

1. Company details

| | |
|-------------------|--|
| Name of entity: | A1 Investments & Resources Ltd |
| ABN: | 44 109 330 949 |
| 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

| | | | \$ |
|--|----|-----------|-----------|
| Revenues from ordinary activities | up | 168.5% to | 184,759 |
| Loss from ordinary activities after tax attributable to the owners of A1 Investments & Resources Ltd | up | 60.7% to | (624,826) |
| Loss for the half-year attributable to the owners of A1 Investments & Resources Ltd | up | 60.7% to | (624,826) |

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$624,826 (31 December 2018: \$388,746).

Refer to the 'Review of operations' in the Directors' report for further information.

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|---------------------------|--------------------------|
| Net tangible assets per ordinary security | <u>0.00036</u> | <u>(0.00017)</u> |

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends*Current period*

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

| Name of associate / joint venture | Reporting entity's percentage holding | | Contribution to profit/(loss) (where material) | |
|---|---------------------------------------|-------------------|--|--------------------|
| | Reporting period % | Previous period % | Reporting period \$ | Previous period \$ |
| COTY Guam LLC | - | 50.00% | - | - |
| <i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i> | | | | |
| Profit/(loss) from ordinary activities before income tax | | | - | - |
| Income tax on operating activities | | | - | - |

On 26 June 2019, the consolidated entity's disposed of its interest in COTY Guam LLC for total consideration of \$10.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report. The auditor's review report contains a paragraph addressing material uncertainty related to going concern.

11. Attachments

Details of attachments (if any):

The Interim Report of A1 Investments & Resources Ltd for the half-year ended 31 December 2019 is attached.

12. Signed

Signed 

Date: 14 February 2020

Charlie Nakamura
 Director
 Sydney

A1 Investments & Resources Ltd and its controlled entities

ABN 44 109 330 949

Interim Report - 31 December 2019

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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of A1 Investments & Resources Ltd (referred to hereafter as the 'A1', '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 A1 Investments & Resources Ltd during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Charlie Nakamura
Peter Ashcroft
Takashi Araya
Masahiro Ito

Principal activities

The principal activities of the consolidated entity during the financial half-year were those of an investment company focusing on projects in Australia.

The consolidated entity remains a general investment company and has continued to focus on food industry related investments.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$624,826 (31 December 2018: \$388,746).

There have been no significant changes to the consolidated entity's operations since the annual general meeting of the company on 26 November 2019 and shareholders and investors are directed to the Chairman's address released to the Exchange on the date of the meeting.

The weather on the Darling Downs in the period to 31 December 2019 continued to be dry and the average rainfall was again substantially less than average. These conditions further endorsed the consolidated entity's decision to terminate the lease at Hirschbrooke. The consolidated entity left the property in mid-December 2019 along with our joint operations operator Qualipac Agriculture. The operations on Hirschbrooke have been disappointing for the past 2 years despite the significant efforts of the consolidated entity and Qualipac. Temperatures have remained hot and evaporation rates high making farming challenging throughout southern Queensland. Our operational plans are to acquire a further property for lease in early 2020 if the weather has improved and sufficient rain has fallen to allow further farming to take place. At the same time, we are continuing to examine the opportunity of an operation in southern Australia, possibly Tasmania.

The consolidated entity's farming strategy will continue to be conservative but practical and to be overall positive about the weather and the future.

The medium and long term predictions for the weather in the region show a return to usual averages over the coming months. The consolidated entity looks forward to a general return to average weather conditions for 2020. We of course made in essence, the same statement in our review of operations in the accounts to 31 December 2018, only to see the drought in eastern Australia continue throughout 2019.

The consolidated entity intends to continue to focus on vegetable production with Qualipac, subject to the weather improving and finding suitable properties to undertake further farming.

The consolidated entity is continuing to pursue the end of the winding up of the Bundybunna Aboriginal Corporation to allow it to enter the lease for the Bundybunna property. The consolidated entity expects the winding up to be terminated in the first quarter of 2020.

The consolidated entity continued to assist its joint venture partner Tidal Moons Pty Limited to commence sea cucumber harvesting at Shark Bay in Western Australia. The consolidated entity expects harvesting to commence in February 2020 and the first delivery of dried product in late February 2020.

