

**Kingfish Zeeland B.V.
at Kats**

Financial report 2019

J.R.

Table of contents

	Page
CONSOLIDATED ACCOUNTS	
Consolidated balance sheet as at 31 December 2019	4
Consolidated profit and loss account for the year 2019	6
Notes to the financial statements of the consolidated annual report	7
Notes to the consolidated balance sheet	12
Notes to the consolidated statement of income and expenses	22
NON-CONSOLIDATED ACCOUNTS	
Non-consolidated balance sheet as at 31 December 2019	27
Non-consolidated profit and loss account for the year 2019	29
Notes to the financial statements of the non-consolidated annual report	30
Notes to the balance sheet	35
Notes to the non-consolidated statement of income and expenses	48
Other information	53
INDEPENDENT AUDITOR'S REPORT	54

CONSOLIDATED ACCOUNTS

CONSOLIDATED ACCOUNTS

Consolidated balance sheet as at 31 December 2019

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

(After distribution of result)

		31-12-2019		31-12-2018	
		€	€	€	€
ASSETS					
FIXED ASSETS					
Property, plant and equipment	1				
Land and buildings		9.293.290		9.587.299	
Plant and equipment		9.434.958		10.349.521	
Other fixed assets		1.357.891		665.603	
Property, plant and equipment in progress and prepayments of property, plant and equipment		885.066		-	
			20.971.205		20.602.423
Financial assets					
Deferred tax assets	2		2.683.747		1.248.637
CURRENT ASSETS					
Inventories and work in progress					
Raw materials and consumables	3	376.274		168.836	
Live fish stock	4	2.141.672		2.717.120	
Harvested fish stock	5	134.529		-	
			2.652.475		2.885.956
Receivables					
Trade debtors	6	637.984		247.204	
Other receivables and accrued assets	7	770.088		344.304	
			1.408.072		591.508
Cash and cash equivalents	8		10.555.146		39.048
Total assets			38.270.645		25.367.572

		31-12-2019		31-12-2018	
		€	€	€	€
EQUITY AND LIABILITIES					
GROUP EQUITY	9		25.923.360		9.948.247
PROVISIONS					
Deferred tax liabilities	10		594.458		493.284
LONG-TERM LIABILITIES					
Payables to banks	12	8.681.578		8.489.695	
Other long-term liabilities	13	<u>-</u>		<u>16.664</u>	
			8.681.578		8.506.359
CURRENT LIABILITIES AND ACCRUALS AND DEFERRED INCOME					
Shareholders loans	14	221.980		1.823.434	
Amounts owed to credit institutions	15	694.460		3.736.968	
Trade payables		1.639.464		523.899	
Payables relating to taxes and social security contributions	16	110.847		50.390	
Other liabilities and accrued expenses	17	<u>404.498</u>		<u>284.991</u>	
			3.071.249		6.419.682
Total liabilities			<u>38.270.645</u>		<u>25.367.572</u>

Consolidated profit and loss account for the year 2019

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2019

	2019	2018
	€	€
Net Turnover	4.995.581	791.606
Changes in inventories and live fish stock	<u>-440.918</u>	<u>1.885.723</u>
Production value	4.554.663	2.677.329
Cost of raw materials	2.198.682	2.164.857
Expenses work contracted out and other external expenses	592.238	-
Wages and salaries 18	1.344.604	907.978
Social security premiums and pensions cost 19	391.895	251.112
Depreciation of property, plant and e-quipment 20	1.463.244	477.270
Other operating expenses 21	<u>2.284.368</u>	<u>2.362.871</u>
Total of sum of expenses	<u>8.275.031</u>	<u>6.164.088</u>
Total of operating result	-3.720.368	-3.486.759
Release from revaluation reserve	<u>65.516</u>	<u>19.855</u>
	-3.654.852	-3.466.904
Financial income and expense 22	<u>-714.827</u>	<u>-341.631</u>
Total of result of activities before tax	-4.369.679	-3.808.535
Taxation	<u>1.333.937</u>	<u>593.146</u>
Total of result after tax	<u><u>-3.035.742</u></u>	<u><u>-3.215.389</u></u>

Entity information

Registered address and registration number trade register

The registered and actual address of Kingfish Zeeland B.V. is Colijnsplaatse Groeneweg 2, 4485 PA in Kats. Kingfish Zeeland B.V. is registered at the Chamber of Commerce under number 64625060.

General notes

The most important activities of the entity

Established in 2015, the Kingfish Company engages in the production and supply of sustainable, safe and high quality seafood in its target markets.

In 2016 the company sanctioned its first project - a commercial scale pilot farm in the Netherlands for the production of more than 500t / annum of the supply constrained lucrative fish species 'Yellowtail Kingfish' via a proprietary recirculating aquaculture system. Since then the company completed the construction of the farm, closed the 'production cycle' and reached industry leading operational results.

The company is currently engaged in expanding its production capacity in W. Europe (Netherlands site) and developing its first N. America site (Maine, US);
The Kingfish Company continues to explore additional market opportunities across various species and production methods.

Disclosure of going concern

The net result after taxation for 2019 amounts € 2,984,681 negative (2018: € 3,215,389 negative).
The negative results up to 2019 mainly occurred due to the fact that the company is in start up phase. The start up phase is financed by shareholders' equity and bank debt. The shareholders' equity per December 31st, 2019 amounts € 25,974,421 positive.

The board of Kingfish Zeeland B.V. has made a cash flow forecast up until the end of 2022 and shows a net cash flow which is sufficient to meet the short term payment obligations. The company has sufficient funds to reach budgeted cash flows positive.

Going concern assumption

Given this information, the financial statements have been prepared on the basis of the going concern assumption of the company.

Disclosure of estimates

In applying the principles and policies for drawing up the financial statements, the directors of Kingfish Zeeland B.V. make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

Disclosure of consolidation

Kingfish Zeeland B.V. is at the head of a group of companies. The group includes Kingfish Maine Inc. (100%) and Yellowtail Hatchery USA Inc. (100%).

The following entities are included in the consolidation:

- Kingfish Maine Inc. (100%);
- Yellowtail Hatchery USA Inc. (100%).

General accounting principles

The accounting standards used to prepare the financial statements

The consolidated financial statement is drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost.

Disclosure of deviation in prior period figures due to a revision

A change has been made in the figures of the prior period. The change regard the processing of subsidy grants. The change has a positive impact on the result of 2018 of € 124,840 (2017: 65,826) and a negative impact on the result of 2019 of € 190,666. The change has the following effects on the figures of the prior period:

General reserve	(+) 190,666
Other liabilities	(-)190,666
Other operating expense	(-)124,840

Finance leases

The corporation has lease contracts whereby it retains substantially all the risks and rewards of ownership of these assets. These assets are recognised on the balance sheet upon commencement of the lease contract at the lower of the fair value of the asset or the discounted value of the minimum lease payments. The lease instalments to be paid are divided into a repayment and an interest portion, using the annuity method. The liabilities under the lease, excluding the interest payments, are included under long-term debts.

The interest component is included in the consolidated profit and loss account for the duration of the contract on the basis of a fixed interest percentage of the average remaining redemption component. The assets are depreciated over the remaining economic life or, if shorter, the duration of the contract.

Operating leases

The corporation has lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of or incurred by the corporation. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the consolidated profit and loss account for the duration of the contract.

Accounting principles

Property, plant and equipment

Buildings and land, and plant and equipment are valued at actual cost less straight line depreciation based on the expected life. Land is not depreciated. Impairments expected on the balance sheet date are taken into account. The actual costs concern the actual purchase price or actual production price. The actual purchase price of assets is based on the amount the company, on the date of revaluation, would pay for acquiring the asset if the asset would have the same anility as on the moment of the initial purchase.

The actual production price is based on the cost the company would make if the asset would be produced on the date of revaluation. The increase of value following from a revaluation is processed directly in the shareholders equity through a revaluation reserve. Realization of the revaluation reserve is processed through the profit and loss account.

Other tangible fixed assets are valued at historical cost or production cost including directly attributable costs, less straight-line depreciation based on the expected future life and impairments.

Subsidies on investments will be deducted from the historical cost price or production cost of the assets to which the subsidies relate.

Interest expenses directly attributable to qualifying assets are capitalized during the manufacturing period. Other interest expenses are recognized directly in the income statement.

Financial assets

Deferred tax assets are recognised for all deductible temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the accounting policies used in these financial statements on the other, on the understanding that deferred tax assets are only recognised insofar as it is probable that future taxable profits will be available to offset the temporary differences and available tax losses.

The calculation of the deferred tax assets is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law.

Deferred tax assets are valued at their nominal value.

Impairment of non-current assets

On each balance sheet date, Kingfish Zeeland B.V. assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the recoverable amount of the asset is determined. If it is not possible to determine the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An impairment occurs when the carrying amount of an asset is higher than the recoverable amount; the recoverable amount is the higher of the realisable value and the value in use.

An impairment loss is directly recognised in the profit and loss account while the carrying amount of the asset concerned is concurrently reduced.

The realisable value is initially based on a binding sale agreement; if there is no such agreement, the realisable value is determined based on the active market, whereby usually the prevailing bid price is taken as market price. For the determination of the value in use, an estimate is made of the future net cash flows in the event of continued use of the asset / cash-generating unit; these cash flows are discounted.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported. An impairment of goodwill is not reversed.

Inventories

Raw materials and consumables

Inventories (stocks) of raw materials and consumables are valued at cost price, based on the FIFO method. If the net realisable value is lower than the cost price, valuation is at net realisable value.

The cost price consists of the historical cost or production cost and costs incurred in order to bring the stocks to their current location and current conditions.

The net realisable value is the estimated sales price less directly attributable sales costs. In determining the net realisable value the obsolescence of the inventories is taken into account.

Live fish stock

Inventories (stocks) of livestock are valued at fair value. The live fish stock classify as biological assets. Dutch-GAAP does not provide specific guidance for the valuation of biological assets. For processing and valuation, guidance is therefore gained from the International Financial Reporting Standards (IFRS). According to IAS 41.6 fish farming qualifies as an agricultural activity. The live fish stock is valued at fair value less selling expenses. Because market quotations on an active market are not available, fair value is determined from recent transaction prices and/or sector references in accordance with IFRS 13. These references are subject to estimation elements regarding the realizable value.

Harvested fish stock

The harvested product is valued at fair value less expected cost to sell at the point of harvest. The harvested fish stock classify as biological assets. Dutch-GAAP does not provide specific guidance for the valuation of biological assets. For processing and valuation, guidance is therefore gained from the International Financial Reporting Standards (IFRS). According to IAS 41.6 fish farming qualifies as an agricultural activity. The live fish stock is valued at fair value less selling expenses. Because market quotations on an active market are not available, fair value is determined from recent transaction prices and/or sector references in accordance with IFRS 13. These references are subject to estimation elements regarding the realizable value.

