



AFC GROUP HOLDINGS LIMITED



# ANNUAL REPORT 2023





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# AFC GROUP HOLDINGS LIMITED

## DIRECTORS' PROFILES

### **YANG XIA**

Yang Xia is a Chinese National with more than 30 years of experience in commerce and finance. Prior to starting his own business, he held management and leadership roles in the Chinese Government's finance department and in major nationally owned Chinese companies. He is a former director general of the Anhui Chaohu Foreign Trade and Economic Relations Commission. He currently holds directorships in various Chinese companies spanning a range of industries.

In 2007 Mr Xia formed his own investment company, Guangdong Yinrui Investment & Management Company. While a majority of his investments are in China, he has also invested in a chemical company in Thailand. Mr Xia is currently in the process of expanding his investment activities into Australia and New Zealand having founded NZ Silveray Group Limited in February 2014.

### **JINGWEI MA**

Ms Jingwei Ma graduated from Japan Aichi University in 2010, major in International Relations. She is a visionary entrepreneur who owns a business in the education sector and operates two female fitness clubs in Xi'an China. Both of her businesses have achieved remarkable results. Ms Ma brings in her governance expertise and trading channels to AFC to stimulate the international trade sector.

### **SHUANG XIA**

Mr. Xia Shuang was appointed director of AFC Group Holdings Limited on 16 September 2022. He studied Commerce in the UK and New Zealand for years. After graduated from university in 2016, he has been engaged in the wine, cosmetics and investment industries. He has participated in mergers and acquisitions and IPOs of listed companies in China and New Zealand, and has certain experience in venture capital management.

Mr. Xia Shuang has been the CEO of AFC Biotechnology Manufacturing Company under the AFC Group Holdings Limited since June 2019.

### **BO XIAN CAO**

Mr. Bo Xian Cao is a Chinese National and a New Zealand Citizen. He moved to New Zealand in 1994 and he has over 22 years business experience in China and New Zealand. He has held various executive positions in export related sectors specifically primary industries (including Hydroponics) and Skin Care industries. Mr. Cao has developed skills in trading between New Zealand and Asian countries specialising in Hong Kong and China.

Mr. Cao joined AFC in 2016 and he is currently the director of AFC Group Holdings Limited, and Chairman of the Audit and Risk Committee.

### **QIANG LI**

Mr. Qiang Li had more than 10 years' experience in the health industry before he came to New Zealand in 2001 to study for his MBA qualification. He joined GMP Dairy Limited in 2004. He gained experience in research and development, purchasing and production department. He's also promoted New Zealand health products into the Chinese market successfully while he was working with GMP. He joined the GMP management group in 2010, and during that time promoted the "KAWALA" brand of milk products into the Chinese market.

Mr. Li joined AFC in 2016 and resigned in October 2022 as an Independent Director of AFC Group Holdings Limited, and member of the Audit and Risk Committee.

### **JIANFENG CHEN**

Mr. Jianfeng ((David) Chen has more than 25 years of commercial and international trade experience in Australia, New Zealand and China. David has previously held a variety of executive positions at various companies.

David joined the Board in October 2023 as an independent director and member of the Audit and Risk Committee. He brings in his trading expertise to AFC.

## **AFC GROUP HOLDINGS LIMITED**

### **DIRECTORS' PROFILES (continued)**

#### **ZILEI WANG**

Mr. Zilei Wang graduated from Shanghai International Studies University, where he obtained a Master Degree of Arts in English Language and Literature. He is a member of The Chinese Institute of Certified Public Accountants (CICPA) and has business experience in corporate finance, cross-border mergers and acquisitions, corporate governance and financial management in New Zealand. He sits on the Board of several private companies in New Zealand.

Mr. Wang joined AFC in 2018 and is an Independent Director of AFC Group Holdings Limited, and member of the Audit and Risk Committee.

# AFC GROUP HOLDINGS LIMITED

## DIRECTORS' REPORT

The Directors are pleased to present an improved result for the 12 months ended 31 March 2023 after severe slowdown impacted by the spread of COVID-19.

### Financial Results Summary

AFC Group Holdings Limited ("AFC" or "the company") achieved revenue growth during the FY2023 period, which was 159% higher than the prior financial year ended 31 March 2022. This is due to the fact that the company has been actively increasing its sales channels in both domestic and overseas markets. The re-opening of borders has contributed to an increase in customers and revenue generated.

AFC reports a net loss attributable to shareholders of \$145,171 for this period. This compares with a net loss attributable to shareholders of \$410,219 for the previous period. The majority of expenses identified as employee salaries, sales incentive, and depreciation expenses. No dividends have been declared or paid for the 12 months ended 31 March 2023.

The result was in line with the board's expectations. The company has been actively and continuously taking various measures to deal with the challenging environments.

### AFC Group Holdings Limited

1. Directors will voluntarily receive no director fees to support the business development.
2. AFC has cut down its costs through office space integration.
3. AFC attended the 5th China International Import Expo (CIIE) to promote the group and products.
4. AFC is helping and providing more opportunities for New Zealand small and medium enterprises to enter the Chinese market, AFC Group has actively participated in the China (Anhui) 5G International Food City and the "EFOODLINE" global e-commerce platform.