The consolidated entity has acquired in January 2020, Blue Ocean Japan for a sum of \$200,000 which was wholly paid for in the issue of shares. Blue Ocean Health the sea cucumber business of the company in Australia will export part of its production to Blue Ocean Japan for the product to be processed into health food tablets for the supplement markets in Japan and China.

The consolidated entity obtained shareholder approval for placements in the sum of \$700,000 at its AGM in November 2019. The amount of \$627,461 has been received and converted to shares in February 2020.

The consolidated entity has determined that its primary focus will be food production businesses in Australia, including export food businesses. A1 will remain focused on the following:

A1 Primary Industry Business

- To examine the feasibility of maintaining a vegetable production business in southern Queensland in 2020 and beyond
- To undertake the production of vegetables with Qualipac Agriculture in Queensland and other parts of Australia
- To undertake farming and livestock production on Bundybunna in Western Australia
- To undertake the harvesting of sea cucumbers, its drying and subsequent processing for sale either as a dried product or with further processing to produce a health food supplement
- To examine the opportunities for using sea cucumber in other products including cosmetics
- To assist in the development of a sea cucumber breeding program in Western Australia and potentially elsewhere
- To engage in sales and marketing joint ventures for Australian primary industry products produced by the company in Australia and offshore

A1 Investments business

- To continue to examine investment opportunities that are presented to the company both in Australia and offshore.

New accounting standards implemented

The consolidated entity implemented a new accounting standard that is applicable for the current reporting period. AASB 16 'Leases' has been applied retrospectively, with the cumulative effect of initially applying the standard recognised as a restatement to the opening balance of accumulated losses at 1 July 2019. The effect on accumulated losses at 1 July 2019 was nil. In applying AASB 16 for the first time, the consolidated entity applied the practical expedient in relation to leases that have a remaining lease term of less than 12 months as at 1 July 2019. Such leases have been accounted for in the same way as short term leases. However the consolidated entity entered into a new lease in the reporting period which has been accounted for under AASB 16.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

Other than the acquisition of Blue Ocean Japan and the issue of the shares the subject of the placements, each referred to in the 'Review of operations' section of the Directors' Report, no other 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.

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 on page 3.

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



Charlie Nakamura
Director

14 February 2020
Sydney

**A1 INVESTMENTS & RESOURCES LTD
ABN 44 109 330 949
AND CONTROLLED ENTITIES**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

Ph: (612) 9263 2600
Fx: (612) 9263 2800

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001
TO THE DIRECTORS OF A1 INVESTMENTS & RESOURCES LTD**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of A1 Investments & Resources Ltd. As the lead audit partner for the review of the financial report of A1 Investments & Resources Ltd for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. any applicable code of professional conduct in relation to the review.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney, NSW 2000

Drew Townsend

DREW TOWNSEND
Partner

Dated: 14 February 2020

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| | |
|--|----|
| Consolidated statement of profit or loss and other comprehensive income | 5 |
| Consolidated statement of financial position | 6 |
| Consolidated statement of changes in equity | 7 |
| Consolidated statement of cash flows | 8 |
| Notes to the consolidated financial statements | 9 |
| Directors' declaration | 18 |
| Independent auditor's review report to the members of A1 Investments & Resources Ltd | 19 |

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A1 Investments & Resources Ltd and its controlled entities
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019