Receivables

Receivables are initially valued at the fair value of the consideration to be received, including transaction costs if material. Receivables are subsequently valued at the amortised cost price. If there is no premium or discount and there are no transaction costs, the amortised cost price equals the nominal value of the accounts receivable. Provisions for bad debts are deducted from the carrying amount of the receivable.

Provision for tax liabilities

Deferred tax liabilities are recognised for temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the book values applied in these financial statements on the other. The computation of the deferred tax liabilities is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law.

Deferred tax balances are valued at nominal value.

Non-current liabilities

On initial recognition long-term debts are recognised at fair value. Transaction costs which can be directly attributed to the acquisition of the long-term debts are included in the initial recognition. After initial recognition long-term debts are recognised at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs. If there is no premium / discount or if there are no transaction costs, the amortised cost price is the same as the nominal value of the debt.

Current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs. This is usually the nominal value.

Accounting principles for determining the result

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

Revenue recognition

Net turnover comprises the income from the supply of goods and services and realised income from contracts after deduction of discounts and such like and of taxes levied on the turnover.

Wages

The benefits payable to personnel are recorded in the consolidated profit and loss account on the basis of the employment conditions.

Applied policy of pension costs

Kingfish Zeeland B.V. applies the liability approach to account for all pension schemes. The premium payable during the reporting year is recorded as an expense. The contributions are recorded as personnel costs from the date that they become payable. Prepaid contributions are reported as accrual if this results in a repayment or a reduction in future payments. Contributions that are not yet paid are included as a liability in the balance sheet.

Income tax expense

Tax on the result is calculated based on the result before tax in the non-consolidated profit and loss account, taking account of the losses available for set-off from previous financial years and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Fixed assets

1 Property, plant and equipment

	Land and buildings	Plant and equipment	Other fixed assets	Property, plant and equipment in progress and prepayments of property, plant and e- quipment	Total
	€	€	€	€	€
Balance as at 1 January 2019					
Cost or manufacturing price	6.843.644	10.720.545	766.099	-	18.330.288
Accumulated revaluations	2.818.775	-	-	-	2.818.775
Accumulated depreciation	-75.120	-371.024	-100.496	-	-546.640
Book value as at 1 January 2019	<u>9.587.299</u>	<u>10.349.521</u>	<u>665.603</u>	<u>-</u>	<u>20.602.423</u>
Movements					
Additions	-	211.629	743.831	885.066	1.840.526
Depreciation	-214.597	-1.126.192	-37.882	-	-1.378.671
Depreciation revaluations	-79.412	-	-	-	-79.412
Disposals	-	-	-19.750	-	-19.750
Depreciation on disposals	-	-	6.089	-	6.089
Balance movements	<u>-294.009</u>	<u>-914.563</u>	<u>692.288</u>	<u>885.066</u>	<u>368.782</u>
Balance as at 31 December 2019					
Cost or manufacturing price	6.843.644	10.932.174	1.490.179	885.066	20.151.063
Accumulated revaluations	2.739.363	-	-	-	2.739.363
Accumulated depreciation	-289.717	-1.497.216	-132.288	-	-1.919.221
Book value as at 31 December 2019	<u>9.293.290</u>	<u>9.434.958</u>	<u>1.357.891</u>	<u>885.066</u>	<u>20.971.205</u>
Depreciation percentages	<u>0 - 3,33</u>	<u>5 - 14,3</u>	<u>5 - 14,3</u>	<u>0</u>	

The other fixed assets include breeding stock for an amount of € 1,092,000 at 31 December 2019 (2018: € 388,215). Impairment of breeding stock as a result of mortality is not presented separately.

The carrying amounts of assets under financial leasing, which are held without legal title by Kingfish Zeeland B.V. are at 31 December 2019 € 2,738,622 (2018: 3,170,227)

Financial assets

	<u>31-12-2019</u>	<u>31-12-2018</u>
	€	€
2 Deferred tax assets		
Deferred tax asset	<u>2.683.747</u>	<u>1.248.637</u>

Deferred income tax assets relate to unutilised tax losses of € 12,490,999 (2018: € 7,135,073) in total. which are expected to be offset with future profits. Due to a change in estimated tax rates applicable at the time of settlement of the tax losses the tax rate of the deferred tax asset changed from 17.5% in 2018 to approximately 21% in 2019.

Loss compensation

Year	<u>Compensable loss</u>	<u>Deductable till</u>
	€	
2015	60.549	2024
2016	681.886	2025
2017	2.464.723	2026
2018	3.927.915	2027
2019	<u>5.355.926</u>	2025
	<u>12.490.999</u>	

Calculation taxable amount 2019

	<u>2019</u>
	€
Total of result before tax	-4.369.679

Added

Lower fiscal taxation	190.666	
Higher fiscal other operating expenses (fundraising cost)	<u>-1.323.838</u>	-1.133.172

Subtracted

Result Yellowtail Hatchery USA Inc.	<u>140.602</u>	
	-5.362.249	

	Base amount	%	
Partly deductible amounts			
Application lump sum based on joint taxable wages	1.580.961	0,40	<u>6.323</u>
Taxable amount			<u>-5.355.926</u>

Current assets

Inventories and work in progress

3 Raw materials and consumables

	<u>31-12-2019</u>	<u>31-12-2018</u>
	€	€
Feed	225.938	160.051
Technical inventory	98.831	-
Packaging materials	41.822	-
Chemicals	<u>9.683</u>	<u>8.785</u>
	<u>376.274</u>	<u>168.836</u>

4 Live fish stock

Live fish stock	<u>2.141.672</u>	<u>2.717.120</u>
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Biological Assets

Under the provisions of IAS 41, Agriculture and IFRS 13, Fair Value Measurement, biological assets (“biomass”) are measured at fair value less cost to sell, unless fair value is not readily measured. Biomass comprise of live fish in tanks from fry to adult grow-out. All fish held in tanks are considered saleable and are therefore measured at fair value less cost to sell.

The cost of biological assets (“biomass costs”) includes all costs required to raise fish from larvae to harvest. Key biomass costs are generally recognized on a historical basis and include fish feed, other raw materials, salary and personnel costs, utilities, and other overhead from production.

The valuation of biological assets under IAS 41 is based on an implied estimated fair value of the fish in a hypothetical market. The estimate of the unrealized fair value adjustment under IFRS 13 is based on several factors such as changes in the final market destinations of fish sold, changes in forward market price and biomass costs, changes in biology, and differences in anticipated quality and size. The key element in approximating fair value is the assumed market price expected to be achieved on the future date in which the fish is to be harvested. Such market prices are based on a variety of sources including, but not limited to, the Companies historical sales prices achieved. The market prices are then reduced for harvesting and freight costs required to sell to arrive at a net value back to farm. The difference between the fair value and the associated cost to sell is recognized under fair value adjustments in the accompanying consolidated statements of operations.

Incident-based mortality is recognized when the facility experiences elevated or substantial mortality due to an incident out of expected normal capacity. In such cases, mortality expense is included as part of cost of materials in the accompanying consolidated statements of operations, and the fair value associated with the affected biomass is then adjusted under fair value adjustments in the Company’s statements of operations.

Fair Value Measurement of Biological Assets

Under the provisions of IAS 41, the fair value of the Companies biological assets is calculated based on the market price for the relevant fish quality and size on the reporting period date. As the biomass input is mostly unobservable, biomass valuation is categorized at Level 3 in the fair value hierarchy under IFRS 13. The estimated market price in each market is normally derived from the development in recent market prices. The valuation model for the Company’s biological assets calculates the net present value of the expected cash flow from harvested biomass based on the actual number of fish as a starting point. The time to market for live fish is based on a growth table for each generation of fish. The Company considers a live fish weight between 700 grams and 4 kilograms to be the optimal harvest weight with an expected growth period between 4 to 12 months. Expected mortality rates are used to estimate the expected volume of biomass that will reach optimal harvest weight. On average, an estimated of more than 95% of fingerlings is expected to reach the optimal harvest weight and takes into consideration both mortality and culling. Observable market prices are used where available.

As of 31 December 2019 and 2018, the companies biological assets consisted of the following:

(EUR 1,000)	<u>2019</u>	<u>2018</u>
Cost of biological assets	1.033	1.766
Fair value adjustments	1.109	951
Total biological assets	2.142	2.717

The following represents a reconciliation of changes in the carrying amount of the company's biological assets for the years ended 31 December 2019 and 2018:

(EUR 1,000)	<u>2019</u>	<u>2018</u>
Biological assets at beginning of year	2.717	845
Increases due to production and purchases	7.093	4.011
Decreases due to harvest	-6.702	-1.457
Decreases due to mortality	-313	-629
Gain or loss arising from changes in fair value less costs to sell	-653	-53
Biological assets at end of year	2.142	2.717

As of 31 December 2019 and 2018, the companies physical volumes of biological assets consisted of the following:

(EUR 1.000)	<u>2019</u>	<u>2018</u>
Live weight of biomass (in tons)	166	184
Number of fish (thousand)	259	210
Volume of fish harvested during the year (tons whole round weight)	485	64

Sensitivity Analysis

Although the Company has expertise in assessing various factors regarding biomass, the estimate of unrealized fair value adjustment under IFRS 13 is based on several uncertain assumptions, and the realized profit ultimately achieved upon the sale of inventory may differ from the calculations of fair value accordingly. Such assumptions include biomass volume and growth rate, biomass quality and size distribution, biomass costs, fish mortality, and market price.

Biomass Volume and Growth Rate:

Biomass volume and growth rate is estimated from the changes between known tank density prior to the release of fish in tanks and the current tank density with live fish. The difference in densities is then used to estimate growth between any given period, which gives uncertainty with respect to biomass volume and growth rate.

Biomass Quality and Size Distribution:

Biomass quality prior to harvest is estimated based on periodic samples obtained throughout the life of a given batch. However, the actual bio-mass quality for the entire batch population is difficult to assess prior to harvest and some degree of variation of quality is expected. Fair value is first assessed as superior quality fish and the estimated price per kg is reduced on downgraded ordinary and production grade fish based on standard rates from historical benchmarks. Biomass size distribution prior to harvest is estimated from counting and grading systems prior to harvest. Although some degree of variation is expected, actual fish size is not expected to deviate substantially from the average distribution for the overall batch and therefore, the companies estimated value of biomass with this respect.