### AFC Longview Limited ("AFCLV" and "Longview Estate")

1. AFCLV continues to explore its sales channels and marketing campaign. The company changes its pricing strategy for the White Diamond wine to target high-end customers and increase sales.
2. Longview Estate actively participated in different wine exhibitions, such as Winetopia and NZ Wine Roadshows, to promote wine and increase sales.
3. AFCLV is committed to developing export markets through launching of marketing campaigns, such as free wine knowledge courses, White Diamond wine tastings for the business elite, bundling of White Diamond wines with high-end travel, and establishing White Diamond partnerships.
4. Longview Estate has taken actions to cut costs, such as better work schedules organisation and people management.

### AFC Biotechnology Manufacture Co Ltd ("AFCBIO")

1. AFCBIO outsources its inventory storage to a third party. This has cut down the rental fee of warehouse and other ancillary costs, such as electricity and monitoring fee.
2. AFCBIO will cooperate with distributors to launch marketing campaigns in domestic market to increase sales in 2024 fiscal year.
3. AFCBIO will focus on the production and sales of its key products. The re-opening of borders will continue to bring in more customers to AFCBIO, thus generate more sales.

# AFC GROUP HOLDINGS LIMITED

## DIRECTORS' REPORT (continued)

In summary, by taking various measures to increase sales and save costs, the AFC Group will continue to work hard to enable future revenue growth and return value to our shareholders in the 2024 fiscal year. While the company is developing itself, it will also be a good messenger of investment and trade between New Zealand and China. By fulfilling the corporate social responsibilities and obligations of a locally listed company, AFC is aiming to contribute to the happiness of the people of New Zealand and China.



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Director



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Chairman

# AFC GROUP HOLDINGS LIMITED

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) of AFC Group Holdings Limited (“AFC” or “the Company”) recognises the need for strong corporate governance practices and has adopted a comprehensive corporate governance code.

The Board believes that the corporate governance structures and practices encourage the creation of value for AFC shareholders whilst ensuring the highest standards of ethical conduct and providing accountability and control systems commensurate with the risks involved.

### ROLE AND COMPOSITION OF THE BOARD

The Board is responsible for the direction and control of AFC and is accountable to shareholders and others for AFC’s performance and its compliance with applicable laws, regulations and standards.

AFC offers shareholders an experienced Board with skills across a number of industries and disciplines.

The AFC Constitution requires a minimum of three Directors. The Board elects a Chairman whose primary responsibility is the efficient functioning of the Board.

For 31 March 2023, the Board comprised of the following directors:

Yang Xia	Non-Executive (Chair)
Bo Xian Cao	Independent
Jingwei Ma	Non-Executive
Jianfeng Chen	Independent
Shuang Xia	Non-Executive
Zilei Wang	Independent

Profiles of the individual Directors can be found on page 2.

	2023		2022	
	Female	Male	Female	Male
Directors	1	5	1	4
Officers	1	2	2	2

The Board met 4 times during the year and received papers, including regular reports from management, to read and consider before each meeting. The Board is provided at all times with accurate timely information on all aspects of AFC’s operations and is kept informed of key risks to AFC on a continuing basis.

In addition, the Board meets whenever necessary to deal with specific matters needing attention between scheduled meetings, including a number of meetings to consider various opportunities. These meetings are not included in the numbers below.

Board Members	Meetings Attended	Meetings Held
Yang Xia	4	4
Bo Xian Cao	4	4
Zilei Wang	4	4
Jingwei Ma	4	4
Qiang Li	2	4
Shuang Xia	2	4
Jianfeng Chen	1	4

### AUDIT COMMITTEE

The AFC Audit Committee has been established to focus on audit and risk management and specifically addresses responsibilities relative to financial reporting and regulatory conformance.

The Audit Committee is accountable for ensuring the performance and independence of the external auditors and also makes recommendations to the Board.

The Audit Committee held and attended 4 meetings during the year and comprised of the following members:

Bo Xian Cao (Chairman)  
Jianfeng Chen  
Zilei Wang



# **AFC GROUP HOLDINGS LIMITED**

## **CORPORATE GOVERNANCE STATEMENT (continued)**

### **ETHICAL CONDUCT**

AFC has adopted a policy of business ethical conduct that is designed to formalise its commitment to high standards of ethical conduct and to provide all Directors and representatives with clear guidance on those standards. These are governed by its Code of Ethics, Conflicts of Interest Policy and its Insider Trading Policy.

AFC's Code of Ethics details the ethical and professional behavioural standards required of the Directors and other officers. The code also provides the means for proactively addressing and resolving potential ethical issues.

The Conflicts of Interest Policy details the process to be adopted for identifying conflicts of interest and the actions that should be taken.

The Code of Ethics and Conflicts of Interest Policy are available for the shareholders upon request.

### **OTHER COMMITTEES**

Due to the importance of nomination and remuneration matters the Board as a whole addresses these and consequently there is no separate Nomination or Remuneration Committee.

### **SHAREHOLDER INFORMATION**

The Board recognises the importance of providing comprehensive and timely information to shareholders.

AFC maintains a website for shareholders, [www.afcnz.com](http://www.afcnz.com). Shareholder reports, market announcements, copies of Annual Reports, presentations, press releases and news articles, as well as performance data, are posted on the website.