| | Note | Consolidated | |
|---|------|----------------------------------|----------------------------------|
| | | 6 months to 31 Dec 2019 \$ | 6 months to 31 Dec 2018 \$ |
| Revenue | 4 | 184,736 | 68,799 |
| Other income | 5 | 19,013 | 36,670 |
| Interest revenue calculated using the effective interest method | | 23 | - |
| Expenses | | | |
| Raw materials and consumables used | | (18,731) | (938) |
| Subcontracting expense | | (127,734) | (25,893) |
| Employee benefits expense | | (174,969) | (175,200) |
| Occupancy expenses | | (5,921) | (17,798) |
| Depreciation expense | | (25,419) | (20,539) |
| Consultancy and professional fees | | (166,548) | (4,985) |
| Foreign exchange losses | | - | (28,648) |
| Travel expenses | | (79,362) | (13,064) |
| Share registry expenses | | (45,808) | (38,882) |
| Write off of receivables | | (28,574) | - |
| Impairment of receivables | 6 | (66,000) | (5,500) |
| Other expenses | | (60,550) | (52,781) |
| Finance costs | | (28,982) | (109,987) |
| Loss before income tax expense | | (624,826) | (388,746) |
| Income tax expense | | - | - |
| Loss after income tax expense for the half-year attributable to the owners of A1 Investments & Resources Ltd | | (624,826) | (388,746) |
| Other comprehensive income for the half-year, net of tax | | - | - |
| Total comprehensive income/(loss) for the half-year attributable to the owners of A1 Investments & Resources Ltd | | (624,826) | (388,746) |
| | | Cents | Cents |
| Basic earnings per share | 19 | (0.0026) | (0.0036) |
| Diluted earnings per share | 19 | (0.0026) | (0.0036) |

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

A1 Investments & Resources Ltd and its controlled entities
Consolidated statement of financial position
As at 31 December 2019

| | Note | Consolidated 31 Dec 2019 \$ | 30 Jun 2019 \$ |
|--------------------------------------|------|-----------------------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 728,897 | 472,866 |
| Trade and other receivables | 6 | - | 422,230 |
| Other | 7 | 148,170 | 14,000 |
| Total current assets | | <u>877,067</u> | <u>909,096</u> |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 4,917 | 226,348 |
| Right-of-use assets | 9 | 90,852 | - |
| Other | 10 | 260,000 | 260,000 |
| Total non-current assets | | <u>355,769</u> | <u>486,348</u> |
| Total assets | | <u>1,232,836</u> | <u>1,395,444</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | 475,639 | 80,932 |
| Borrowings | 12 | 5,000 | 226,047 |
| Lease liabilities | | 35,154 | - |
| Other | 13 | 707,461 | 264,690 |
| Total current liabilities | | <u>1,223,254</u> | <u>571,669</u> |
| Non-current liabilities | | | |
| Payables | | - | 370,475 |
| Borrowings | 14 | - | 146,263 |
| Lease liabilities | | 56,825 | - |
| Employee benefits | | 38,094 | - |
| Total non-current liabilities | | <u>94,919</u> | <u>516,738</u> |
| Total liabilities | | <u>1,318,173</u> | <u>1,088,407</u> |
| Net assets/(liabilities) | | <u>(85,337)</u> | <u>307,037</u> |
| Equity | | | |
| Issued capital | 15 | 34,971,169 | 34,738,717 |
| Reserves | | 819,702 | 819,702 |
| Accumulated losses | | (35,876,208) | (35,251,382) |
| Total equity/(deficiency) | | <u>(85,337)</u> | <u>307,037</u> |

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

A1 Investments & Resources Ltd and its controlled entities
Consolidated statement of changes in equity
For the half-year ended 31 December 2019

| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total deficiency in equity \$ |
|--|------------------------------------|------------------------------|--|--|
| Balance at 1 July 2018 | 30,378,956 | 819,702 | (32,675,700) | (1,477,042) |
| Loss after income tax expense for the half-year | - | - | (388,746) | (388,746) |
| Other comprehensive income for the half-year, net of tax | - | - | - | - |
| Total comprehensive income/(loss) for the half-year | - | - | (388,746) | (388,746) |
| Balance at 31 December 2018 | <u>30,378,956</u> | <u>819,702</u> | <u>(33,064,446)</u> | <u>(1,865,788)</u> |
| | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total deficiency in equity \$ |
| Balance at 1 July 2019 | 34,738,717 | 819,702 | (35,251,382) | 307,037 |
| Loss after income tax expense for the half-year | - | - | (624,826) | (624,826) |
| Other comprehensive income for the half-year, net of tax | - | - | - | - |
| Total comprehensive income/(loss) for the half-year | - | - | (624,826) | (624,826) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 15) | 232,452 | - | - | 232,452 |
| Balance at 31 December 2019 | <u>34,971,169</u> | <u>819,702</u> | <u>(35,876,208)</u> | <u>(85,337)</u> |