Biomass Costs:

Estimated future biomass costs are based on the company's forecasts taking into consideration factors such as uncertainty with feed prices or other biomass cost developments. Changes in the company's estimation towards biomass costs would influence the value of biomass and is recognized accordingly as part of the fair value adjustments in the accompanying consolidated statements of operations.

Fish Mortality:

Mortality under normal capacity is expected and directly affects the fair value estimates as it ultimately results in a reduction in harvestable biomass volumes. Further, overall biomass costs for a given batch includes the cost of fish that will perish under expected mortality.

Market Price:

The key element in the fair value model of biological assets is the estimated forward market price that is expected to be received in the future when the fish is harvested. An increase in anticipated forward market prices would increase the fair value of the biological assets and vice versa. A change in biomass costs will generally have lesser impact on the estimated fair value calculation than a similar change in anticipated forward market prices.

The fair value of the company's biological assets was calculated based on different parameters. As of 31 December 2019 and 2018, the estimated effect on the book value of biological assets was as follows:

(EUR 1,000)	Increase	2019	2018
Change in biomass size	5%	2.289	2.879
Change in forward price	5%	2.249	2.853

Incident-Based Mortality

No significant mortality incidents were noted for the years ended 31 December 2019 and 2018.

5 Harvested fish stock

	<u>31-12-2019</u>	<u>31-12-2018</u>
	€	€
Frozen inventory	<u>134.529</u>	<u>-</u>

Receivables

6 Trade debtors

Trade debtors	662.984	247.204
Provision for doubtful debts	<u>-25.000</u>	<u>-</u>
	<u>637.984</u>	<u>247.204</u>

7 Other receivables and accrued income

Taxes and social security charges	292.407	101.069
Current account shareholders	128.279	-
Other receivables and accrued income	<u>349.402</u>	<u>243.235</u>
	<u>770.088</u>	<u>344.304</u>

Taxes and social security charges

Value added tax	<u>292.407</u>	<u>101.069</u>
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Other receivables and accrued assets

Trade debtors factoring	164.961	-
Prepaid expenses	70.732	48.850
Deposits Brenntag	32.899	19.286
Guarantee deposit	10.000	10.000
Other deposits	7.100	7.100
Net wages	6.422	-
Insurance premium	-	85.679
Other costs to be invoiced	-	36.495
Other amounts receivable	<u>57.288</u>	<u>35.825</u>
	<u>349.402</u>	<u>243.235</u>

The factoring facility is provided by Rabobank. The factoring limit is € 1,000,000 and is based on 90% of qualifying outstanding debtors. The economic ownership of the debtors remains with Kingfish Zeeland B.V.

Guarantees:

- Pledge on all current and future receivables;
- Pledge on all rights and claims credit insurances.

8 Cash and cash equivalents

	<u>2019</u>	<u>2018</u>
	€	€
Rabobank	10.520.146	-
Deposit	35.000	35.000
Cash in transit	-	3.518
Cash	-	530
	<u>10.555.146</u>	<u>39.048</u>

The maximum current account credit is € 3,000,000. The account credit consists of a fixed base limit in an amount € 1,500,000 and a related additional limit of maximum € 1,500,000 based upon the value of the pledged inventory. The fixed base limit of € 1,500,000 will be removed on December 31st 2021, the total maximum will then be based upon the value of the pledged inventory. The interest rate is based on 1 month Euribor plus a markup of 2,85%. For the securities provided we refer to note 12 regarding the Rabobank loan.

9 Group equity

The shareholders' equity is explained in the notes to the non-consolidated balance sheet.

Provisions

10 Deferred tax liabilities

The provision for deferred taxes concerns deferred tax of which the value is determined based on differences between commercial and fiscal balance sheet valuations multiplied by the expected rate of taxation of 21.7%.

Long-term liabilities

11 Long-term liabilities

	Balance as at Repayment 31 December due 2019	Remaining pay-back time > 1 year
	€	€
Total	<u>9.392.546</u>	<u>8.681.578</u>

Remaining maturity > 5 years

€ 4.378.236

12 Payables to banks

	<u>31-12-2019</u>	<u>31-12-2018</u>
	€	€
Loans	7.089.821	6.561.036
Lease liabilities	<u>1.591.757</u>	<u>1.928.659</u>
	<u>8.681.578</u>	<u>8.489.695</u>

Loans

Rabobank 0050021680	5.539.821	5.761.036
Rabobank 0050099049	750.000	-
Visserij investeringsfonds Nederland 430.005.020	500.000	500.000
Visserij investeringsfonds Nederland 430.004.020	<u>300.000</u>	<u>300.000</u>
	<u>7.089.821</u>	<u>6.561.036</u>

	<u>2019</u>	<u>2018</u>
	€	€
Rabobank 0050021680		
Balance as at 1 January		
Principal amount	6.053.250	6.053.250
Cumulative amortization transaction costs / cumulative repayments	<u>-67.214</u>	<u>3.893</u>
Balance as at 1 January	<u>5.986.036</u>	<u>6.057.143</u>
Movements		
Repayment	<u>-146.215</u>	<u>-71.107</u>
Balance as at 31 December		
Principal amount	6.053.250	6.053.250
Cumulative amortization transaction costs / cumulative repayments	-213.429	-67.214
Current portion	<u>-300.000</u>	<u>-225.000</u>
Balance as at 31 December	<u>5.539.821</u>	<u>5.761.036</u>

The principle amount of the loan is € 6,100.000. The repayment term amounts to € 75,000 per quarter as from 30 June 2019 and an additional repayment of € 3,100,000 on 30 June 2029. The transaction costs attributable to the loan amount € 46,750 and are deducted from the amount received. The transaction costs will be amortized during the duration of the loan. An amount of € 3.785 is amortized in 2019.

The interest rate is based on 3 months Euribor plus a markup of 3.25%. The markup of 3.25% is fixed for the duration of three years. The facility is a 20 year mortgage, ending after 10 years.

Besides the loan the company also has a working capital facility at Rabobank with a maximum current account credit of € 3,000,000. For further details we refer to paragraph 8.

Guarantees:

- First mortgage for an amount of € 6.100.000 on the land and the company hall at Oostzeedijk 11, 4485 OM Colijnsplaat;
 - Pledge on insured stock;
 - Pledge on all current and future stocks;
 - Pledge on all current and future inventories.
-
- Satisfy a solvency ratio of at least 45% (as from 31 December 2021);
 - Satisfy a debt service ratio of at least 1.3 (as from 31 December 2021);
 - Compliance with the negative pledge and pari passu;
 - Compliance with a 'No Change of Control';
 - Non-dividend statement.

	<u>2019</u>	<u>2018</u>
	€	€
<i>Rabobank 0050099049</i>		
Balance as at 1 January	-	-
Movements		
Increase	<u>750.000</u>	-
Balance as at 31 December		
Principal amount	<u>750.000</u>	-
Balance as at 31 December	<u>750.000</u>	-

During 2018 the company has entered a new loan agreement with the Rabobank for a loan of € 750,000. The loan is withdrawn in 2019 and needs to be repaid in full on 31 December 2021.

For this loan the company guarantees:

- First mortgage for an amount of € 1,500,000 to be increased by € 525,000 for interest, fees, fines and costs on the pump house on the Oost-Zeedijk 15, 4485 PM Kats.

Visserij investeringsfonds Nederland 430.005.020

Balance as at 1 January		
Principal amount	<u>500.000</u>	<u>500.000</u>
Balance as at 1 January	<u>500.000</u>	<u>500.000</u>
Balance movements	-	-
Balance as at 31 December		
Principal amount	<u>500.000</u>	<u>500.000</u>
Balance as at 31 December	<u>500.000</u>	<u>500.000</u>

The duration of the loan is from October 27, 2016 to October 27, 2021.

The interest rate is 6,25% per annum, fixed for the entire term. After 60 months the loan is being repaid at once. No securities have been provided, therefore the loan is in fact subordinated to the loans of Rabobank, same as all other creditors.

Visserij investeringsfonds Nederland 430.004.020

Balance as at 1 January		
Principal amount	<u>300.000</u>	<u>300.000</u>
Balance as at 1 January	<u>300.000</u>	<u>300.000</u>
Balance movements	-	-
Balance as at 31 December		
Principal amount	<u>300.000</u>	<u>300.000</u>
Balance as at 31 December	<u>300.000</u>	<u>300.000</u>

The duration of the loan is from January 15, 2016 to January 15, 2021.

The interest rate is 6,25% per annum, fixed for the entire term. After 60 months the loan is being repaid at once. No securities have been provided, therefore the loan is in fact subordinated to the loans of Rabobank, same as all other creditors.

	<u>31-12-2019</u>	<u>31-12-2018</u>
	€	€
Lease liabilities		
Lease liability Volvo XC70, (KG-058-X)	18.938	27.033
Lease liability Rabobank	1.525.991	1.901.626
Lease liability Nissan X-trail, (ZF-372-G)	23.963	-
Lease BNP Paribas, fertilizer machine	22.865	-
	<u>1.591.757</u>	<u>1.928.659</u>
	<u>2019</u>	<u>2018</u>
	€	€

Lease liability Rabobank

Balance as at 1 January		
Principal amount	3.258.000	1.803.025
Cumulative repayments	<u>-1.051.386</u>	<u>-</u>
Balance as at 1 January	<u>2.206.614</u>	<u>1.803.025</u>
Movements		
Increase	-	1.454.975
Repayment	<u>-304.988</u>	<u>-1.051.386</u>
Balance movements	<u>-304.988</u>	<u>403.589</u>
Balance as at 31 December		
Principal amount	3.258.000	3.258.000
Cumulative repayments	-1.356.374	-1.051.386
Current portion	<u>-375.635</u>	<u>-304.988</u>
Balance as at 31 December	<u>1.525.991</u>	<u>1.901.626</u>
Interest percentage	3	3
Term	50 months	62 months

Kingfish Zeeland B.V. entered a sale and lease back agreement with Rabobank for the total amount of € 3,258,000. Legal ownership of the assets under financial leasing has been transferred to Rabobank.

After expiring of the fixed term of 72 months, the company will be entitled to:

- purchase and acquire title to the Asset at the price of € 260,640; or
- renew the agreement by one year; or
- return the asset to the lessor to a location in the Netherlands designated for that purpose by the lessor.

	<u>31-12-2019</u>	<u>31-12-2018</u>
	€	€
13 Other long-term liabilities		
Rooftop Energy B.V.	<u>-</u>	<u>16.664</u>

The remaining term for the liability is less than 12 months, therefore the liability is reported as part of the current liabilities.

