

New Zealand Coastal Seafoods Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	New Zealand Coastal Seafoods Limited
ABN:	16 124 251 396
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	13.7% to	847
Loss from ordinary activities after tax attributable to the owners of New Zealand Coastal Seafoods Limited (refer comments below for explanation)	up	24685% to	(5,647)

Dividends

No dividends have been declared or paid during the period ended 31 December 2019.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$5,647,022 (31 December 2018: \$22,784).

During the period the Company incurred non-cash expenses of \$4,629,433 relating to the acquisition of NZSC Operations Ltd. Under the provisions of AASB 2 *Share based payment* the transaction was treated as a reverse consolidation – refer to Note 1(ii) of the attached interim financial report.

3. Net tangible assets

	Reporting period	Previous period
Net tangible assets	2,788,850	8,558
Number of shares on issue	529,794,002	3,000
Net tangible assets per ordinary security (cent,	<u>0.53 cents</u>	<u>\$2.85</u>

4. Control gained over entities

Name of entity	NZCS Operations Ltd
Date control gained	26 July 2019

Refer to Note 1 (ii) of the interim financial report for further information.

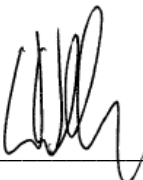
	\$'000
Contribution of the controlled entity to the reporting entity's loss from ordinary activities before income tax during the period	(673)
Loss from ordinary activities before income tax of the controlled entity for the whole of the previous period	(23)

New Zealand Coastal Seafoods Limited
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5. Audit review

The financial statements were subject to a review by the auditors and the review report is attached as part of the interim financial report.

6. Signed

Signed  _____

Date: 27 February 2020

Winton Willesee
Director
Perth, Western Australia



New Zealand Coastal Seafoods Limited

ABN 16 124 251 396

Interim Report - 31 December 2019

New Zealand Coastal Seafoods Limited
Directors' report
31 December 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of New Zealand Coastal Seafoods Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of New Zealand Coastal Seafoods Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Winton Willesee
Erlyn Dale
Harry Hill (resigned 26 July 2019)
Jourdan Thompson (appointed 26 July 2019)
Cataldo Miccio (appointed 26 July 2019)

Principal activities

During the financial period the principal continuing activities of the consolidated entity were the processing, distribution and export of premium seafood products for supply to customers in New Zealand, Australia and Asia.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$5,647,022 (31 December 2018: \$22,784).

Significant changes in the state of affairs

On 23 April 2019, New Zealand Coastal Seafoods Ltd (formerly XTV Networks Ltd) announced that it had entered into a share purchase deed pursuant to which it agreed to acquire 100% of the issued capital of NZCS Operations Ltd.

On 13 June 2019 following approval by shareholders at a General Meeting, the Company completed a re-organisation of capital to sub-divide all existing ordinary shares and options on a 1 for 3 basis and approved the change of its name from XTV Networks Limited to New Zealand Coastal Seafoods Limited.

On 26 July 2019 (pursuant to a Prospectus dated 24 May 2019) the Company completed the raising of \$5,000,000 through the issue of 200,000,000 post sub-division shares at a price of \$0.025 per share.

Pursuant to the share purchase deed, which completed on 26 July 2019, the Company issued 166,694,937 new Shares (on a post 1 to 3 Subdivision basis) and procured the transfer of 42,840,001 2023 Options (on a post-Subdivision basis) from existing holders to the shareholders of NZCS Operations Ltd as consideration for the acquisition of 100% of the issued capital of NZCS Operations Ltd.

The suspension of trading on the Company's shares was lifted on 5 August 2019 and the trading on the Australian Stock Exchange (ASX) recommenced under the code NZS on that day.

The acquisition has been accounted for using the principles for reverse acquisitions in AASB 3 *Business Combinations* because, as a result of the acquisition, the former shareholders of NZCS Operations Ltd (the legal subsidiary) obtained accounting control of New Zealand Coastal Seafoods Ltd (formerly XTV Networks Ltd) (the legal parent). The acquisition however, did not meet the definition of a business combination under AASB 3 *Business Combinations* as the accounting acquiree, New Zealand Coastal Seafoods Ltd (formerly XTV Networks Ltd) was deemed not to be a business for accounting purposes. Instead, the acquisition has been accounted for as a share-based payment transaction using the principles in AASB 2 *Share-based Payment*.