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

A1 Investments & Resources Ltd and its controlled entities
Consolidated statement of cash flows
For the half-year ended 31 December 2019



| | Note | Consolidated | |
|---|------|----------------------------------|----------------------------------|
| | | 6 months to 31 Dec 2019 \$ | 6 months to 31 Dec 2018 \$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | 421,000 | 63,091 |
| Payments to suppliers and employees | | (510,616) | (244,215) |
| | | (89,616) | (181,124) |
| Interest received | | 23 | - |
| Interest and other finance costs paid | | (21,311) | (109,987) |
| Net cash used in operating activities | | (110,904) | (291,111) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | 8 | (1,542) | - |
| Proceeds from disposal of property, plant and equipment | | 155,978 | 18,310 |
| Net cash from investing activities | | 154,436 | 18,310 |
| Cash flows from financing activities | | | |
| Proceeds received for shares yet to be issued | | 595,223 | - |
| Proceeds/(repayment) of loans | | (372,494) | 226,678 |
| Repayment of lease liability | | (10,230) | (4,062) |
| Net cash from financing activities | | 212,499 | 222,616 |
| Net increase/(decrease) in cash and cash equivalents | | 256,031 | (50,185) |
| Cash and cash equivalents at the beginning of the financial half-year | | 472,866 | 51,370 |
| Cash and cash equivalents at the end of the financial half-year | | <u>728,897</u> | <u>1,185</u> |

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

Note 1. General information

The financial statements cover A1 Investments & Resources Ltd as a consolidated entity consisting of A1 Investments & Resources Ltd and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is A1 Investments & Resources Ltd's functional and presentation currency.

A1 Investments & Resources Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 606 / 37 Bligh Street
Sydney NSW 2000
Australia

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 14 February 2020. The directors have the power to amend and reissue the financial statements.

Note 2. Basis of preparation and 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, unless otherwise stated.

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, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

Interpretation 23 Uncertainty over Income Tax

The consolidated entity has adopted Interpretation 23 from 1 July 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 'Income Taxes' in circumstances where uncertain tax treatments exist. The interpretation requires: the consolidated entity to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the consolidated entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the consolidated entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Interpretation 23 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on opening accumulated losses as at 1 July 2019.

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.

Note 2. Basis of preparation and significant accounting policies (continued)

Impact of adoption

AASB 16 'Leases' has been applied retrospectively, with the cumulative effect of initially applying the standard recognised as a restatement to the opening balance of accumulated losses at 1 July 2019. The effect on accumulated losses at 1 July 2019 was nil. In applying AASB 16 for the first time, the consolidated entity applied the practical expedient in relation to leases that have a remaining lease term of less than 12 months as at 1 July 2019. Such leases have been accounted for in the same way as short term leases. However the consolidated entity entered into a new lease in the reporting period which has been accounted for under AASB 16 and the following accounting policies were applied:

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. 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.

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.

Going concern

The financial statements for the period 1 July 2019 to 31 December 2019 have been prepared on a going concern basis which contemplates and reasonably anticipates the continuity of normal business activities and the realisation of assets and settlement of trade liabilities in the ordinary course of business. The consolidated entity made a loss after tax of \$624,826. The consolidated entity has negative working capital at the 31 December 2019 in so far as current liabilities exceed current assets by \$346,187, however all trade creditors can and will be paid in the ordinary course of business and all other current and non-current liabilities will be paid from the realisation of assets over time, or in the case of the current liability referred to as "other" in a sum of \$707,461 (see Note 13) has been entirely converted to shares in the company on 14 February 2020 (see the provision in respect to Subsequent Events).

In this regard, the consolidated entity maintained a cash balance at 31 December 2019 of approximately \$729,000.

In December 2019 and January 2020, the Company received \$627,461 as placement moneys. The funds the subject of these placements were converted to ordinary shares in the Company on 14 February 2020.

The directors recognise that strict cash control remains essential to ensure that the consolidated entity is able to continue to meet its debts as and when they fall due.

The Company anticipates a further placement of not less than \$100,000 from the directors in the first 6 months of 2020. The current cash balance, the additional placement moneys and the cash flow from the Company's businesses amounts will provide sufficient working capital for the Company for the next 12 months.