Current liabilities and accruals and deferred income

	<u>31-12-2019</u>	<u>31-12-2018</u>
	€	€
14 Shareholders loans		
Shareholders loan	<u>221.980</u>	<u>1.823.434</u>

The loan is an unsecured loan, which is subordinated to all currently existing debts and obligations of the company to banks and institutional creditors. The loan is provided by 3 shareholders (2018: 13). The interest rate is 10% per annum. The loan is converted to equity in 2020.

15 Amounts owed to credit institutions

Payables to banks	-	3.199.417
Repayment obligations	<u>694.460</u>	<u>537.551</u>
	<u>694.460</u>	<u>3.736.968</u>

16 Payables relating to taxes and social security contributions

Wage tax	68.174	8.460
Pension premiums	<u>42.673</u>	<u>41.930</u>
	<u>110.847</u>	<u>50.390</u>

17 Other liabilities and accrued expenses

Consulting Fees	88.000	-
Fundraising cost	61.000	-
Holiday allowance	59.451	37.421
Housing expenses	58.306	-
Outstanding holiday and overtime	51.479	117.500
Accounting costs	26.250	12.500
Repayment obligations	16.508	16.668
Other interest	10.083	10.190
Interest and commitment fee loan shareholders	-	75.820
Lease Iveco	-	7.962
Prepaid share capital	-	6.921
Net wages	-	9
Other amounts payable	<u>33.421</u>	-
	<u>404.498</u>	<u>284.991</u>

Off-balance-sheet rights, obligations and arrangements

Disclosure of off-balance sheet commitments

Subsidies/grants

In 2019, the company processed an amount of € 284,176 (2018: € 124,840) in subsidy income in the profit and loss account, which are based on the spent and budgeted costs up to and including December 31, 2019. The actual subsidy benefits depend on the future determination of the subsidy by the subsidy provider.

The total committed subsidy contribution amounts up to a maximum of € 841,218, including the already processed grants

Rent and operating lease commitments

Rent and operating lease expenses amounted to approximately € 66.000 per annum. The main part of future rent commitments relates to the renting of office and storage space and forklifts. The majority of these contracts have an indefinite term and can be terminated with a few weeks' notice.

Off-balance sheet liabilities relating to purchase commitments

The group has committed itself for purchased regarding the expansion of the production facility amounting to € 6,500,000, which is part of a €10,000,000 CAPEX program.

SUBSEQUENT EVENTS

The coronavirus outbreak during the first months of 2020 has major consequences for the global economy. The consequences of the coronavirus outbreak are classified as events after the balance sheet date that do not provide further information about the actual situation as at the balance sheet date and are therefore not included in the 2019 financial statements. Due to the outbreak of the corona virus and the resulting corona crisis, the results of the company during 2020 have decreased compared to what was budgeted. This decrease has mainly occurred from March 2020. The corona crisis is expected to have a further negative strong effect on the result of the legal entity for the rest of 2020. However, this will also depend on how the coronavirus outbreak can be controlled. In addition to measures aimed at preventing the further spread of the Covid-19 virus, governments in various countries have introduced measures aimed at mitigating the economic consequences of the outbreak. The Group has used some of the available financial measures in the Netherlands and the USA. Despite the disruption caused by Covid-19 the company has been able to continue its expansion plans in the Netherlands and the USA. In addition, the company has seen a rise in sales since the last two months of the second quarter of 2020. However, due to the great uncertainty, it is difficult to map out the different scenarios. As a result, the expected impact of the coronavirus outbreak on our operations is not yet clear.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

	<u>2019</u>	<u>2018</u>
	€	€
18 Wages and salaries		
Gross salaries	1.473.459	1.032.539
Subsidy WBSO	-67.776	-71.463
Capitalized own hours fixed assets in progress	-61.079	-53.098
	<u>1.344.604</u>	<u>907.978</u>

Average number of employees

2019

Average number of employees

2018

Average number of employees

Number

34,23

Number

22,50

19 Social security premiums and pensions cost

Social security charges

Other pension charges

235.475	148.469
<u>156.420</u>	<u>102.643</u>
<u>391.895</u>	<u>251.112</u>

20 Depreciation of property, plant and equipment

Buildings and land

Depreciation costs installations

Other fixed assets

294.009	78.663
1.126.192	361.456
<u>37.882</u>	<u>37.151</u>
1.458.083	477.270

Book profit depreciation inventory

5.161	-
<u>1.463.244</u>	<u>477.270</u>

21 Other operating expenses

Other expenses of employee benefits

Housing expenses

Operating and machine expenses

Selling expenses

Car expenses

Office expenses

General expenses

833.032	481.788
177.469	302.239
481.435	264.710
365.140	695.347
42.602	27.074
60.224	31.466
<u>324.466</u>	<u>560.247</u>
<u>2.284.368</u>	<u>2.362.871</u>

	2019	2018
	€	€
Other expenses of employee benefits		
Third party services	523.055	159.003
Management fee	130.100	258.250
Commuting expenses	60.024	26.998
Motor car allowance	13.936	20.374
Study and training expenses	13.016	8.381
Canteen expenses	3.373	10.167
Other staff expenses	123.128	42.715
	<u>866.632</u>	<u>525.888</u>
Capitalized fixed assets in progress	-33.600	-44.100
	<u>833.032</u>	<u>481.788</u>
Housing expenses		
Rent expenses	51.738	194.558
Cleaning expenses	47.809	45.387
Insurance premium property	46.447	41.144
Property tax	15.247	14.937
Other housing expenses	16.228	6.213
	<u>177.469</u>	<u>302.239</u>
Operating and machine expenses		
Repair and maintenance of inventory	441.476	227.671
Operational lease machines	17.640	18.270
Rental expenses inventory	10.894	18.769
Other operating and machine expenses	11.425	-
	<u>481.435</u>	<u>264.710</u>
Selling expenses		
Travelling and hotel expenses	177.956	137.286
Events	43.949	118.153
Marketing materials	35.116	88.979
Marketing set up costs	26.590	86.235
Addition to provision doubtful debtor	25.000	-
Marketing/sales costs	14.879	200.988
Other selling expenses	41.650	63.706
	<u>365.140</u>	<u>695.347</u>
Car expenses		
Fuel expenses	20.204	6.122
Repair and maintenance cars	12.348	9.225
VAT on private use cars	3.891	2.200
Motor car tax	3.225	2.651
Fines	-	960
Other car expenses	2.934	5.916
	<u>42.602</u>	<u>27.074</u>

	<u>2019</u>	<u>2018</u>
	€	€
Office expenses		
Telephone and fax expenses	24.449	15.539
Office supplies	22.915	15.927
Automation expenses	<u>12.860</u>	<u>-</u>
	<u>60.224</u>	<u>31.466</u>
General expenses		
Consultancy expenses	235.206	341.916
Insurance premium	144.884	111.794
Accounting costs	60.270	58.805
Provision receivables	60.231	-
Subscriptions	55.687	41.771
Certification	42.858	67.279
Administration costs	2.766	50.004
Expense reversal subsidy	-284.176	-124.840
Other general expenses	<u>6.740</u>	<u>13.518</u>
	<u>324.466</u>	<u>560.247</u>

	<u>2019</u>	<u>2018</u>
	€	€
22 Financial income and expense		
Other interest and similar income	-	114.640
Interest and similar expenses	<u>-714.827</u>	<u>-456.271</u>
	<u>-714.827</u>	<u>-341.631</u>
Other interest and similar income		
Capitalized fixed assets in progress	<u>-</u>	<u>114.640</u>
Interest and similar expenses		
Paid interest	<u>714.827</u>	<u>456.271</u>
Paid interest		
Interest and other banking costs	326.180	270.906
Interest on loan shareholders	172.982	70.864
Interest on convertible loan shareholders	100.087	-
Interest lease liability	65.578	59.545
Interest Visserij Investeringsfonds Nederland	50.000	50.000
Interest commitment fee	<u>-</u>	<u>4.956</u>
	<u>714.827</u>	<u>456.271</u>

NON-CONSOLIDATED ACCOUNTS

NON-CONSOLIDATED ACCOUNTS

Non-consolidated balance sheet as at 31 December 2019

NON-CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

(After proposal distribution of result)

		31-12-2019		31-12-2018	
		€	€	€	€
ASSETS					
FIXED ASSETS					
Property, plant and equipment	23				
Land and buildings		9.293.290		9.587.299	
Plant and equipment		9.434.958		10.349.521	
Other fixed assets		1.357.891		665.603	
Property, plant and equipment in progress and prepayments of property, plant and equipment		588.640		-	
			20.674.779		20.602.423
Financial assets					
Shares, certificates of shares and other types of participating interests in group companies	24			-	
				2	
Deferred tax assets	25	2.683.747		1.248.637	
			2.683.749		1.248.637
CURRENT ASSETS					
Inventories and work in progress					
Raw materials and consumables	26	376.274		168.836	
Live fish stock	27	2.141.672		2.717.120	
Harvested fish stock	28	134.529		-	
			2.652.475		2.885.956
Receivables					
Trade debtors	29	637.984		247.204	
Receivables from group companies	30	492.828		-	
Other receivables and accrued assets	31	737.211		344.304	
			1.868.023		591.508
Cash and cash equivalents	32		10.391.621		39.048
Total assets		38.270.647		25.367.572	

		31-12-2019		31-12-2018	
		€	€	€	€
EQUITY AND LIABILITIES					
EQUITY					
	33				
Share capital paid called up		415.244		215.320	
Share premium reserve		30.260.199		10.562.342	
Revaluation reserves		3.174.947		3.110.058	
General reserve		<u>-7.927.030</u>		<u>-3.939.473</u>	
			25.923.360		9.948.247
PROVISIONS					
Deferred tax liabilities	34		594.458		493.284
LONG-TERM LIABILITIES					
	35				
Payables to banks	36	8.681.578		8.489.695	
Other long-term liabilities	37	<u>-</u>		<u>16.664</u>	
			8.681.578		8.506.359
CURRENT LIABILITIES AND ACCRUALS AND DEFERRED INCOME					
Shareholders loans	38	221.980		1.823.434	
Amounts owed to credit institutions	39	694.460		3.736.968	
Trade payables		1.639.464		523.899	
Payables relating to taxes and social security contributions	40	110.847		50.390	
Other liabilities and accrued expenses	41	<u>404.500</u>		<u>284.991</u>	
			3.071.251		6.419.682
Total liabilities			<u><u>38.270.647</u></u>		<u><u>25.367.572</u></u>

Non-consolidated profit and loss account for the year 2019

NON-CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2019

		2019	2018
	€	€	€
Net Turnover		4.995.581	791.606
Changes in inventories and live fish stock		<u>-440.918</u>	<u>1.885.723</u>
Production value		4.554.663	2.677.329
Cost of raw materials		2.198.682	2.164.857
Expenses work contracted out and other external expenses		592.238	-
Wages and salaries	42	1.313.125	907.978
Social security premiums and pensions cost	43	391.895	251.112
Depreciation of property, plant and equipment	44	1.463.244	477.270
Other operating expenses	45	<u>2.175.244</u>	<u>2.362.871</u>
Total of sum of expenses		<u>8.134.428</u>	<u>6.164.088</u>
Total of operating result		-3.579.765	-3.486.759
Release from revaluation reserve		<u>65.516</u>	<u>19.855</u>
		-3.514.249	-3.466.904
Financial income and expense	46	<u>-714.828</u>	<u>-341.631</u>
Total of result before tax		-4.229.077	-3.808.535
Taxation		<u>1.333.937</u>	<u>593.146</u>
		-2.895.140	-3.215.389
Share in result from participations	47	<u>-140.602</u>	<u>-</u>
Total of result after tax		<u><u>-3.035.742</u></u>	<u><u>-3.215.389</u></u>

Entity information

Registered address and registration number trade register

The registered and actual address of Kingfish Zeeland B.V. is Colijnsplaatse Groeneweg 2, 4485 PA in Kats. Kingfish Zeeland B.V. is registered at the Chamber of Commerce under number 64625060.

