial statements.

Catalano Seafood Limited
Notes to the Financial Statements
For the year ended 30 June 2022

Note 2. Revenue

	30 June 2022	30 June 2021
	\$	\$
Revenue from contracts with customers		
The Company's revenue disaggregated by segment is as follows:		
Processing contracting	2,095,362	7,515,038
Wholesale and retail sales	12,467,608	9,646,987
Total revenue	14,562,970	17,162,025
Revenue recognised at point in time	14,562,970	17,162,025
Revenue recognised over time	-	-
	14,562,970	17,162,025

Note 3. Other income

	30 June 2022	30 June 2021
	\$	\$
Other income	13,825	60,467
Interest received	925	-
	14,750	65,783

Note 4. Expenses

	30 June 2022	30 June 2021
	\$	\$
<i>Loss before income tax includes the following specific expenses:</i>		
<i>Selling and distribution expenses mainly comprise of:</i>		
Employee expenses	2,471,300	2,216,166
Depreciation	371,082	449,347
Distribution expenses	156,409	170,263
	2,998,791	2,835,776
<i>Administrative expenses mainly comprise of:</i>		
Professional fees	903,842	278,405
Other expenses	532,312	461,401
	1,436,154	739,806

Catalano Seafood Limited
Notes to the Financial Statements
For the year ended 30 June 2022

Note 5. Other current assets

	30 June 2022	30 June 2021
	\$	\$
Prepayments	69,632	19,098

Prepayments relate mainly to insurance premiums.

Note 6. Property, Plant and Equipment

	30 June 2022	30 June 2021
	\$	\$
Fixtures and fittings – at cost	269,711	269,711
Less: Accumulated depreciation	(20,531)	(13,689)
	<u>249,180</u>	<u>256,022</u>
Office and furniture – at cost	1,158,364	815,600
Less: Accumulated depreciation	(240,613)	(147,685)
	<u>917,751</u>	<u>667,915</u>
	<u>1,166,931</u>	<u>923,937</u>

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

	Fixtures and fittings	Office and Furniture	Total
	\$	\$	\$
Cost			
Balance at 1 July 2021	269,711	815,600	1,085,311
Additions during the year	-	500,256	500,256
Disposals during the year	-	(157,492)	(157,492)
At 30 June 2022	<u>269,711</u>	<u>1,158,364</u>	<u>1,428,075</u>
Accumulated depreciation			
Balance at 1 July 2021	(13,689)	(147,685)	(161,374)
Depreciation	(6,842)	(101,765)	(108,607)
Disposals during the year	-	8,837	8,837
At 30 June 2022	<u>(20,531)</u>	<u>(240,613)</u>	<u>(261,144)</u>
Net carrying amount			
At 30 June 2022	<u>249,180</u>	<u>917,751</u>	<u>1,166,931</u>

Catalano Seafood Limited
Notes to the Financial Statements
For the year ended 30 June 2022

Note 7. Right of Use Asset

	30 June 2022	30 June 2021
	\$	\$
Right of use asset – at cost	2,002,585	1,945,625
Less: Accumulated depreciation	(1,504,477)	(885,667)
	498,108	1,059,958

The Company 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 Company also leases plant and equipment under agreements of between three to seven years.

The Company 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.

Note 8. Intangible Asset

	30 June 2022	30 June 2021
	\$	\$
Goodwill	3,147,195	3,147,195
Less: Accumulated impairment losses	(500,000)	(500,000)
	2,647,195	2,647,195

The following table shows the movement in goodwill:

	Total
	\$
Balance at 1 July 2020	2,647,195
Impairment of assets	-
Amortisation expense	-
Balance at 30 June 2021	2,647,195
Impairment of assets	-
Amortisation expense	-
Balance at 30 June 2022	2,647,195

Impairment testing

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

	30 June 2022	30 June 2021
	\$	\$
Retail segment	-	-
Processing segment	2,647,195	2,647,195
Total carrying amount of goodwill	2,647,195	2,647,195

Note 8. Intangible Asset (continued)

The Company performed an impairment test of the carrying value of goodwill as at 30 June 2022. 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.

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

Gross profit margins - are based upon FY23 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.