## **AFC GROUP HOLDINGS LIMITED**

### **AFC LONGVIEW LIMITED**

Longview Estate was established by the Vuletich family in 1969. Longview Estate Wines pioneered wine-growing in Whangarei. Longview is the oldest commercially operating vineyard in northern New Zealand with a total area of 4.22 hectares of vines. The Winery produces a series of wines with annual output of 16,000 litres. Varieties include Merlot, Cabernet Franc, Malbec, Syrah, Chardonnay, White Diamond and Gewürztraminer. The major wines are Reserve Gewurztraminer, Chardonnay, White Diamond, Merlot Cabernet Franc Malbec-Syrah and Gumdiggers Port. White Diamond is the unique product in New Zealand. White Diamond grapes produce a sweet fragrant, fruity wine, with an intense grape flavour. "Once tasted never forgotten".

## **AFC GROUP HOLDINGS LIMITED**

### **AFC INTERNATIONAL TRADING GROUP LIMITED**

AFC International Trading Group Limited (AFCIT) was setup to purchase products in New Zealand and to export these to China. The company involves in sourcing food products, health supplement products and cosmetic products in New Zealand and export to China. The Company has not purchased any new products and continued to sell the remaining stocks during the year.

## **AFC GROUP HOLDINGS LIMITED**

### **NATIONAL DAIRY GROUP LIMITED**

National Dairy Group Limited (NDG) is involved in research and development, manufacturing and management. All NDG products pass the qualification of GMP (Good Manufacturing Practice) in New Zealand. NDG is a wholly owned subsidiary of AFC Group Holdings Limited (AFC), NDG owns the “ Morning “ brand plus other brands. Its products are sold across New Zealand, Australia and China. NDG promotes natural health and scientific nutrition so it is able to provide its customers with high quality health food. The company has not traded and has not performed any research and development activities during the year.

## **AFC GROUP HOLDINGS LIMITED**

### **AFC BIOTECHNOLOGY MANUFACTURE CO. LIMITED**

AFC Biotechnology Manufacture Co Limited started production in July 2016. The designed annual capacity of the production line is 7 million sheets of cosmetic facial mask. With the most advanced face mask production line in New Zealand, the company adopts GMP standard and operates in a dust-free work shop. The Company sells both in New Zealand and exports primarily to China.

## **AFC GROUP HOLDINGS LIMITED**

### **AFC GOGLOBAL ECOMMERCE LIMITED**

GoGlobal is designed to be a platform which specialises in the sale of quality New Zealand and Australian products to China. This easy to use international platform allows producers and retailers to access the vast Chinese market with ease. The sellers can control their own prices, inventory, and all other aspects of the marketing and sales process from New Zealand. The company was not trading during the year.

### **AFC EDUCATION INVESTMENT LIMITED**

AFC Education Investment Limited (AFCEI) was established to acquire and reconstruct for educational institutes. It will integrate the educational resources and models of studying abroad between China and New Zealand. The company was not trading during the year.

AFC GROUP HOLDINGS LIMITED

# **CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2023

# AFC GROUP HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 NZ\$	2022 NZ\$
Operating revenue	2	1,075,442	415,023
Cost of sales	3	(322,605)	(383,971)
<b>Gross profit</b>		<u>752,837</u>	<u>31,052</u>
Other income	2	31,367	245,620
<b>Expenses</b>			
Selling and distribution expenses	3	(175,116)	(45,019)
Administration expenses	3	(710,918)	(886,156)
Reversal/(impairment loss) on trade receivables	9	(2)	(176)
<b>Operating loss</b>		<u>(101,832)</u>	<u>(654,679)</u>
Finance income	2	16	2
Finance expense	3	(61,876)	(87,662)
Gain on lease modification	13	-	31,506
Impairment on property, plant and equipment	12	(14,729)	(27,592)
		<u>(76,589)</u>	<u>(83,746)</u>
<b>Loss before income tax</b>		<u>(178,421)</u>	<u>(738,425)</u>
Income tax expenses	4	-	-
<b>Loss for the year</b>		<u>(178,421)</u>	<u>(738,425)</u>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<u><u>(178,421)</u></u>	<u><u>(738,425)</u></u>
<b>Loss and total comprehensive loss attributable to:</b>			
Equity holders of the parent		(145,171)	(410,219)
Non-controlling interest	7	(33,250)	(328,206)
		<u>(178,421)</u>	<u>(738,425)</u>
<b>Loss per share:</b>			
Basic and diluted earning per share in NZ\$	5	(0.00004)	(0.00011)



**AFC GROUP HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2023**

	Notes	Issued Share Capital NZ\$	Accumulated Losses NZ\$	Equity Holders of the Parent NZ\$	Non- Controlling Interests NZ\$	Total NZ\$
Balance as at 1 April 2021		28,679,503	(26,950,481)	1,729,022	(437,707)	1,291,315
Net loss for the financial year	7	-	(410,219)	(410,219)	(328,206)	(738,425)
Other comprehensive income		-	-	-	-	-
<b>Total comprehensive loss</b>		-	(410,219)	(410,219)	(328,206)	(738,425)
<b>Balance as at 31 March 2022</b>		<b>28,679,503</b>	<b>(27,360,700)</b>	<b>1,318,803</b>	<b>(765,913)</b>	<b>552,890</b>
Net loss for the financial year	7	-	(145,171)	(145,171)	(33,250)	(178,421)
Other comprehensive income		-	-	-	-	-
<b>Total comprehensive loss</b>		-	(145,171)	(145,171)	(33,250)	(178,421)
<b>Balance as at 31 March 2023</b>		<b>28,679,503</b>	<b>(27,505,871)</b>	<b>1,173,632</b>	<b>(799,163)</b>	<b>374,469</b>