The financial statements have been prepared on a going concern basis for the above reasons. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into two operating segments:

- General investment; and
- Food

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments although the food segment comprises all food production businesses including retail, wholesale and primary industry production of food.

The CODM reviews EBITDA (earnings before interest, tax, depreciation, amortisation and other items which are determined to be outside of the control of the respective segments). EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-specific non-cash and significant items. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

| | |
|--------------------|---|
| General investment | investment operations focusing on diversified investment portfolios |
| Food | the production of food for sale from farms primarily in Queensland |

Major customers

No single customer contributed 10% or more to the Group's external revenue during the half years ended 31 December 2019 and 31 December 2018.

Operating segment information

| Consolidated - 6 months to 31 Dec 2019 | General investment \$ | Food \$ | Total \$ |
|---|-----------------------------|-----------------|------------------|
| Revenue | | | |
| Sales to external customers | - | 184,736 | 184,736 |
| Interest | 23 | - | 23 |
| Total revenue | <u>23</u> | <u>184,736</u> | <u>184,759</u> |
| EBITDA | (503,638) | (66,810) | (570,448) |
| Depreciation and amortisation | (14,520) | (10,899) | (25,419) |
| Interest revenue | 23 | - | 23 |
| Finance costs | (17,265) | (11,717) | (28,982) |
| Loss before income tax expense | <u>(535,400)</u> | <u>(89,426)</u> | <u>(624,826)</u> |
| Income tax expense | | | - |
| Loss after income tax expense | | | <u>(624,826)</u> |
| Assets | | | |
| Segment assets | <u>1,774,551</u> | <u>15,033</u> | <u>1,789,584</u> |
| Intersegment eliminations | | | (556,748) |
| Total assets | | | <u>1,232,836</u> |
| Liabilities | | | |
| Segment liabilities | <u>1,299,321</u> | <u>575,600</u> | <u>1,874,921</u> |
| Intersegment eliminations | | | (556,748) |
| Total liabilities | | | <u>1,318,173</u> |

AASB 16 was adopted using the modified retrospective approach. As such, the comparatives have not been restated and therefore are not directly comparable.

Note 3. Operating segments (continued)

| | General investment \$ | Food \$ | Total \$ |
|---|-----------------------------|-----------------|------------------|
| Consolidated - 6 months to 31 Dec 2018 | | | |
| Revenue | | | |
| Sales to external customers | 44,091 | 24,708 | 68,799 |
| Total revenue | <u>44,091</u> | <u>24,708</u> | <u>68,799</u> |
| EBITDA | | | |
| Depreciation and amortisation | (8,261) | (12,278) | (20,539) |
| Finance costs | (108,085) | (1,902) | (109,987) |
| Loss before income tax expense | <u>(359,618)</u> | <u>(29,128)</u> | <u>(388,746)</u> |
| Income tax expense | | | - |
| Loss after income tax expense | | | <u>(388,746)</u> |
| Consolidated - 30 Jun 2019 | | | |
| Assets | | | |
| Segment assets | 1,676,995 | 237,283 | 1,914,278 |
| intersegment eliminations | | | (518,834) |
| Total assets | | | <u>1,395,444</u> |
| Liabilities | | | |
| Segment liabilities | 898,818 | 708,423 | 1,607,241 |
| Intersegment eliminations | | | (518,834) |
| Total liabilities | | | <u>1,088,407</u> |

Note 4. Revenue

| | Consolidated | |
|----------------------------------|---|---|
| | 6 months to 31 Dec 2019 \$ | 6 months to 31 Dec 2018 \$ |
| <i>Sales revenue</i> | | |
| Sales - fresh produce | 184,736 | 24,708 |
| <i>Other revenue</i> | | |
| Research and consulting income | - | 44,091 |
| Revenue | <u>184,736</u> | <u>68,799</u> |
| <i>Disaggregation of revenue</i> | | |

All revenue from contracts with customers is recognised as derived in Australia. All revenue from contracts with customers is generated from two major product lines, being sales of fresh produce and research and consulting income as presented above.