Accordingly, the 31 December 2019 consolidated financial statements of New Zealand Coastal Seafoods Ltd (formerly XTV Networks Ltd) have been prepared as a continuation of the financial statements of NZCS Operations Ltd. The comparative figures also present a continuation of NZCS Operations Ltd and will therefore not reconcile to the previous New Zealand Coastal Seafoods Ltd (formerly XTV Networks Ltd) financial statements for the year ended 30 June 2019 and the half-year ended 31 December 2018.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

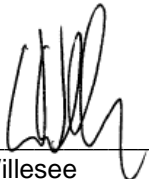
New Zealand Coastal Seafoods Limited
Directors' report
31 December 2019

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.

On behalf of the directors



Winton Willesee
Director

27 February 2020
Perth, Western Australia

New Zealand Coastal Seafoods Limited
Auditor's independence declaration

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New Zealand Coastal Seafoods Limited

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General information

The financial statements cover New Zealand Coastal Seafoods Limited as a consolidated entity consisting of New Zealand Coastal Seafoods Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is New Zealand Coastal Seafoods Limited's functional and presentation currency.

New Zealand Coastal Seafoods Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Suite 5 CPC, 145 Stirling Highway
NEDLANDS WA 6009
Telephone: + 61 8 9389 3170

Principal place of business

7 Bolt Place
Christchurch, 8053
New Zealand

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2020.

New Zealand Coastal Seafoods Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

		Consolidated	
	Note	31 Dec 2019	31 Dec 2018
		\$	\$
Sales Revenue	3	847,064	981,281
Other income	3	11,453	2,271
Expenses			
Cost of sales		(709,471)	(719,970)
Employee benefits expense		(395,409)	(96,626)
Depreciation expense		(47,697)	(4,011)
Listing expenses	1(i)	(4,381,689)	-
Acquisition costs		(247,744)	-
Corporate and administrative expense		(199,199)	-
Other operating expenses		(530,973)	(184,733)
Foreign exchange losses		(2,170)	-
Finance costs		(6,057)	(996)
Loss before income tax expense from continuing operations		(5,661,892)	(22,784)
Income tax benefit		14,870	-
Loss after income tax expense for the half-year		(5,647,022)	(22,784)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income/(loss) for the half-year		<u>(5,647,022)</u>	<u>(22,784)</u>
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the owners of New Zealand Coastal Seafoods Limited			
Basic earnings per share	12	(1.23)	n/a
Diluted earnings per share	12	(1.23)	n/a

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

New Zealand Coastal Seafoods Limited
Statement of financial position
As at 31 December 2019

		Consolidated	
	Note	31 Dec 2019	30 Jun 2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	5	1,874,662	1,056
Trade and other receivables		228,653	5,546
Deposit for plant and equipment		128,603	-
Inventories		455,544	55,909
Total current assets		<u>2,687,462</u>	<u>62,511</u>
Non-current assets			
Contract deposit		91,121	-
Property, plant and equipment		118,309	47,473
Right-of-use assets	6	1,405,304	-
Deferred tax asset		15,163	-
Total non-current assets		<u>1,629,897</u>	<u>47,473</u>
Total assets		<u>4,317,359</u>	<u>109,984</u>
Liabilities			
Current liabilities			
Trade and other payables		55,002	122,747
Borrowings		12,320	119,423
Lease liabilities	7	100,233	-
Income tax		-	13,508
Employee benefits		18,338	10,523
Total current liabilities		<u>185,893</u>	<u>266,201</u>
Non-current liabilities			
Lease liabilities	8	1,342,616	-
Total non-current liabilities		<u>1,342,616</u>	<u>-</u>
Total liabilities		<u>1,528,509</u>	<u>266,201</u>
Net assets/(liabilities)		<u>2,788,850</u>	<u>(156,217)</u>
Equity			
Issued capital	9	8,199,753	-
Reserves		392,336	-
Accumulated losses		<u>(5,803,239)</u>	<u>(156,217)</u>
Total equity/(deficiency)		<u>2,788,850</u>	<u>(156,217)</u>