General notes

The most important activities of the entity

Established in 2015, the Kingfish Company engages in the production and supply of sustainable, safe and high quality seafood in its target markets.

In 2016 the company sanctioned its first project - a commercial scale pilot farm in the Netherlands for the production of more than 500t / annum of the supply constrained lucrative fish species 'Yellowtail Kingfish' via a proprietary recirculating aquaculture system. Since then the company completed the construction of the farm, closed the 'production cycle' and reached industry leading operational results.

In 2019 the company initiated its scale-up plan, targeting to reach production levels of Yellowtail Kingfish of 20,000 t / annum by 2025; The company is currently engaged in expanding its production capacity in W. Europe (Netherlands site) and developing its first N. America site (Maine, US); The Kingfish Company continues to explore additional market opportunities across various species and production methods.

Disclosure of going concern

The net result after taxation for 2019 amounts € 2,984,681 negative (2018: € 3,215,389 negative). The negative results up to 2019 mainly occurred due to the fact that the company is in start up phase. The start up phase is financed by shareholders' equity and bank debt. The shareholders' equity per December 31st, 2019 amounts € 25,974,421 positive.

The board of Kingfish Zeeland B.V. has made a cash flow forecast up until the end of 2022 and shows a net cash flow which is sufficient to meet the short term payment obligations. The company has sufficient funds to reach budgeted cash flows positive.

Going concern assumption

Given this information, the financial statements have been prepared on the basis of the going concern assumption of the company.

Disclosure of group structure

Kingfish Zeeland B.V. is at the head of a group of companies. The group includes Kingfish Maine Inc. (100%) and Yellowtail Hatchery USA Inc. (100%).

Disclosure of estimates

In applying the principles and policies for drawing up the financial statements, the directors of Kingfish Zeeland B.V. make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

General accounting principles

The accounting standards used to prepare the financial statements

The financial statement is drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the balance sheet, non-consolidated profit and loss account and the cash flow statement, references are made to the notes.

Disclosure of deviation in prior period figures due to a revision

A change has been made in the figures of the prior period. The change regard the processing of subsidy grants. The change has a positive impact on the result of 2018 of € 124,840 (2017: 65,826) and a negative impact on the result of 2019 of € 190,666. The change has the following effects on the figures of the prior period:

General reserve	(+) 190,666
Other liabilities	(-) 190,666
Other operating expense	(-) 124,840

Finance leases

The corporation has lease contracts whereby it retains substantially all the risks and rewards of ownership of these assets. These assets are recognised on the balance sheet upon commencement of the lease contract at the lower of the fair value of the asset or the discounted value of the minimum lease payments. The lease instalments to be paid are divided into a repayment and an interest portion, using the annuity method. The liabilities under the lease, excluding the interest payments, are included under long-term debts.

The interest component is included in the non-consolidated profit and loss account for the duration of the contract on the basis of a fixed interest percentage of the average remaining redemption component. The assets are depreciated over the remaining economic life or, if shorter, the duration of the contract.

Operating leases

The corporation has lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of or incurred by the corporation. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the non-consolidated profit and loss account for the duration of the contract.

Accounting principles

Property, plant and equipment

Buildings and land, and plant and equipment are valued at actual cost less straight line depreciation based on the expected life. Land is not depreciated. Impairments expected on the balance sheet date are taken into account. The actual costs concern the actual purchase price or actual production price. The actual purchase price of assets is based on the amount the company, on the date of revaluation, would pay for acquiring the asset if the asset would have the same utility as on the moment of the initial purchase.

The actual production price is based on the cost the company would make if the asset would be produced on the date of revaluation. The increase of value following from a revaluation is processed directly in the shareholders equity through a revaluation reserve. Realization of the revaluation reserve is processed through the profit and loss account.

Other tangible fixed assets are valued at historical cost or production cost including directly attributable costs, less straight-line depreciation based on the expected future life and impairments.

Subsidies on investments will be deducted from the historical cost price or production cost of the assets to which the subsidies relate.

Interest expenses directly attributable to qualifying assets are capitalized during the manufacturing period. Other interest expenses are recognized directly in the income statement.

Financial assets

Participations, over which significant influence can be exercised, are valued according to the net asset value method. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence.

The net asset value is calculated in accordance with the accounting principles that apply for these financial statements; with regard to participations in which insufficient data is available for adopting these principles, the valuation principles of the respective participation are applied.

If the valuation of a participation based on the net asset value is negative, it will be stated at nil. If and insofar as Kingfish Zeeland B.V. can be held fully or partially liable for the debts of the participation, or has the firm intention of enabling the participation to settle its debts, a provision is recognised for this.

Newly acquired participations are initially recognised on the basis of the fair value of their identifiable assets and liabilities at the acquisition date. For subsequent valuations, the principles that apply for these financial statements are used, with the values upon their initial recognition as the basis.

The amount by which the carrying amount of the participation has changed since the previous financial statements as a result of the net result achieved by the participation is recognised in the non-consolidated profit and loss account.

Participations over which no significant influence can be exercised are valued at historical cost. The result represents the dividend declared in the reporting year, whereby dividend not distributed in cash is valued at fair value.

In the event of an impairment loss, valuation takes place at the recoverable amount; an impairment is recognised and charged to the non-consolidated profit and loss account.

Deferred tax assets are recognised for all deductible temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the accounting policies used in these financial statements on the other, on the understanding that deferred tax assets are only recognised insofar as it is probable that future taxable profits will be available to offset the temporary differences and available tax losses.

The calculation of the deferred tax assets is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law.

Deferred tax assets are valued at their nominal value.

Impairment of non-current assets

On each balance sheet date, Kingfish Zeeland B.V. assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the recoverable amount of the asset is determined. If it is not possible to determine the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An impairment occurs when the carrying amount of an asset is higher than the recoverable amount; the recoverable amount is the higher of the realisable value and the value in use.

An impairment loss is directly recognised in the profit and loss account while the carrying amount of the asset concerned is concurrently reduced.

The realisable value is initially based on a binding sale agreement; if there is no such agreement, the realisable value is determined based on the active market, whereby usually the prevailing bid price is taken as market price. For the determination of the value in use, an estimate is made of the future net cash flows in the event of continued use of the asset / cash-generating unit; these cash flows are discounted.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been recognised. An impairment of goodwill is not reversed.

Inventories

Raw materials and consumables

Inventories (stocks) of raw materials and consumables are valued at cost price, based on the FIFO method. If the net realisable value is lower than the cost price, valuation is at net realisable value.

The cost price consists of the historical cost or production cost and costs incurred in order to bring the stocks to their current location and current conditions.

The net realisable value is the estimated sales price less directly attributable sales costs. In determining the net realisable value the obsolescence of the inventories is taken into account.

Live fish stock

Inventories (stocks) of livestock are valued at fair value. The live fish stock classify as biological assets. Dutch-GAAP does not provide specific guidance for the valuation of biological assets. For processing and valuation, guidance is therefore gained from the International Financial Reporting Standards (IFRS). According to IAS 41.6 fish farming qualifies as an agricultural activity. The live fish stock is valued at fair value less selling expenses. Because market quotations on an active market are not available, fair value is determined from recent transaction prices and/or sector references in accordance with IFRS 13. These references are subject to estimation elements regarding the realizable value.

Harvested fish stock

The harvested product is valued at fair value less expected cost to sell at the point of harvest. The harvested fish stock classify as biological assets. Dutch-GAAP does not provide specific guidance for the valuation of biological assets. For processing and valuation, guidance is therefore gained from the International Financial Reporting Standards (IFRS). According to IAS 41.6 fish farming qualifies as an agricultural activity. The live fish stock is valued at fair value less selling expenses. Because market quotations on an active market are not available, fair value is determined from recent transaction prices and/or sector references in accordance with IFRS 13. These references are subject to estimation elements regarding the realizable value.

Receivables

Receivables are initially valued at the fair value of the consideration to be received, including transaction costs if material. Receivables are subsequently valued at the amortised cost price. If there is no premium or discount and there are no transaction costs, the amortised cost price equals the nominal value of the accounts receivable. Provisions for bad debts are deducted from the carrying amount of the receivable.

Provision for tax liabilities

Deferred tax liabilities are recognised for temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the book values applied in these financial statements on the other. The computation of the deferred tax liabilities is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law.

Deferred tax balances are valued at nominal value.

Non-current liabilities

On initial recognition long-term debts are recognised at fair value. Transaction costs which can be directly attributed to the acquisition of the long-term debts are included in the initial recognition. After initial recognition long-term debts are recognised at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs. If there is no premium / discount or if there are no transaction costs, the amortised cost price is the same as the nominal value of the debt.

Current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs. This is usually the nominal value.

Accounting principles for determining the result

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

Revenue recognition

Net turnover comprises the income from the supply of goods and services and realised income from contracts after deduction of discounts and such like and of taxes levied on the turnover.

Wages

The benefits payable to personnel are recorded in the non-consolidated profit and loss account on the basis of the employment conditions.

Applied policy of pension costs

Kingfish Zeeland B.V. applies the liability approach to account for all pension schemes. The premium payable during the reporting year is recorded as an expense. The contributions are recorded as personnel costs from the date that they become payable. Prepaid contributions are reported as accrual if this results in a repayment or a reduction in future payments. Contributions that are not yet paid are included as a liability in the balance sheet.