Catalano Seafood Limited
Notes to the Financial Statements
For the year ended 30 June 2022

Note 9: Issued Capital

	30 June 2022		30 June 2021	
	No. of Shares	A\$	No. of Shares	\$
Fully paid ordinary shares	80,124,000	10,764,084	4,750,001	4,750,001
	Date	No. of Shares	Issue Price \$	\$
<i>Movements in ordinary share capital</i>				
Balance as at 1 July 2020		4,750,001		4,750,001
Balance as at 30 June 2021		4,750,001		4,750,001
Share split 1:8.946 ¹	1-Sep-21	37,744,999	-	-
Issue of corporate adviser shares ²	7-Oct-21	500,000	0.10 ²	50,000
Pre-IPO seed ³	8-Oct-21	3,500,000	0.10	350,000
Issue of management shares ⁴	15-Oct-21	2,500,000	0.20 ⁴	500,000
Pre-IPO seed ³	18-Oct-21	625,000	0.10	62,500
Pre-IPO seed ³	22-Oct-21	625,000	0.10	62,500
Pre-IPO seed ³	3-Nov-21	1,120,000	0.10	112,000
Pre-IPO seed ³	29-Nov-21	1,630,000	0.10	163,000
Shares issued – convertible loan ⁵	3-Mar-222	1,500,000	0.20	300,000
Initial public offer – Public Offer ⁶	3-Mar-222	25,129,000	0.20	5,025,800
Initial public offer – Lead Manager ⁷	3-Mar-222	500,000	0.20	100,000
Share issue costs		-		(711,717)
Balance at 30 June 2022		80,124,000		10,764,084

¹ On 1 September 2021, the Company's share capital was reconstructed via a share split in the ratio of 8.946 shares received for every 1 ordinary share held

² On 7 October 2021, 500,000 shares were issued to the Company's corporate advisers at a nominal \$0.001 per share. These shares were valued at \$0.10 per share based on the pre-IPO seed share price of \$0.10 per share

³ Between 8 October 2021 and 29 November 2021, 7,500,000 shares were issued at \$0.10 per share, via a seed capital raise.

⁴ On 15 October 2021, 2,500,000 shares were issued to management and employees of the Company (or their respective nominees) at a nominal \$0.001 per share, pursuant to the Business Sale Agreement (BSA). The number of shares issued was based on the IPO share price of \$0.20 per share and agreed total value of shares to be issued of \$500,000 per the BSA (and conditional on the Company obtaining an ASX listing, which occurred on 9 March 2022).

⁵ On 3 March 2022, pursuant to a loan agreement with The Rain Maker MGMT Sdn Bhd executed in June 2020, a loan totalling \$300,000 was converted into 1,500,000 ordinary shares at \$0.20 per share.

⁶ On 3 March 2022, 25,129,000 fully paid ordinary shares were issued pursuant to the Public Offer.

⁷ Concurrently with the Public Offer, 500,000 fully paid ordinary shares were issued to the Lead Manager, RM Corporate Finance Pty Ltd (and their respective associates), pursuant to the Lead Manager Offer.

Catalano Seafood Limited
Notes to the Financial Statements
For the year ended 30 June 2022

Note 10: Reserves

	30 June 2022	30 June 2021
	\$	\$
Share based payment reserve	208,615	-

The share-based payment reserve arises from share options issued to the IPO Lead Manager under the terms and conditions set out in their mandate letter.

<i>Movement during the year</i>	No. of Options	\$
Balance as at 30 June 2020 and 30 June 2021	-	-
Issue of options (refer to Note 12)	2,500,000	208,615
Balance as at 30 June 2022	2,500,000	208,615

Note 11: Share Based Payment

On 3 March 2022, 2,500,000 unlisted options exercisable at \$0.30 expiring on 30 June 2025 were issued to the Lead Manager (or its nominees) as part consideration for provision of capital raising and joint bookrunner services provided to the company. The options vested at the date the services provided were completed, being the date Initial Public Offer (IPO) was completed.

The fair value of the options issued was estimated at the date of grant using the Black-Scholes option pricing model below:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Expected Volatility	Dividend Yield	Risk-Free Interest Rate	Fair Value at Grant Date
3/12/2021	30/6/2025	\$0.20	\$0.30	80%	-	0.69%	\$0.08345

Set out below are the options exercisable at the end of the financial year:

Grant Date	Expiry Date	30 June 2022 No. of Options	30 June 2021 No. of Options
3/12/2021	30/6/2025	2,500,000	-

On 7 October 2021, 500,000 shares were issued to the Company's corporate advisers at a nominal \$0.001 per share. These shares were valued at \$0.10 per share based on the pre-IPO seed share price of \$0.10 per share (refer to Note 10).

On 15 October 2021, 2,500,000 shares were issued to management and employees of the Company (or their respective nominees) at a nominal \$0.001 per share, pursuant to the Business Sale Agreement (BSA). The number of shares issued was based on the IPO share price of \$0.20 per share and agreed total value of shares to be issued of \$500,000 per the BSA (and conditional on the Company obtaining an ASX listing, which occurred on 9 March 2022) (refer to Note 10).

Note 12: Events Subsequent to Reporting Period

On 8 July 2022, Miss May May (Danielle) Tan resigned as a director of the Company and Mr Mark Leong was appointed as a Non-Executive Director.

No other matter or circumstance has 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 periods.