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

New Zealand Coastal Seafoods Limited
Statement of changes in equity
For the half-year ended 31 December 2019

Consolidated	Issued capital \$	Option reserve \$	Foreign currency translation reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2018	-	-	-	31,342	31,342
Loss after income tax expense for the half-year	-	-	-	(22,784)	(22,784)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(22,784)	(22,784)
Balance at 31 December 2018	-	-	-	8,558	8,558

Consolidated	Issued capital \$	Option reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	-	-	-	(156,217)	(156,217)
Adjustment for change in accounting policy (note 2)	-	-	-	-	-
Balance at 1 July 2019 - restated	-	-	-	(156,217)	(156,217)
Loss after income tax expense for the half-year	-	-	-	(5,647,022)	(5,647,022)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive loss for the half-year	-	-	-	(5,647,022)	(5,647,022)

Transactions with owners in their capacity as owners:

Recognition of shares in New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) in accordance with the requirements of reverse acquisition accounting	3,829,733	-	-	-	3,829,733
Shares issues pursuant to the offer	5,000,000	-	-	-	5,000,000
Shares issued to Advisors	247,744	-	-	-	247,744
Capital raising costs	(877,724)	-	-	-	(877,724)
Option Reserve recorded as part of acquisition	-	372,000	-	-	372,000
Foreign currency translation	-	-	20,336	-	20,336
Balance at 31 December 2019	8,199,753	372,000	20,336	(5,803,239)	2,788,850

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

New Zealand Coastal Seafoods Limited
Statement of cash flows
For the half-year ended 31 December 2019

	Note	Consolidated	Consolidated
		31 Dec 2019	31 Dec 2018
		\$	\$
Cash flows from operating activities			
Receipts from customers		741,367	966,666
Payments to suppliers and employees		<u>(2,841,472)</u>	<u>(983,628)</u>
		(2,100,105)	(16,962)
Interest received		7,533	-
Other revenue		3,920	254
Interest and other finance costs paid		(2,207)	(996)
Income taxes paid		<u>(13,508)</u>	<u>(1,615)</u>
Net cash used in operating activities		<u>(2,104,367)</u>	<u>(19,319)</u>
Cash flows from investing activities			
Payments for contract deposit		(91,121)	-
Payments for property, plant and equipment		(208,778)	(10,561)
Proceeds from disposal of property, plant and equipment		<u>-</u>	<u>10,401</u>
Net cash used in investing activities		<u>(299,899)</u>	<u>(160)</u>
Cash flows from financing activities			
Proceeds from share issues		5,000,000	-
Capital raising expenses		(564,772)	-
Repayment of borrowings		(107,103)	-
Repayment of lease liabilities		<u>(59,933)</u>	<u>-</u>
Net cash used in financing activities		4,268,192	-
Net increase/(decrease) in cash and cash equivalents		1,863,926	(19,479)
Cash and cash equivalents at the beginning of the financial half-year		1,056	25,783
Cash acquired on acquisition		<u>9,680</u>	<u>-</u>
Cash and cash equivalents at the end of the financial half-year	5	<u><u>1,874,662</u></u>	<u><u>6,304</u></u>

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

New Zealand Coastal Seafoods Limited
Condensed notes to the financial statements
31 December 2019

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

(i) Going concern

The consolidated entity incurred an operating cash outflow of \$2,104,367 during the six-month period ended 31 December 2019 (2018: \$19,319). The total comprehensive loss for six-month period ended 31 December 2019 was \$5,647,022 (2018: \$22,784) and the cash on hand as at 31 December 2019 was \$1,874,662. This total comprehensive loss for the six-month period ended 31 December 2019 included non-cash expenses of \$4,629,433 relating to the acquisition of NZSC Operations Ltd.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the consolidated entity's ability to continue as a going concern.

The consolidated entity's forecasts and projections for the next twelve months take into account the current status, operational changes and projected future trading performance which incorporates the successful execution of the growth strategy outlined in the prospectus dated 24 May 2019.

The consolidated entity's forecasts and projections are based on a limited trading history and include material revenue items relating to new products and markets. In the director's opinion the inclusion of these material revenue items is based on events that they reasonably expect to take place and actions that they reasonably expect to occur.