# AFC GROUP HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS AT 31 MARCH 2023

	Notes	2023 NZ\$	2022 NZ\$
<b>SHAREHOLDERS EQUITY</b>			
Issued share capital	6	28,679,503	28,679,503
Accumulated losses		(27,505,871)	(27,360,700)
<b>Total Equity attributable to shareholders of the company</b>		<b>1,173,632</b>	<b>1,318,803</b>
Non-controlling Interest	7	(799,163)	(765,913)
<b>Total shareholders funds</b>		<b>374,469</b>	<b>552,890</b>
<i>Represented by:</i>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	4,963	14,451
Trade, other and related party receivables	9	10,846	8,943
Inventories	11	314,725	352,162
Prepayments and other current assets	10	69,243	49,005
<b>Total current assets</b>		<b>399,777</b>	<b>424,561</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	1,397,148	1,431,194
Right-of-use assets	13	84,710	9,553
Intangible assets	15	558	708
<b>Total non-current assets</b>		<b>1,482,416</b>	<b>1,441,455</b>
<b>Total assets</b>		<b>1,882,193</b>	<b>1,866,016</b>
<b>CURRENT LIABILITIES</b>			
Trade, other and related party payables	16	1,333,748	1,248,492
Lease liabilities	13	35,110	11,234
Short-term Loan		1,562	-
<b>Total current liabilities</b>		<b>1,370,420</b>	<b>1,259,726</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	17	81,847	53,400
Lease liabilities	13	55,457	-
<b>Total non-current liabilities</b>		<b>137,304</b>	<b>53,400</b>
<b>Total liabilities</b>		<b>1,507,724</b>	<b>1,313,126</b>
<b>Net assets</b>		<b>374,469</b>	<b>552,890</b>

For and behalf of the Board, dated 26/06/2023

Yang Xia  
Director

Bo Xian Cao  
Director

**AFC GROUP HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

	Notes	2023 NZ\$	2022 NZ\$
<b>Cash flows from operating activities</b>			
<i>Cash was received from:</i>			
Receipts from customers		153,768	461,947
Receipts from related parties		919,769	142,533
Interest received		16	2
Other receipts		39,325	251,757
<i>Cash was applied to:</i>			
Payments to suppliers and employees		(907,348)	(894,403)
Payments to related parties		(81,991)	-
Interest paid		(51,550)	(56,122)
Lease interest	13	(10,326)	(31,541)
Net cash outflow from operating activities	18	<u>61,663</u>	<u>(125,827)</u>
<b>Cash flows from investing activities</b>			
<i>Cash was received from:</i>			
Proceeds from disposal of property, plant and equipment		-	-
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment	12	(3,120)	(4,403)
Net cash inflow/(outflow) from investing activities		<u>(3,120)</u>	<u>(4,403)</u>
<b>Cash flows from financing activities</b>			
<i>Cash was received from:</i>			
Proceeds from borrowings	17	44,814	-
Received from related parties		477,200	312,210
<i>Cash was applied to:</i>			
Payments for lease liabilities principal		(39,834)	(164,769)
Repayments to related parties		(527,449)	-
Repayment to borrowings		(14,805)	-
Net cash inflow from financing activities		<u>(60,074)</u>	<u>147,441</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(1,531)</u>	<u>17,211</u>
Foreign currency translation adjustment		(7,958)	(6,135)
<b>Cash and cash equivalents at the beginning of the year</b>		14,451	3,375
<b>Cash and cash equivalents at the end of the year</b>	8	<u><u>4,963</u></u>	<u><u>14,451</u></u>

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 1. ACCOUNTING POLICIES

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##### REPORTING ENTITY

AFC Group Holdings Limited (the "Company") is a company incorporated and domiciled in New Zealand and registered under the Companies Act 1993. The Company is listed and its ordinary shares are quoted on the NZX main board equity security market (NZX main market) and the addresses of its registered office and principal place of business are disclosed in the Corporate Information section of this report. The Company is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 and its financial statements comply with the Companies Act 1993 and the Financial Markets Conduct Act 2013.

The consolidated financial statements of AFC Group Holdings Limited for the year ended 31 March 2023 comprise the Company and its subsidiaries (together referred to as the "Group"). For the purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP"), the Group is a for-profit entity. As a listed company, the Group is considered a Tier One entity. The principal activity of the Company and the Group is to produce, manufacture and purchase food, health, and cosmetic products for distribution in New Zealand and the Chinese markets. The Group also operates in the winery and vineyard industry which has manufacturing operations.

##### 1.1 Statement of compliance

These financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards ("NZ IFRS"), as applicable to the Group as a profit oriented entity. These financial statements also comply with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were approved and authorised for issue by the directors on 26/06/2023. The directors are not able to amend the financial statements after issue.

##### 1.2 Basis of preparation

The consolidated financial statements are prepared on a cost basis except for biological produce which has been measured at fair value. The preparation of financial statements in conformity with NZ IFRS and IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1.23.

The consolidated financial statements for the Group are presented in New Zealand dollars (\$), which is the functional currency of all entities within the Group. All financial information has been rounded to the nearest dollar unless otherwise stated.

##### Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 1. ACCOUNTING POLICIES (continued)

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##### 1.2 Basis of preparation (continued)

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

##### 1.3 New accounting standards adopted

There are no new standards, amendments to standards, or interpretations to existing standards, that have any impact on the Group for the year ended 31 March 2023.

##### 1.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2023. Subsidiaries are those entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of an investee begins when the Group obtains control over the investee and ceases when the Group loses control of the investee. Assets, liabilities, income and expenses of an investee acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the investee.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the investee is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 1. ACCOUNTING POLICIES (continued)

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##### 1.5 Intangible assets

Intangible assets comprise of trademarks. Trademarks are carried at cost less any accumulated amortisation. Trademarks have a finite useful life of 10 years and the Group amortises these using the straight-line method over 10 years. Trademarks are recognised in the statement of financial position at cost less accumulated amortisation.

##### 1.6 Going concern

The consolidated financial statements have been prepared on a going concern basis. The Group incurred a net loss for the year of \$178,421 (2022: \$738,425). At 31 March 2023, the Group's current liabilities exceeded its current assets by \$970,643 and had positive equity of \$374,469 (2022: \$552,890). The Group had suffered reduced sales in previous years due to the Covid-19 pandemic and has taken steps manage the business accordingly. In 2023, the loss narrowed significantly with sales increasing 1.7 times over last year. The Group recorded a positive net cash inflow from operating activities of \$61,663 in this year.

The key factors the Directors considered in determining that the Going Concern assumption was appropriate

1. There is minimal external debt and no externally imposed capital requirements.
2. The Group has significant property at Longview vineyard which includes three residential housing units. This property is unencumbered. The Directors consider that this property could be utilised to raise debt at low rates from a major New Zealand bank if liquidity needs required it. They do not forecast that this will be necessary in the foreseeable future.
3. The Group has considerable stocks of Finished Goods which will convert to positive cash inflows when settled by sale, with little or no cash outflow required.
4. As disclosed in note 19 there are related party payables of \$1,082,531. It has been agreed that payment of these will be deferred until such time as the group has the liquidity to settle these liabilities.
5. In response to the Covid-19 pandemic, the Group has reduced the fixed cost base of the business. This has been achieved with the reduction in Directors fees and reduction in staff levels. The Group has outsourced its inventory storage and integrated its office space, which significantly reduced the rental expenditure of warehouse and other ancillary costs.
6. Detailed budgets for the two operational segments have been prepared which supports the going concern assumption.
7. The key estimate in the budgets is the expected level of sales volumes of wine and cosmetic face masks.
8. In October 2022, a sales contract to sell \$790,000 of wine was signed. The Group has completed 35% of the supply. The balance will be completed in the following year. In FY2023, nearly \$60,000 of wines were exported to the China market. There will be other such expected exports in FY2024.
9. Sales of cosmetic face masks in New Zealand have been negatively affected by the closure of borders in previous years. The re-opening of borders began to reverse the downward trend of domestic sales. Meanwhile, the Group is considering new distribution channels.
10. Based on the current stages of negotiations with customers, the Directors are anticipating sales in FY2024 will continue to increase.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or classification of liabilities that might be necessary should the company not be able to continue as a going concern.

The conditions noted above indicate the existence of a material uncertainty about the Group's ability to continue as a going concern

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 1. ACCOUNTING POLICIES (continued)

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##### 1.7 Revenue

The Group generates revenue primarily from the sale of wine and DD masks to its customers. Other sources of revenue include interest income and rental income.

##### ***Sale of goods - Contracts with customers***

The Group recognises revenue under NZ IFRS 15 when a customer obtains control of the goods. The Group recognises revenue to depict the transfer of products to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

Revenue from contracts with customers is recognised when the goods are delivered to the port of delivery and have been accepted by the customer.

For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the revenue recognised will not occur. The amount of revenue recognised is adjusted for expected returns based on historical data and trends for returns. The Group reviews its estimate of expected returns at each reporting date.

##### ***Interest income***

Interest income is accrued on a time apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

##### ***Rental***

Rental Income is recognised as income on a straight-line basis over the term of the lease.

##### ***Government grant***

Grant income is recognised as revenue when it becomes receivable unless the Group has a liability to repay the grant if the requirements of the grant are not fulfilled. A liability is recognized to the extent that such conditions are unfulfilled at the end of the reporting period and is released to revenue as the conditions are fulfilled.

##### 1.8 Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the date. The foreign currency gains or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of year.

##### 1.9 Inventories

The valuation of inventory is determined under the principle of lower of cost or net realisable value. The cost of inventories is based on the first in first out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 1. ACCOUNTING POLICIES (continued)

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##### 1.9 Inventories (continued)

The Directors' assessment of the value is determined after reviewing and comparing the market price with the cost and as a result of this, the carrying value of some inventories have been written down to estimated net realisable value. The total amount of the provision written off to profit or loss at 31 March 2023 was \$257,263 (31 March 2022: \$273,920).

Included within the cost of inventory is the fair value of the grapes (agricultural produce) at the time the grapes are harvested. At the point of harvest, the harvest of grapes qualify as agricultural produce under NZ IAS 41: Agriculture and are recorded at fair value at that date. The fair value at point of harvest becomes the basis of cost when accounting for inventories.