Income tax expense

Tax on the result is calculated based on the result before tax in the non-consolidated profit and loss account, taking account of the losses available for set-off from previous financial years and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

Share in results of participating interests

The result is the amount by which the carrying amount of the participation has changed since the previous financial statements as a result of the earnings achieved by the participation to the extent that this can be attributed to Kingfish Zeeland B.V..

NOTES TO THE BALANCE SHEET

Fixed assets

23 Property, plant and equipment

	Land and buildings	Plant and equipment	Other fixed assets	Property, plant and equipment in progress and prepayments of property, plant and e- quipment	Total
	€	€	€	€	€
Balance as at 1 January 2019					
Cost or manufacturing price	6.843.644	10.720.545	766.099	-	18.330.288
Accumulated revaluations	2.818.775	-	-	-	2.818.775
Accumulated depreciation	-75.120	-371.024	-100.496	-	-546.640
Book value as at 1 January 2019	<u>9.587.299</u>	<u>10.349.521</u>	<u>665.603</u>	<u>-</u>	<u>20.602.423</u>
Movements					
Additions	-	211.629	743.831	588.640	1.544.100
Depreciation	-214.597	-1.126.192	-37.882	-	-1.378.671
Depreciation revaluations	-79.412	-	-	-	-79.412
Disposals	-	-	-19.750	-	-19.750
Depreciation on disposals	-	-	6.089	-	6.089
Balance movements	<u>-294.009</u>	<u>-914.563</u>	<u>692.288</u>	<u>588.640</u>	<u>72.356</u>
Balance as at 31 December 2019					
Cost or manufacturing price	6.843.644	10.932.174	1.490.179	588.640	19.854.637
Accumulated revaluations	2.739.363	-	-	-	2.739.363
Accumulated depreciation	-289.717	-1.497.216	-132.288	-	-1.919.221
Book value as at 31 December 2019	<u>9.293.290</u>	<u>9.434.958</u>	<u>1.357.891</u>	<u>588.640</u>	<u>20.674.779</u>
Depreciation percentages	<u>0 - 3,33</u>	<u>5 - 14,3</u>	<u>5 - 14,3</u>		

The other fixed assets include breeding stock for an amount of € 1,092,000 at 31 December 2019 (2018: € 388,215). Impairment of breeding stock as a result of mortality is not presented separately.

The carrying amounts of assets under financial leasing, which are held without legal title by Kingfish Zeeland B.V. are at 31 December 2019 € 2,738,622 (2018: 3,170,227).

Financial assets

	<u>31-12-2019</u>	<u>31-12-2018</u>
	€	€
24 Shares, certificates of shares and other types of participating interests in group companies		
Kingfish Maine Inc.	1	-
Yellowtail Hatchery USA Inc.	<u>1</u>	<u>-</u>
	<u><u>2</u></u>	<u><u>-</u></u>

Kingfish Maine Inc.
100% subsidiary founded during 2019. The result of 2019 is € 0, equity € 1.

Yellowtail Hatchery USA Inc.
100% subsidiary founded during 2019. The result of 2019 is € 140.602 (negative), equity € 140.601 (negative).

25 Deferred tax assets

Deferred tax asset	<u><u>2.683.747</u></u>	<u><u>1.248.637</u></u>
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Deferred income tax assets relate to unutilised tax losses of € 12,490,999 (2018: € 7,135,073) in total which are expected to be offset at a tax rate of approximately 21% (2018: 17,5%). Due to a change in estimated tax rates applicable at the time of settlement of the tax losses the tax rate of the deferred tax asset changed from 17.5% in 2018 to approximately 21% in 2019.

Loss compensation

Year	<u>Compensable loss</u>	<u>Deductable till</u>
	€	
2015	60.549	2024
2016	681.886	2025
2017	2.464.723	2026
2018	3.927.915	2027
2019	<u>5.355.926</u>	2025
	<u><u>12.490.999</u></u>	

Calculation taxable amount 2019

	<u>2019</u>
	€
Total of result before tax	-4.369.679

Added

Lower fiscal taxation	190.666	
Higher fiscal other operating expenses (fundraising cost)	<u>-1.323.838</u>	
		-1.133.172

Subtracted

Result Yellowtail Hatchery USA Inc.	<u>140.602</u>
	<u>-5.362.249</u>

Partly deductible amounts

	Base amount	%
Application lump sum based on joint taxable wages	1.580.961	0,40
		<u>6.323</u>
Taxable amount		<u><u>-5.355.926</u></u>

Current assets

Inventories and work in progress

26 Raw materials and consumables

	<u>31-12-2019</u>	<u>31-12-2018</u>
	€	€
Feed	225.938	160.051
Technical inventory	98.831	-
Packaging materials	41.822	-
Chemicals	9.683	8.785
	<u>376.274</u>	<u>168.836</u>

27 Live fish stock

Live fish stock	<u>2.141.672</u>	<u>2.717.120</u>
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Biological Assets

Under the provisions of IAS 41, Agriculture and IFRS 13, Fair Value Measurement, biological assets ("biomass") are measured at fair value less cost to sell, unless fair value is not readily measured.

Biomass comprise of live fish in tanks from fry to adult grow-out. All fish held in tanks are considered saleable and are therefore measured at fair value less cost to sell.

The cost of biological assets ("biomass costs") includes all costs required to raise fish from larvae to harvest. Key biomass costs are generally recognized on a historical basis and include fish feed, other raw materials, salary and personnel costs, utilities, and other overhead from production.

The valuation of biological assets under IAS 41 is based on an implied estimated fair value of the fish in a hypothetical market. The estimate of the unrealized fair value adjustment under IFRS 13 is based on several factors such as changes in the final market destinations of fish sold, changes in forward market price and biomass costs, changes in biology, and differences in anticipated quality and size. The key element in approximating fair value is the assumed market price expected to be achieved on the future date in which the fish is to be harvested. Such market prices are based on a variety of sources including, but not limited to, the Companies historical sales prices achieved. The market prices are then reduced for harvesting and freight costs required to sell to arrive at a net value back to farm. The difference between the fair value and the associated cost to sell is recognized under fair value adjustments in the accompanying consolidated statements of operations.

Incident-based mortality is recognized when the facility experiences elevated or substantial mortality due to an incident out of expected normal capacity. In such cases, mortality expense is included as part of cost of materials in the accompanying consolidated statements of operations, and the fair value associated with the affected biomass is then adjusted under fair value adjustments in the Company's statements of operations.

Fair Value Measurement of Biological Assets

Under the provisions of IAS 41, the fair value of the Companies biological assets is calculated based on the market price for the relevant fish quality and size on the reporting period date. As the biomass input is mostly unobservable, biomass valuation is categorized at Level 3 in the fair value hierarchy under IFRS 13. The estimated market price in each market is normally derived from the development in recent market prices. The valuation model for the Company's biological assets calculates the net present value of the expected cash flow from harvested biomass based on the actual number of fish as a starting point. The time to market for live fish is based on a growth table for each generation of fish. The Company considers a live fish weight between 700 gram and 4 kilograms to be the optimal harvest weight with an expected growth period between 4 to 12 months. Expected mortality rates are used to estimate the expected volume of biomass that will reach optimal harvest weight. On average, an estimated op more than 95% of fingerlings is expected to reach the optimal harvest weight and takes into consideration both mortality and culling. Observable market prices are used where available.

As of 31 December 2019 and 2018, the companies biological assets consisted of the following:

(EUR 1,000)	2019	2018
Cost of biological assets	1.033	1.766
Fair value adjustments	1.109	951
Total biological assets	2.142	2.717

The following represents a reconciliation of changes in the carrying amount of the company's biological assets for the years ended 31 December 2019 and 2018:

(EUR 1,000)	2019	2018
Biological assets at beginning of year	2.717	845
Increases due to production and purchases	7.093	4.011
Decreases due to harvest	-6.702	-1.457
Decreases due to mortality	-313	-629
Gain or loss arising from changes in fair value less costs to sell	-653	-53
Biological assets at end of year	2.142	2.717

As of 31 December 2019 and 2018, the companies physical volumes of biological assets consisted of the following:

(EUR 1.000)	2019	2018
Live weight of biomass (in tons)	166	184
Number of fish (thousand)	259	210
Volume of fish harvested during the year (tons whole round weight)	485	64

Sensitivity Analysis

Although the Company has expertise in assessing various factors regarding biomass, the estimate of unrealized fair value adjustment under IFRS 13 is based on several uncertain assumptions, and the realized profit ultimately achieved upon the sale of inventory may differ from the calculations of fair value accordingly. Such assumptions include biomass volume and growth rate, biomass quality and size distribution, biomass costs, fish mortality, and market price.

Biomass Volume and Growth Rate:

Biomass volume and growth rate is estimated from the changes between known tank density prior to the release of fish in tanks and the current tank density with live fish. The difference in densities is then used to estimate growth between any given period, which gives uncertainty with respect to biomass volume and growth rate.

Biomass Quality and Size Distribution:

Biomass quality prior to harvest is estimated based on periodic samples obtained throughout the life of a given batch. However, the actual bio-mass quality for the entire batch population is difficult to assess prior to harvest and some degree of variation of quality is expected. Fair value is first assessed as superior quality fish and the estimated price per kg is reduced on downgraded ordinary and production grade fish based on standard rates from historical benchmarks. Biomass size distribution prior to harvest is estimated from counting and grading systems prior to harvest. Although some degree of variation is expected, actual fish size is not expected to deviate substantially from the average distribution for the overall batch and therefore, the companies estimated value of biomass with this respect.

Biomass Costs:

Estimated future biomass costs are based on the company's forecasts taking into consideration factors such as uncertainty with feed prices or other biomass cost developments. Changes in the company's estimation towards biomass costs would influence the value of biomass and is recognized accordingly as part of the fair value adjustments in the accompanying consolidated statements of operations. *Fish*

Mortality:

Mortality under normal capacity is expected and directly affects the fair value estimates as it ultimately results in a reduction in harvestable biomass volumes. Further, overall biomass costs for a given batch includes the cost of fish that will perish under expected mortality.

Market Price:

The key element in the fair value model of biological assets is the estimated forward market price that is expected to be received in the future when the fish is harvested. An increase in anticipated forward market prices would increase the fair value of the biological assets and vice versa. A change in biomass costs will generally have lesser impact on the estimated fair value calculation than a similar change in anticipated forward market prices.