The forecasts and projections indicate that, in the directors' opinion, the consolidated entity will be able to operate as a going concern.

For the reasons outlined above, the timing and trading volumes and related operating cash flows may vary from those forecasts by management. Should the timing of operating cash flow be significantly different to those forecasted, the consolidated entity may need to seek alternative financing to enable it to settle its liabilities as they fall due.

The Directors have historically been successful in obtaining financing through equity raises and are actively managing the expenditure of the consolidated entity to ensure that cash is maintained whilst executing the growth strategy and are confident that should the need arise further funding can be raised through either debt or equity.

There are no assurances that the forecasted trading performance will be achieved or that additional funding will be obtained and that the consolidated entity will succeed in its future operations. If the consolidated entity cannot successfully implement its growth plan or raise additional capital, its liquidity, financial condition and business prospects will be materially and adversely affected such that the consolidated entity may not be able to continue as a going concern

Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of assets carrying amount or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

New Zealand Coastal Seafoods Limited
Condensed notes to the financial statements
31 December 2019

Note 1. Significant accounting policies (continued)

(ii) Acquisition of NZCS Operations Ltd

The acquisition of NZCS Operations Ltd was complete with effect from 26 July 2019. The acquisition has been accounted for using the principles for reverse acquisitions in AASB 3 *Business Combinations* because, as a result of the acquisition, the former shareholders of NZCS Operations Ltd (the legal subsidiary) obtained accounting control of New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) (the legal parent).

The acquisition however, did not meet the definition of a business combination under AASB 3 *Business Combinations* as the accounting acquiree, New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) was deemed not to be a business for accounting purposes and therefore, the transaction was not a business combination within the scope of AASB 3 *Business Combinations*. Instead, the acquisition has been accounted for as a share-based payment transaction using the principles in AASB 2 *Share-based payment* and in particular, the guidance in AASB 2 *Share-based payment* that any difference between the fair value of the shares issued by the accounting acquirer, NZCS Operations Ltd and the fair value of the accounting acquiree's (New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd)) identifiable net assets, represents a service received by NZCS Operations Ltd, including payment for a service of an ASX stock exchange listing which will be expensed through the consolidated entity's profit and loss statement.

Accordingly, the consolidated financial statements of New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) have been prepared as a continuation of the consolidated financial statements of NZCS Operations Ltd from 26 July 2019. The impact of the reverse acquisition on each of the primary statements is as follows:

Statement of financial position

The 31 December 2019 statement of financial position represents both New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) and NZCS Operations Ltd as at 31 December 2019. The 30 June 2019 statement of financial position represents NZCS Operations Ltd as at 30 June 2019.

Statement of profit or loss and other comprehensive income

The 31 December 2019 statement of profit or loss and other comprehensive income comprises 6 months of NZCS Operations Ltd and New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) for the period from 26 July 2019. The 31 December 2018 statement of profit or loss and other comprehensive income comprises six months of NZCS Operations Ltd.

Statement of changes in equity

The 31 December 2019 statement of changes in equity comprises NZCS Operations Ltd equity balance at 1 July 2019, its profit for the period and transactions with equity holders for the 6 months period. It also comprises New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) transactions with equity holders for the period from 26 July 2019 to 31 December 2019 and the equity balances of NZCS Operations Ltd and New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) as at 31 December 2019. The 31 December 2018 statement of changes in equity comprises NZCS Operations Ltd's changes in equity for the six months period.

New Zealand Coastal Seafoods Limited
Condensed notes to the financial statements
31 December 2019

Note 1. Significant accounting policies (continued)

Statement of cashflows

The 31 December 2019 statement of cash flows comprises the cash balance of NZCS Operations Ltd at 1 July 2019, the cash transactions of NZCS Operations Ltd for the six months period and New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) for the period from 26 July 2019 to 31 December 2019 and the cash balance of NZCS Operations Ltd and New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) at 31 December 2019. The 31 December 2018 statement of cash flows comprises six months of NZCS Operations Ltd's cash transactions.

Reverse asset acquisition

On 23 April 2019, New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) announced that it had entered into a share purchase deed pursuant to which it agreed to acquire 100% of the issued capital of NZCS Operations Ltd. The transaction received approval from New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) shareholders at a General Meeting held on 13 June 2019 and on 26 July 2019 the acquisition was completed.