Growing Costs: Harvesting of the grape crop is ordinarily performed in late March. Costs incurred in growing the grapes including any applicable harvest costs, are initially allocated into the cost of inventory as part of the total cost to acquire and grow the agricultural produce. At the point of harvest, a fair value adjustment is made so that the cost per tonne is adjusted to fair value in accordance with NZ IAS 41: Agriculture and NZ IFRS 13: Fair Value Measurement. Any difference between cost and fair value is included within the statement of comprehensive income as cost of sales.

##### 1.10 Leases

###### *The Group as a lessee*

###### Right-of-use assets

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

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

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

###### Lease Liabilities

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



# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 1. ACCOUNTING POLICIES (continued)

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##### 1.10 Leases (continued)

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

##### *The Group as a lessor*

Rental Income from operating leases is recognised as income on a straight-line basis over the period of the lease.

##### 1.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in bank.

##### 1.12 Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

##### 1.13 Financial assets

The Group measures debt assets at amortised cost as the Group holds the financial assets for the collection of the contractual cash flows, and the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments including investments in equity investments are recognised at fair value.

##### Financial assets at amortised cost

Trade, other and related party receivables are amounts due from customers and related parties in the ordinary course of business. The Group holds the trade, other and related party receivables with the objective to collect the contractual cash flows and therefore subsequently measures them at amortised cost using the effective interest method.

Loans and receivables are also measured and classified at amortised cost using the effective interest method less impairment. Interest is not charged on overdue amounts.

##### 1.14 Financial Liabilities

##### Financial liabilities at amortised cost

Trade and other payables are initially measured at fair value less transaction costs and subsequently carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 1. ACCOUNTING POLICIES (continued)

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##### 1.14 Financial Liabilities (continued)

###### Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

###### Related party payables

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

##### 1.15 Equity

Share capital is classified as equity when the amount represents a residual interest. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transactions costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

##### 1.16 Goods and services tax (“GST”)

Revenue, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables, which are recognised inclusive of GST.

##### 1.17 Income tax

Taxation expense comprises both current and deferred tax.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Income tax is recognised in the Income Statement except when it relates to items that are recognised directly under other comprehensive income, in which case the income tax is recognised in other comprehensive income.

Deferred tax is accounted for using the balance sheet method, providing for temporary differences between the carrying values of assets and liabilities in the financial statements and the corresponding tax base of these items. Deferred tax is determined using tax rates and regulations enacted at the balance sheet date in New Zealand, which is the jurisdiction the Group operates and generates taxable income in.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 1. ACCOUNTING POLICIES (continued)

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##### 1.18 Property, plant and equipment

###### Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

###### Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit and loss component of the consolidated statement of comprehensive income as incurred.

###### Depreciation

Depreciation is recognised in the consolidated statement of comprehensive income to write off the cost of an item of property, plant and equipment over its expected useful life, at the following rates:

Land & Land Improvements	Not Depreciated
Buildings	0% - 6% Diminishing Value
Computer Equipment	50% Diminishing Value
Plant & Equipment	7% - 40% Diminishing Value
Motor Vehicles	10% - 40% Diminishing Value
Fixture and Fittings and Office Equipment	13% - 67% Diminishing Value
Grape Vines / Bearer Plants	7.5% Diminishing Value

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The useful lives and residual values are reviewed annually.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit and loss component of the consolidated statement of comprehensive income.

##### 1.19 Biological assets

Biological assets consist of grape fruit bunches. The Group grows and purchases grapes to use in the production of wine, as part of normal operations. Grapes are normally harvested between March and May each year. The grapes harvested and purchased are adjusted to fair value at the point of harvest after taking into consideration of various market factors, as well as reviewing the district average pricing report for grapes of similar quality and variety. Any adjustment to bring the cost of sales to fair value is recognised in inventory and cost of sales.

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 1. ACCOUNTING POLICIES (continued)

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##### 1.20 Impairment of assets

###### Financial assets

For trade, other and related party receivables, the group applies the NZ IFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The Group also considers other forward looking economic factors in determining the impairment of trade, other and related party receivables.

When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan and trade receivables where the carrying amount is reduced through the use of an allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

###### Non-financial assets

At each reporting date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such impairment exists, the recoverable amount of the asset is estimated to establish the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying value is reduced to the recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

All impairment losses are immediately recognised through profit and loss.

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 1. ACCOUNTING POLICIES (continued)

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##### 1.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises of warrants.

##### 1.22 Cash flows

The following are the definitions used in the consolidated statement of cash flows:

- Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- Operating activities are the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.
- Investing activities are the acquisition and disposal of long-term assets not included in cash and cash equivalents.
- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Group.

##### 1.23 Critical accounting judgments and key sources of estimation uncertainty

The Group prepares its consolidated financial statements in accordance with NZ IFRS, the application of which often requires judgements to be made by management when formulating the Group's financial position and results. Under NZ IFRS, the Directors are required to adopt those accounting policies most appropriate to the Group's circumstances for the purpose of presenting a true and fair view of the Group's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group should it later be determined that a different choice would be more appropriate.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in more detail below.

##### Impairment of trade, other and related party receivables

In determining the impairment of trade, other and related party receivables provision, the Group assesses the balances by applying the expected loss and forward looking approach under NZ IFRS 9. This assessment involves making estimates and judgements regarding the historical data and trends, factors such as economic conditions, external ratings, cash flow projections and other information available that impacts the customers of the Group.