Note 5. Other income

| | Consolidated | |
|--|----------------------------------|----------------------------------|
| | 6 months to 31 Dec 2019 \$ | 6 months to 31 Dec 2018 \$ |
| Net foreign exchange gain | 1,203 | - |
| Net gain on disposal of property, plant and equipment | - | 13,055 |
| Net gain on reversal of allowance for expected credit losses | - | 23,615 |
| Other | 17,810 | - |
| Other income | 19,013 | 36,670 |

Note 6. Current assets - trade and other receivables

| | Consolidated | |
|--|-------------------|-------------------|
| | 31 Dec 2019 \$ | 30 Jun 2019 \$ |
| Trade receivables | - | 421,000 |
| Receivables - joint operation | 66,000 | 936 |
| Less: Allowance for expected credit losses | (66,000) | - |
| Other receivable | - | 936 |
| | - | 294 |
| | - | 422,230 |

Note 7. Current assets - other

| | Consolidated | |
|---------------|-------------------|-------------------|
| | 31 Dec 2019 \$ | 30 Jun 2019 \$ |
| Prepayments | 134,170 | - |
| Deposits paid | 14,000 | 14,000 |
| | 148,170 | 14,000 |

Note 8. Non-current assets - property, plant and equipment

| | Consolidated | |
|--------------------------------|-------------------|-------------------|
| | 31 Dec 2019 \$ | 30 Jun 2019 \$ |
| Plant and equipment - at cost | 37,090 | 286,205 |
| Less: Accumulated depreciation | (32,173) | (59,857) |
| | 4,917 | 226,348 |

Note 8. Non-current assets - property, plant and equipment (continued)

Reconciliations

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

| Consolidated | Plant and equipment \$ |
|-----------------------------|------------------------------|
| Balance at 1 July 2019 | 226,348 |
| Additions | 1,542 |
| Disposals | (208,911) |
| Depreciation expense | (14,062) |
| | <hr/> |
| Balance at 31 December 2019 | <u>4,917</u> |

Note 9. Non-current assets - right-of-use assets

| | Consolidated | |
|-----------------------------------|---------------------|--------------------|
| | 31 Dec 2019 | 30 Jun 2019 |
| | \$ | \$ |
| Land and buildings - right-of-use | 102,209 | - |
| Less: Accumulated depreciation | (11,357) | - |
| | <hr/> | <hr/> |
| | <u>90,852</u> | <u>-</u> |

Reconciliations

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

| Consolidated | Land and buildings \$ |
|-----------------------------|-----------------------------|
| Balance at 1 July 2019 | - |
| Additions | 102,209 |
| Depreciation expense | (11,357) |
| | <hr/> |
| Balance at 31 December 2019 | <u>90,852</u> |

Note 10. Non-current assets - other

| | Consolidated | |
|----------------|---------------------|--------------------|
| | 31 Dec 2019 | 30 Jun 2019 |
| | \$ | \$ |
| Other deposits | 260,000 | 260,000 |
| | <hr/> | <hr/> |
| | <u>260,000</u> | <u>260,000</u> |

The consolidated entity has paid \$260,000 in advance of the settlement for the purchase of Resi Property Holdings Pty Limited to assist in the termination of the winding up of Bunbybunna Aboriginal Corporation.

Note 11. Current liabilities - trade and other payables

| | Consolidated | |
|-----------------------------|----------------|---------------|
| | 31 Dec 2019 | 30 Jun 2019 |
| | \$ | \$ |
| Trade payables | 43,681 | 53,209 |
| Other payables and accruals | 431,958 | 27,723 |
| | <u>475,639</u> | <u>80,932</u> |

Note 12. Current liabilities - borrowings

| | Consolidated | |
|--------------------------------------|--------------|----------------|
| | 31 Dec 2019 | 30 Jun 2019 |
| | \$ | \$ |
| Loan - chattel mortgage | - | 46,980 |
| Loans from Director related entities | 5,000 | 179,067 |
| | <u>5,000</u> | <u>226,047</u> |

Chattel Mortgage

During the financial half-year ended 31 December 2019, the loan was repaid in full. As at 30 June 2019, the loan was secured over the mortgaged assets and interest was charged at 4.89% per annum.