As consideration for the issued capital of NZCS Operations Ltd, New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) issued the following:

- i) 166,694,937 new Shares (on a post 1 to 3 Subdivision basis); and
- ii) Procured the transfer of 42,840,001 2023 Options (on a post-Subdivision basis) from existing holders to the shareholders of NZCS Operations Ltd.

The acquisition has been accounted for using the principles for reverse acquisitions in AASB 3 *Business Combinations* because, as a result of the acquisition, the former shareholders of NZCS Operations Ltd (the legal subsidiary) obtained accounting control of New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) (the legal parent). However, the acquisition did not meet the definition of a business combination under AASB 3 *Business Combinations* as the accounting acquiree, New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) was deemed not to be a business for accounting purposes. Instead, the acquisition has been accounted for as a share-based payment transaction using the principles in AASB 2 *Share-based Payment*.

NZCS Operations Ltd is deemed to make a share-based payment to acquire the existing shareholders' interest in the net assets of New Zealand Coastal Seafoods Pty Limited (formerly XTV Networks Ltd). The value of the NZCS Operations Ltd shares cannot be reliably determined as no active market exists at the time of acquisition. Therefore, the value of the NZCS Operations Ltd shares deemed to be issued, has been determined by reference to the fair value of the New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) assets acquired.

As the shares of New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) were not being traded at the time of the acquisition (the shares were suspended pending the outcome of the transaction) there was no active market for those shares. Accordingly, the fair value of the shares was determined as \$0.025 per share, this being the price at which the New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) shares had been issued pursuant to the Prospectus, which was the last transaction for the New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd) shares immediately prior to the acquisition.

Listing expense is calculated as the difference between the fair value of consideration transferred less the identified fair value of the net assets of the legal parent, being New Zealand Coastal Seafoods Limited (formerly XTV Networks Ltd). Details of the transaction are as follows:

	Fair value \$
Fair value of consideration transferred	3,829,733
Fair value of assets and liabilities held at acquisition date:	
Cash and cash equivalents	9,680
Prepayments	51,869
Trade payables	(564,225)
Borrowings	(49,280)
Identifiable assets and liabilities assumed	<u>(551,956)</u>
Listing expense	<u><u>4,381,689</u></u>

Note 1. Significant accounting policies (continued)

(iii) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The consolidated entity has adopted AASB 16 'Leases' from 1 July 2019, using the modified retrospective transitional approach, resulting in no restatement of comparatives for the statement of financial position as at 30 June 2019:

The impact on the financial performance and position of the consolidated entity from the adoption of AASB 16 is detailed in note 2.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets which are defined as assets with a value of less than \$1,000. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

New Zealand Coastal Seafoods Limited
Condensed notes to the financial statements
31 December 2019

Note 1. Significant accounting policies (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 2. Restatement of comparatives - adoption of AASB 16 Leases

The consolidated entity has adopted AASB 16 *Leases* from 1 July 2019, using the modified retrospective approach and as such the comparatives have not been re-stated. The impact of the adoption on opening retained profits as at 1 July 2019 and the impact on the statement of profit or loss and other comprehensive income and statement of financial position as at 31 December 2019 were as follows:

	31 Dec 2019 \$	1 July 2019 \$
Transitional re-classification		
Recognition of right of use asset	-	1,449,382
Recognition of accumulated depreciation	-	-
Recognition of lease liability	-	(1,449,382)
Adjustment to reduce retained earnings	-	-
	<hr/>	<hr/>
Impact on current period Statement of Financial Performance		
Increase in depreciation expense	44,077	-
Increase in finance costs	579	-
Reduction in operating (rental) expenses	(5,560)	-
Net increase in profit	39,096	-

Note 3. Revenue

	Consolidated	
	31 Dec 2019 \$	31 Dec 2018 \$
<i>Revenue from contracts with customers</i>		
Sale of goods	847,064	981,281
<i>Other revenue</i>		
Interest income	7,533	-
Other revenue	3,920	2,271
	<hr/>	<hr/>
	11,453	2,271
	<hr/>	<hr/>
Total Revenue	858,517	983,552

Note 4. Operating Segments

The consolidated entity has identified its operating segments based on the internal reports used by the Board of Directors in assessing performance and determining the allocation of resources. The consolidated entity operates in a single segment being the processing and distribution of premium seafood products.