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 1. ACCOUNTING POLICIES (continued)

##### 1.23 Critical accounting judgments and key sources of estimation uncertainty (continued)

###### Recognition of provision for deferred tax assets

The Group has not recognised a deferred tax asset (2022: No deferred tax asset recognised) on its statement of financial position as at reporting date. Significant judgement is required in determining if the utilisation of deferred assets is probable. The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest forecasts of future earnings of the Group. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits (refer note 4).

###### Provision for Inventory

The Group's assessment of provisions for inventory obsolescence and net realisable value involves making estimates and judgements in relation to future selling prices. The Group considers a wide range of factors including historical data, current trends, recent sales data and product information from buyers as part of the process to determine the appropriate value of these provisions.

###### Impairment of property, plant and equipment

In determining whether an item of property, plant and equipment is impaired, the Group applies NZ IAS 36 Impairment of Assets. This assessment involves the review of the carrying amount of its assets or cash-generating unit and if this exceeds the recoverable amount. This assessment involves estimating the value in use of an asset and estimating the future cash inflows and outflows to be derived from the continued use of the asset and its disposal and applying an appropriate discount rate to those future cash flows.

#### 2. REVENUE

	<b>2023</b>	<b>2022</b>
	<b>NZ\$</b>	<b>NZ\$</b>
<b>Operating revenue</b>		
Sales - wine products	1,026,626	335,560
Sales - cosmetic products	48,816	79,463
<b>Total operating revenue</b>	<b>1,075,442</b>	<b>415,023</b>
Other income	13,788	26,700
Rental income	17,579	18,880
Covid-19 wage subsidy	-	200,040
	<b>31,367</b>	<b>245,620</b>
<b>Total Income</b>	<b>1,106,809</b>	<b>660,643</b>
<b>Finance Income:</b>		
Interest received on bank account	16	2
	<b>16</b>	<b>2</b>

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 2. REVENUE (continued)

##### Operating revenue - Geographical locations

Operating revenue is attributed to the following geographical locations on the basis of the country the customer is trading in.

	Sales - Wine products	Sales - Cosmetic products	Sales - Other products	Total
	NZ\$	NZ\$	NZ\$	NZ\$
<b>31 March 2023</b>				
China	589,100	-	-	589,100
New Zealand	437,526	48,816	-	486,342
Operating Revenue	1,026,626	48,816	-	1,075,442
<b>31 March 2022</b>				
China	223,975	19,027	-	243,002
New Zealand	111,585	60,436	-	172,021
Operating Revenue	335,560	79,463	-	415,023

#### 3. EXPENSES

	Note	2023 NZ\$	2022 NZ\$
<b>Profit/(Loss) before income tax after charging:</b>			
<b>Included in Cost of Sales Expenses</b>			
Cost of goods sold		339,262	445,860
Provision for inventory obsolescence	11	(16,658)	(61,889)
<b>Included in Selling and Distribution Expenses</b>			
Advertising		3,641	273
Business events		7,908	9,644
Freight and courier		37,963	4,746
Salaries and sales commission		125,185	30,356
<b>Included in Administration Expenses</b>			
Accounting and consulting		34,875	33,500
Amortisation of intangible assets	15	150	150
Depreciation for property, plant and equipment	12	22,437	33,670
Depreciation for right-of-use assets	13	44,009	166,470
Directors fees		4,375	15,167
Licences & subscriptions		17,737	16,664
Travel - international		12,546	-
Insurance		20,509	22,320
Share registry & listing expenses		28,226	21,818
Legal fees		9,748	4,635
Management fees		40,000	35,000
Salaries		452,214	421,418
Rent		38,132	52,196

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 3. EXPENSES (continued)

<b>Auditors' remuneration</b>		
Audit of financial statements	55,937	64,310
<b>Total fees paid to auditors</b>	<b>55,937</b>	<b>64,310</b>

The auditors of the financial statements for 2023 were William Buck Audit (NZ) Limited (2022: William Buck Audit (NZ) Limited).

The auditors of the Wine Standard Management Plan for 2023 were Quality Auditing Specialists Limited (2022: Quality Auditing Specialists Limited).

	Note	2023 NZ\$	2022 NZ\$
<b>Finance costs:</b>			
Interest paid on borrowings from related parties	19	49,609	53,427
Lease interest	13	10,326	31,541
Other interest paid		1,940	2,694
		<b>61,876</b>	<b>87,662</b>

#### 4. INCOME TAX EXPENSE

##### 4.1. Components of Income tax expense

The income tax expense for the year is nil, (2022: \$nil)

The tax rate used for the reconciliation below is the corporate tax rate of 28% (2022: 28%) payable by New Zealand corporate entities on taxable profits under New Zealand tax law.