The fair value of the company's biological assets was calculated based on different parameters. As of 31 December 2019 and 2018, the estimated effect on the book value of biological assets was as follows:

(EUR 1,000)	Increase	2019	2018
Change in biomass size	5%	2.289	2.879
Change in forward price	5%	2.249	2.853

Incident-Based Mortality

No significant mortality incidents were noted for the years ended 31 December 2019 and 2018.

28 Harvested fish stock

	<u>31-12-2019</u>	<u>31-12-2018</u>
	€	€
Frozen inventory	<u>134.529</u>	<u>-</u>

Receivables

29 Trade debtors

Trade debtors	662.984	247.204
Provision for doubtful debts	<u>-25.000</u>	<u>-</u>
	<u>637.984</u>	<u>247.204</u>

	<u>31-12-2019</u>	<u>31-12-2018</u>
	€	€
30 Receivables from group companies		
Kingfish Maine Inc.	387.169	-
Yellowtail Hatchery USA Inc.	<u>105.659</u>	-
	<u>492.828</u>	-

No interest has been calculated over the receivables, no securities have been agreed upon.

The negative net asset value of Yellowtail Hatchery USA Inc. of € 140.602 is deducted from the receivable.

31 Other receivables and accrued income

Taxes and social security charges	292.407	101.069
Current account shareholders	128.279	-
Other receivables and accrued income	<u>316.525</u>	<u>243.235</u>
	<u>737.211</u>	<u>344.304</u>

Taxes and social security charges

Value added tax	<u>292.407</u>	<u>101.069</u>
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Other receivables and accrued assets

Trade debtors factoring	164.961	-
Prepaid expenses	70.732	48.850
Deposits Brenntag	32.899	19.286
Guarantee deposit	10.000	10.000
Other deposits	7.100	7.100
Net wages	6.422	-
Insurance premium	-	85.679
Other costs to be invoiced	-	36.495
Other amounts receivable	<u>24.411</u>	<u>35.825</u>
	<u>316.525</u>	<u>243.235</u>

The factoring facility is provided by Rabobank. The factoring limit is € 1,000,000 and is based on 90% of the outstanding debtors. The economic ownership of the debtors remains with Kingfish Zeeland B.V.

Guarantees:

- Pledge on all current and future receivables;
- Pledge on all rights and claims credit insurances.

	<u>31-12-2019</u>	<u>31-12-2018</u>
	€	€
32 Cash and cash equivalents		
Rabobank	10.356.621	-
Deposit	35.000	35.000
Cash in transit	-	3.518
Cash	-	530
	<u>10.391.621</u>	<u>39.048</u>

The maximum current account credit is € 3,000,000. The account credit consists of a fixed base limit in an amount € 1,500,000 and a related additional limit of maximum € 1,500,000 based upon the value of the pledged inventory. The fixed base limit of € 1,500,000 will be removed on December 31st 2021, the total maximum will then be based upon the value of the pledged inventory. The interest rate is based on 1 month Euribor plus a markup of 2,85%. For the securities provided we refer to note 14 regarding the Rabobank loan.

33 Equity

Movements in equity were as follows:

	Share capital paid called up	Share pre- mium reserve	Revaluation reserves	General re- serve	Total
	€	€	€	€	€
Balance as at 1 January 2019	215.320	10.562.342	3.110.058	-3.939.473	9.948.247
Appropriation of result	-	-	-	-3.035.742	-3.035.742
Addition in financial year	-	20.195.285	130.405	-130.405	20.195.285
Issue of shares	204.924	-	-	-	204.924
Release in favor of revaluation reserve	-	-	-65.516	-	-65.516
Prepaid share premium reserve	-	826.410	-	-826.410	-
Fundraising cost directly in equity	-	-1.323.838	-	-	-1.323.838
Own shares	-5.000	-	-	5.000	-
Balance as at 31 December 2019	<u>415.244</u>	<u>30.260.199</u>	<u>3.174.947</u>	<u>-7.927.030</u>	<u>25.923.360</u>

<u>2019</u>	<u>2018</u>
€	€

Revaluation reserve live fish stock

Balance as at 1 January	784.569	416.758
Addition in financial year	130.405	367.811
Balance as at 31 December	<u>914.974</u>	<u>784.569</u>

The revaluation reserve relates to the difference between fair value and historical cost (production cost excluding personnel and indirect costs. These costs cannot be imputed reliable) of the live fish stock.

	<u>2019</u>	<u>2018</u>
	€	€
Revaluation reserve tangible fixed assets		
Balance as at 1 January	2.325.489	2.270.902
Addition in financial year as a result of change in percentage deferred taxes	-	70.471
	<u>2.325.489</u>	<u>2.341.373</u>
Release in favour of deficit	-65.516	-15.884
Balance as at 31 December	<u>2.259.973</u>	<u>2.325.489</u>

The revaluation reserve relates to the difference between actual cost and historical cost of the buildings, land, plant and equipment.

Provisions

34 Deferred tax liabilities

The provision for deferred taxes concerns deferred tax of which the value is determined based on differences between commercial and fiscal balance sheet valuations multiplied by the expected rate of taxation of 21.7%.

Long-term liabilities

35 Long-term liabilities

	Balance as at Repayment 31 December due 2019	Remaining pay-back time > 1 year
	€	€
Total	<u>9.392.546</u>	<u>8.681.578</u>

Remaining maturity > 5 years

€ 4.378.236

	<u>31-12-2019</u>	<u>31-12-2018</u>
	€	€
36 Payables to banks		
Loans	7.089.821	6.561.036
Lease liabilities	<u>1.591.757</u>	<u>1.928.659</u>
	<u>8.681.578</u>	<u>8.489.695</u>

Loans

Rabobank 0050021680	5.539.821	5.761.036
Rabobank 0050099049	750.000	-
Visserij investeringsfonds Nederland 430.005.020	500.000	500.000
Visserij investeringsfonds Nederland 430.004.020	<u>300.000</u>	<u>300.000</u>
	<u>7.089.821</u>	<u>6.561.036</u>

	<u>2019</u>	<u>2018</u>
	€	€
Rabobank 0050021680		
Balance as at 1 January		
Principal amount	6.053.250	6.053.250
Cumulative amortization transaction costs / cumulative repayments	<u>-67.214</u>	<u>3.893</u>
Balance as at 1 January	<u>5.986.036</u>	<u>6.057.143</u>
Movements		
Repayment	<u>-146.215</u>	<u>-71.107</u>
Balance as at 31 December		
Principal amount	6.053.250	6.053.250
Cumulative amortization transaction costs / cumulative repayments	-213.429	-67.214
Current portion	<u>-300.000</u>	<u>-225.000</u>
Balance as at 31 December	<u>5.539.821</u>	<u>5.761.036</u>

The principle amount of the loan is € 6,100.000. The repayment term amounts to € 75,000 per quarter as from 30 June 2019 and an additional repayment of € 3,100,000 on 30 June 2029. The transaction costs attributable to the loan amount € 46,750 and are deducted from the amount received. The transaction costs will be amortized during the duration of the loan. An amount of € 3.785 is amortized in 2019.

The interest rate is based on 3 months Euribor plus a markup of 3.25%. The markup of 3.25% is fixed for the duration of three years. The facility is a 20 year mortgage, ending after 10 years.

Besides the loan the company also has a working capital facility at Rabobank with a maximum current account credit of € 3,000,000. For further details we refer to paragraph 10.

Guarantees:

- First mortgage for an amount of € 6.100.000 on the land and the company hall at Oostzeedijk 11, 4485 OM Colijnsplaat;
- Pledge on insured stock;
- Pledge on all current and future stocks;
- Pledge on all current and future inventories.

- Satisfy a solvency ratio of at least 45% (as from 31 December 2021);
- Satisfy a debt service ratio of at least 1.3 (as from 31 December 2021);
- Compliance with the negative pledge and pari passu;
- Compliance with a 'No Change of Control';
- Non-dividend statement.

	<u>2019</u>	<u>2018</u>
	€	€
Rabobank 0050099049		
Balance as at 1 January	-	-
Movements		
Increase	<u>750.000</u>	-
Balance as at 31 December		
Principal amount	<u>750.000</u>	-
Balance as at 31 December	<u>750.000</u>	-

During 2018 the company has entered a new loan agreement with the Rabobank for a loan of € 750,000. The loan is withdrawn in 2019 and needs to be repaid in full on 31 December 2021.

For this loan the company guarantees:

- First mortgage for an amount of € 1,500,000 to be increased by € 525,000 for interest, fees, fines and costs on the pump house on the Oost-Zeedijk 15, 4485 PM Kats.

Visserij investeringsfonds Nederland 430.005.020

Balance as at 1 January		
Principal amount	<u>500.000</u>	<u>500.000</u>
Balance as at 1 January	<u>500.000</u>	<u>500.000</u>
Balance movements	-	-
Balance as at 31 December		
Principal amount	<u>500.000</u>	<u>500.000</u>
Balance as at 31 December	<u>500.000</u>	<u>500.000</u>

The duration of the loan is from October 27, 2016 to October 27, 2021.

The interest rate is 6,25% per annum, fixed for the entire term. After 60 months the loan is being repaid at once. No securities have been provided, therefore the loan is in fact subordinated to the loans of Rabobank, same as all other creditors.

Visserij investeringsfonds Nederland 430.004.020

Balance as at 1 January		
Principal amount	<u>300.000</u>	<u>300.000</u>
Balance as at 1 January	<u>300.000</u>	<u>300.000</u>
Balance movements	-	-
Balance as at 31 December		
Principal amount	<u>300.000</u>	<u>300.000</u>
Balance as at 31 December	<u>300.000</u>	<u>300.000</u>

The duration of the loan is from January 15, 2016 to January 15, 2021.

The interest rate is 6,25% per annum, fixed for the entire term. After 60 months the loan is being repaid at once. No securities have been provided, therefore the loan is in fact subordinated to the loans of Rabobank, same as all other creditors.

	<u>31-12-2019</u>	<u>31-12-2018</u>
	€	€
Lease liabilities		
Lease liability Volvo XC70, (KG-058-X)	18.938	27.033
Lease liability Rabobank	1.525.991	1.901.626
Lease liability Nissan X-trail, (ZF-372-G)	23.963	-
Lease BNP Paribas, fertilizer machine	22.865	-
	<u>1.591.757</u>	<u>1.928.659</u>
	<u>2019</u>	<u>2018</u>
	€	€

Lease liability Rabobank

Balance as at 1 January		
Principal amount	3.258.000	1.803.025
Cumulative repayments	<u>-1.051.386</u>	<u>-</u>
Balance as at 1 January	<u>2.206.614</u>	<u>1.803.025</u>
Movements		
Increase	-	1.454.975
Repayment	<u>-304.988</u>	<u>-1.051.386</u>
Balance movements	<u>-304.988</u>	<u>403.589</u>
Balance as at 31 December		
Principal amount	3.258.000	3.258.000
Cumulative repayments	-1.356.374	-1.051.386
Current portion	<u>-375.635</u>	<u>-304.988</u>
Balance as at 31 December	<u>1.525.991</u>	<u>1.901.626</u>
Interest percentage	3.00	3.00
Term	50 months	62 months

Kingfish Zeeland B.V. entered a sale and lease back agreement with Rabobank for the total amount of € 3,258,000. Legal ownership of the assets under financial leasing has been transferred to Rabobank.