New Zealand Coastal Seafoods Limited
Condensed notes to the financial statements
31 December 2019

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$	\$
Cash at bank	128,698	1,056
Cash on deposit	1,745,964	-
	<u>1,874,662</u>	<u>1,056</u>

Note 6. Non-current assets - right-of-use assets

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$	\$
Motor vehicles - right-of-use	53,167	-
Less: Accumulated depreciation	(5,294)	-
	<u>47,873</u>	<u>-</u>
Land and buildings - right-of-use	1,396,215	-
Less: Accumulated depreciation	(38,784)	-
	<u>1,357,431</u>	<u>-</u>
	<u>1,405,304</u>	<u>-</u>

On 16 September 2019 NZCS Operations Ltd signed a 6-year lease with Christchurch International Airport Limited at a rental of NZ\$165,000 per annum for a new factory to facilitate the expansion of its operation.

Note 7. Current liabilities - lease liabilities

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$	\$
Lease liability	<u>100,233</u>	<u>-</u>

Note 8. Non-current liabilities - lease liabilities

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$	\$
Lease liability	<u>1,342,616</u>	<u>-</u>

New Zealand Coastal Seafoods Limited
Condensed Notes to the financial statements
31 December 2019

Note 9. Equity - issued capital

	Consolidated			
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>529,794,002</u>	<u>3,000</u>	<u>8,199,753</u>	<u>-</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2019	3,000		-
Retroactive adjustment		(3,000)		-
Existing New Zealand Coastal Seafoods Ltd (formerly XTV Networks Ltd) at date of acquisition	26 July 2019	153,189,318		-
Recognition of shares in New Zealand Coastal Seafoods Ltd (formerly XTV Networks Ltd) in accordance with the requirements of reverse acquisition accounting	26 July 2019	166,694,937		3,829,733
Shares issues pursuant to the offer	26 July 2019	200,000,000		5,000,000
Shares issued to advisors	26 July 2019	9,909,747		247,744
Capital raising costs		-		(877,724)
		<hr/>		<hr/>
Balance	31 December 2019	<u>529,794,002</u>		<u>8,199,753</u>

Note 10. Contingent liabilities

At balance date NZCS Operations Ltd had entered into a Construction Contract in relation to the fit-out of its new factory premises. This project is expected to be completed in March 2020 and the total cost is budgeted to be NZ\$783,000.

Other than the above, the Board is not aware of any circumstances or information which leads them to believe there are any material contingent liabilities outstanding as at 31 December 2019.

Note 11. Events after the reporting period

The impact of the Coronavirus on the industry included impact on the Group and impacted the level of sales revenue.

Other than as noted above, no matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

New Zealand Coastal Seafoods Limited
Condensed notes to the financial statements
31 December 2019

Note 12. Earnings per share

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$	\$
<i>Earnings per share</i>		
Loss after income tax attributable to the owners of New Zealand Coastal Seafoods Limited	<u>(5,647,022)</u>	<u>(22,784)</u>
	Cents	Cents
Basic earnings per share	(1.23)	(759.47)
Diluted earnings per share	(1.23)	(759.47)
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	457,417,772	3,000
Adjustments for calculation of diluted earnings per share:		
- Options over ordinary shares	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>457,417,772</u>	<u>3,000</u>

Share options are not considered dilutive as the conversion of options to ordinary shares will result in a decrease in the net loss per share.

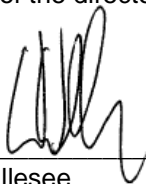
New Zealand Coastal Seafoods Limited
Directors' declaration
31 December 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Winton Willesee
Director

27 February 2020
Perth, Western Australia

New Zealand Coastal Seafoods Limited

Independent auditor's review report to the members of Pinnacle Listed Comprehensive Interim Limited

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New Zealand Coastal Seafoods Limited

Independent auditor's review report to the members of Pinnacle Listed Comprehensive Interim Limited

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