Loans from Director related entity

The loans from Director related entities are payable within 12 months, incur interest of 0% per annum (30 June 2019: 0% - 25% per annum) and are unsecured.

Note 13. Current liabilities - other

| | Consolidated | |
|-----------------------------------|----------------|----------------|
| | 31 Dec 2019 | 30 Jun 2019 |
| | \$ | \$ |
| Deposit for shares to be issued | 627,461 | - |
| Subscriptions received in advance | 80,000 | 264,690 |
| | <u>707,461</u> | <u>264,690</u> |

Deposits for shares to be issued represents deposit received for ordinary shares which were not issued at 31 December 2019.

Subscriptions received in advance represents funds received for ordinary shares which were not issued at 31 December 2019.

Note 14. Non-current liabilities - borrowings

| | Consolidated | |
|-------------------------|--------------|-------------|
| | 31 Dec 2019 | 30 Jun 2019 |
| | \$ | \$ |
| Loan - chattel mortgage | - | 146,263 |

Chattel Mortgage

During the financial half-year ended 31 December 2019, the loan was repaid in full. As at 30 June 2019, the loan was secured over the mortgaged assets and interest was charged at 4.89% per annum.

Note 15. Equity - issued capital

| | Consolidated | | | |
|------------------------------|-----------------------|-----------------------|-------------------|-------------------|
| | 31 Dec 2019 Shares | 30 Jun 2019 Shares | 31 Dec 2019 \$ | 30 Jun 2019 \$ |
| Ordinary shares - fully paid | 24,015,600,164 | 22,355,228,735 | 34,971,169 | 34,738,717 |

Movements in ordinary share capital

| Details | Date | No of shares | Issue price | \$ |
|-----------------|------------------|----------------|-------------|------------|
| Balance | 1 July 2019 | 22,355,228,735 | | 34,738,717 |
| Issue of shares | 4 July 2019 | 1,660,371,429 | \$0.0001 | 232,452 |
| Balance | 31 December 2019 | 24,015,600,164 | | 34,971,169 |

Share buy-back

There is no current on-market share buy-back.

Note 16. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 17. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities. The fair value is classified as level 3 due to the significant unobservable inputs used in the valuation, including credit risk.

Note 18. Contingent liabilities

There are no contingent liabilities as at 31 December 2019 and 30 June 2019.

Note 19. Earnings per share

| | Consolidated | |
|---|----------------------------------|----------------------------------|
| | 6 months to 31 Dec 2019 \$ | 6 months to 31 Dec 2018 \$ |
| Loss after income tax attributable to the owners of A1 Investments & Resources Ltd | (624,826) | (388,746) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 23,979,505,133 | 10,807,266,550 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 23,979,505,133 | 10,807,266,550 |
| | Cents | Cents |
| Basic earnings per share | (0.0026) | (0.0036) |
| Diluted earnings per share | (0.0026) | (0.0036) |

Note 20. Events after the reporting period

Other than the acquisition of Blue Ocean Japan and the issue of the shares the subject of the placements, each referred to in the 'Review of operations' section of the Directors' Report, no other 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.

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A1 Investments & Resources Ltd and its controlled entities

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



Charlie Nakamura
Director

14 February 2020
Sydney

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**A1 INVESTMENTS & RESOURCES LTD
ABN 44 109 330 949
AND CONTROLLED ENTITIES**

SYDNEY

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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF A1
INVESTMENTS & RESOURCES LTD**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of A1 Investments & Resources Ltd and its Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes to the financial statements including a summary of significant accounting policies, other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of A1 Investments & Resources Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, 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*. We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of A1 Investments & Resources Ltd and its Controlled Entities.

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**A1 INVESTMENTS & RESOURCES LTD
ABN 44 109 330 949
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF A1
INVESTMENTS & RESOURCES LTD**

Conclusion

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 A1 Investments & Resources Ltd and its Controlled Entities is not in accordance with the *Corporations Act 2001*, including:

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the half-year financial report, which indicates that the Group incurred a net loss after tax of \$624,826 during the half-year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by \$346,187. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



HALL CHADWICK
Level 40, 2 Park Street
Sydney, NSW 2000



DREW TOWNSEND
Partner

Dated: 14 February 2020

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