After expiring of the fixed term of 72 months, the company will be entitled to:

- purchase and acquire title to the Asset at the price of € 260,640; or
- renew the agreement by one year; or
- return the asset to the lessor to a location in the Netherlands designated for that purpose by the lessor.

	<u>31-12-2019</u>	<u>31-12-2018</u>
	€	€
37 Other long-term liabilities		
Rooftop Energy B.V.	<u>-</u>	<u>16.664</u>

The remaining term for the liability is less than 12 months, therefore the liability is reported as part of the current liabilities.

Current liabilities and accruals and deferred income_

	31-12-2019	31-12-2018
	€	€

38 Shareholders loans

Shareholders loan	221.980	1.823.434
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The loan is an unsecured loan, which is subordinated to all currently existing debts and obligations of the company to banks and institutional creditors. The loan is provided by 3 shareholders (2018: 13). The interest rate is 10% per annum. The loan is converted to equity in 2020.

39 Amounts owed to credit institutions

Payables to banks	-	3.199.417
Repayment obligations	694.460	537.551
	694.460	3.736.968

40 Payables relating to taxes and social security contributions

Wage tax	68.174	8.460
Pension premiums	42.673	41.930
	110.847	50.390

41 Other liabilities and accrued expenses

Consulting Fees	88.000	-
Fundraising cost	61.000	-
Holiday allowance	59.451	37.421
Housing expenses	58.306	-
Outstanding holiday and overtime	51.479	117.500
Accounting costs	26.250	12.500
Repayment obligations	16.508	16.668
Other interest	10.085	10.190
Interest and commitmentfee loan shareholders	-	75.820
Lease Iveco	-	7.962
Prepaid share capital	-	6.921
Net wages	-	9
Other amounts payable	33.421	-
	404.500	284.991

Off-balance-sheet rights, obligations and arrangements

Disclosure of off-balance sheet commitments

Subsidies/grants

In 2019, the company processed an amount of € 284,176 (2018: € 124,840) in subsidy income in the profit and loss account, which are based on the spent and budgeted costs up to and including December 31, 2019. The actual subsidy benefits depend on the future determination of the subsidy by the subsidy provider.

The total committed subsidy contribution amounts up to a maximum of € 841,218, including the already processed grants.

Rent and operating lease commitments

Rent and operating lease expenses amounted to approximately € 66.000 per annum. The main part of future rent commitments relates to the renting of office and storage space and forklifts. The majority of these contracts have an indefinite term and can be terminated with a few weeks' notice.

Off-balance sheet liabilities relating to purchase commitments

The group has committed itself for purchased regarding the expansion of the production facility amounting to € 6,500,000, which is part of a €10,000,000 CAPEX program.

SUBSEQUENT EVENTS

The coronavirus outbreak during the first months of 2020 has major consequences for the global economy. The consequences of the coronavirus outbreak are classified as events after the balance sheet date that do not provide further information about the actual situation as at the balance sheet date and are therefore not included in the 2019 financial statements. Due to the outbreak of the corona virus and the resulting corona crisis, the results of the company during 2020 have decreased compared to what was budgeted. This decrease has mainly occurred from March 2020. The corona crisis is expected to have a further negative strong effect on the result of the legal entity for the rest of 2020. However, this will also depend on how the coronavirus outbreak can be controlled. In addition to measures aimed at preventing the further spread of the Covid-19 virus, governments in various countries have introduced measures aimed at mitigating the economic consequences of the outbreak. The Group has used some of the available financial measures in the Netherlands and the USA. Despite the disruption caused by Covid-19 the company has been able to continue its expansion plans in the Netherlands and the USA. In addition, the company has seen a rise in sales since the last two months of the second quarter of 2020. However, Due to the great uncertainty, it is difficult to map out the different scenarios. As a result, the expected impact of the coronavirus outbreak on our operations is not yet clear.

APPROPRIATION OF RESULT

The board of directors proposes, that the result for the financial year 2019 amounting to € 2.984.681 (negative) should be transferred to the general reserve.

The financial statements reflect this proposal.

NOTES TO THE NON-CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

	<u>2019</u>	<u>2018</u>
	€	€
42 Wages and salaries		
Gross salaries	1.456.171	1.032.539
Subsidy WBSO	-67.776	-71.463
Capitalized own hours fixed assets in progress	-16.863	-53.098
Charged wages and salaries	-58.407	-
	<u>1.313.125</u>	<u>907.978</u>

Average number of employees

2019

Average number of employees

2018

Average number of employees

Number

34,23

Number

22,50

	<u>2019</u>	<u>2018</u>
	€	€
43 Social security premiums and pensions cost		
Social security charges	235.475	148.469
Other pension charges	156.420	102.643
	<u>391.895</u>	<u>251.112</u>

44 Depreciation of property, plant and equipment

Buildings and land

Depreciation costs installations

Other fixed assets

Book profit depreciation inventory

294.009

1.126.192

37.882

1.458.083

5.161

1.463.244

78.663

361.456

37.151

477.270

-

477.270

45 Other operating expenses

Other expenses of employee benefits

Housing expenses

Operating and machine expenses

Selling expenses

Car expenses

Office expenses

General expenses

748.199

177.469

478.801

346.999

40.033

60.224

323.519

2.175.244

481.788

302.239

264.710

695.347

27.074

31.466

560.247

2.362.871

	2019	2018
	€	€
Other expenses of employee benefits		
Third party services	462.683	159.003
Management fee	86.900	258.250
Commuting expenses	60.024	26.998
Motor car allowance	13.936	20.374
Study and training expenses	13.016	8.381
Canteen expenses	3.373	10.167
Other staff expenses	108.267	42.715
	<u>748.199</u>	<u>525.888</u>
Capitalized fixed assets in progress	-	-44.100
	<u>748.199</u>	<u>481.788</u>
Housing expenses		
Rent expenses	51.738	194.558
Cleaning expenses	47.809	45.387
Insurance premium property	46.447	41.144
Property tax	15.247	14.937
Other housing expenses	16.228	6.213
	<u>177.469</u>	<u>302.239</u>
Operating and machine expenses		
Repair and maintenance of inventory	438.842	227.671
Rental expenses inventory	10.894	18.769
Operational lease machines	17.640	18.270
Other operating and machine expenses	11.425	-
	<u>478.801</u>	<u>264.710</u>
Selling expenses		
Travelling and hotel expenses	160.227	137.286
Events	43.949	118.153
Marketing materials	35.116	88.979
Marketing set up costs	26.590	86.235
Addition to provision doubtful debtor	25.000	-
Marketing/sales costs	14.879	200.988
Other selling expenses	41.238	63.706
	<u>346.999</u>	<u>695.347</u>
Car expenses		
Fuel expenses	19.638	6.122
Repair and maintenance cars	12.348	9.225
Motor car tax	3.225	2.651
VAT on private use cars	3.891	2.200
Fines	-	960
Other car expenses	931	5.916
	<u>40.033</u>	<u>27.074</u>

	<u>2019</u>	<u>2018</u>
	€	€
Office expenses		
Telephone and fax expenses	24.449	15.539
Office supplies	22.915	15.927
Automation expenses	12.860	-
	<u>60.224</u>	<u>31.466</u>
General expenses		
Consultancy expenses	235.206	341.916
Insurance premium	144.884	111.794
Accounting costs	60.270	58.805
Provision receivables	60.231	-
Subscriptions	54.740	41.771
Certification	42.858	67.279
Administration costs	2.766	50.004
Expense reversal subsidy	-284.176	-124.840
Other general expenses	6.740	13.518
	<u>323.519</u>	<u>560.247</u>
46 Financial income and expense		
Other interest and similar income	-	114.640
Interest and similar expenses	-714.828	-456.271
	<u>-714.828</u>	<u>-341.631</u>
Other interest and similar income		
Capitalized fixed assets in progress	-	114.640
	<u>-</u>	<u>114.640</u>
Interest and similar expenses		
Paid interest	<u>714.828</u>	<u>456.271</u>
Paid interest		
Interest and other banking costs	326.181	270.906
Interest on loan shareholders	172.982	70.864
Interest on convertible loan shareholders	100.087	-
Interest lease liability	65.578	59.545
Interest Visserij Investeringsfonds Nederland	50.000	50.000
Interest commitment fee	-	4.956
	<u>714.828</u>	<u>456.271</u>

Kingfish Zeeland B.V.
Kats

47 Share in result from participations
Yellowtail Hatchery USA Inc.

<u>2019</u>	<u>2018</u>
€	€
<u>-140.602</u>	<u>-</u>

Kats,
Kingfish Zeeland B.V.

I. Young
CFO

O. Maiman
CEO

C.J. Kloet
COO

Other information

Provisions of the articles of association relating to profit appropriation

Article 23 paragraph 1 of the company's Articles of Association state that if the General Meeting resolves on a distribution of profits, the preference shares shall have a priority over the ordinary shares as follows.

From the profit (including dividends), hereinafter also referred to as the "Distributable Income" realized in the last financial year, is first if possible on each preference Share distributed one time (1 x) the applicable Original Issue Price, less the amount actually distributed at previous distribution moments (the "First Preferred Amount"), hereinafter also referred to as "Distribution Time". Due to a deficit, an amount will be distributed on each Preference Share pro rata and only in proportion to the preferential amounts that these holders of Preference Shares are entitled to receive as indicated above. Second, after full payment of the aforementioned amount, receive any holder of Preference Shares A and / or Preference Shares A-2 on a pari passu basis with the other holders of A-Shares and / or Preference Shares A-2 and before any other distribution is made to holders of shares, an amount per share equal to twenty percent (20%) of the applicable Initial Issue Price, less the amount of distributions, including dividends, at a previously made Distribution Time (the "Second Preferred Amount" and together with the First Preferred Amount).

The profit remaining after distribution of these dividends on the cumulative preference shares A will be put at the disposal of the Annual General Meeting of Shareholders in accordance with the provisions of Article 23, paragraph 3 of the Articles of Association.