	2023 NZ\$	2022 NZ\$
<b>Reconciliation of effective tax rate</b>		
Profit/(loss) before income tax	(178,421)	(738,425)
Income tax expense/(benefit) calculated at 28%	(49,958)	(206,759)
Expected income expense/(benefit)	(49,958)	(206,759)
<u>Adjustments</u>		
Non deductible expenses	1,411	25,585
Non taxable income	-	(24,548)
Deferred tax adjustments	-	-
Losses brought forward	(1,383,881)	(1,155,282)
Losses offset against other deferred tax assets	(30,044)	(22,877)
Losses not recognised and carried forward	1,462,472	1,383,881
<b>Income tax expense</b>	<b>-</b>	<b>-</b>



# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 4. INCOME TAX EXPENSE (continued)

4.2 Deferred tax assets and liabilities	2023	2022
	NZ\$	NZ\$
Deferred tax assets/(liabilities) arising from the following:		
Unused tax losses	1,462,472	1,383,881
Provisions and accruals	99,173	107,235
Property, plant and equipment	23,039	46,190
Right of use assets and lease liabilities	1,640	470
Tax benefits not recognised	(1,586,324)	(1,537,776)

#### Deferred tax assets as at 31 March

- -

	Opening Balance	Movements	Balance
	1 April		as at
	NZ\$	NZ\$	31 March
			NZ\$
<b>31 March 2022</b>			
Unused tax losses	1,155,282	228,599	1,383,881
Provisions and accruals	122,655	(15,420)	107,235
Property, plant and equipment	45,301	889	46,190
Right of use assets and lease liabilities	8,816	(8,346)	470
Deferred tax not recognised	(1,332,054)	(205,722)	(1,537,776)
	-	-	-
<b>31 March 2023</b>			
Unused tax losses	1,383,881	78,591	1,462,472
Provisions and accruals	107,235	(8,062)	99,173
Property, plant and equipment	46,190	(23,151)	23,039
Right of use assets and lease liabilities	470	1,170	1,640
Deferred tax not recognised	(1,537,776)	(48,548)	(1,586,324)
	-	-	-

The above amounts are tax effected balances. Obtaining the benefits of the deferred tax assets is dependent upon deriving sufficient assessable income and the Group have assessed that there will not be sufficient taxable income with which to utilise the asset based on the forecasts provided.

Losses can be carried forward indefinitely under New Zealand tax law (assuming shareholder continuity requirements are met and approval of the Inland Revenue Department is obtained).

The Group has not recognised the deferred tax asset of \$1,586,324 on its Statement of Financial Position as at reporting date as the Group has determined that the utilisation of deferred tax assets is not probable. In deciding whether to recognise the deferred tax assets, the Group also considers whether it is likely that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted.

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 5. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per

	<b>2023</b>	<b>2022</b>
	<b>NZ\$</b>	<b>NZ\$</b>
<u>Basic earnings per share</u>		
Profit/(Loss) after taxation attributable to equity holders of the parent	(145,171)	(410,219)
Weighted average number of ordinary shares on issue	3,664,253,194	3,664,253,194
Basic and Diluted Earning per share in NZ\$	(0.00004)	(0.00011)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

#### 6. AUTHORISED AND ISSUED SHARE CAPITAL

##### 6.1 Ordinary shares

	<b>Shares Issued No.</b>	<b>Group NZ\$</b>
<b>31 March 2022</b>		
<b>Balance at 1 April 2021</b>	<u>3,664,253,194</u>	<u>28,679,577</u>
<b>Movement for 2022 financial year</b>		
Ordinary shares authorised and issued	-	-
<b>Ordinary shares on issue at 31 March 2022</b>	<u>3,664,253,194</u>	<u>28,679,577</u>
Treasury shares	(37,082)	(74)
<b>Ordinary shares on issue at 31 March 2022 excluding treasury shares</b>	<u><b>3,664,216,112</b></u>	<u><b>28,679,503</b></u>
<b>31 March 2023</b>		
<b>Balance at 1 April 2022</b>	<u>3,664,253,194</u>	<u>28,679,577</u>
<b>Movement for 2023 financial year</b>		
Ordinary shares authorised and issued	-	-
<b>Ordinary shares on issue at 31 March 2023</b>	<u>3,664,253,194</u>	<u>28,679,577</u>
Treasury shares	(37,082)	(74)
<b>Ordinary shares on issue at 31 March 2023 excluding treasury shares</b>	<u><b>3,664,216,112</b></u>	<u><b>28,679,503</b></u>

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 6. AUTHORISED AND ISSUED SHARE CAPITAL (continued)

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All ordinary shares issued are fully paid. All ordinary shares rank equally with one vote attached to each fully paid ordinary share and have equal dividend rights and no par value.

Treasury shares are those shares acquired by the company from shareholders who exercised their minority buy back rights at the time shares were issued to NZ Silveray Group Limited. These shares are held by the company until the directors resolve to reissue the shares or to cancel the shares. At balance date, the company held 37,082 treasury shares which were acquired during 2016.

#### 6.2 Warrants

No warrants were issued during the 2023 year (2022: \$nil).

#### 6.3 Dividend

No dividends have been declared or paid for the year ended 31 March 2023 (2022: \$nil).

#### 7. NON-CONTROLLING INTEREST

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There are non-controlling interests in AFC Biotechnology Manufacture Co Limited and AFC Longview Limited.

##### **AFC Biotechnology Manufacture Co Limited**

AFC Biotechnology Manufacture Co Limited was incorporated in July 2016 with 100 ordinary shares issued at \$10,000 for each share. For the FY2023 year, AFC Group Holdings Limited held 51% of the shares and non-controlling interest held remaining 49% of the shares (NZ Silveray Group Limited held 24% of the shares, Wei Li held 20% of the shares and others held remaining 5% of the shares).

##### **AFC Longview Limited**

On 26 February 2016 AFC Longview Limited was recapitalised by the issue of 2,399,999 shares of \$1 each for cash. 1,223,999 shares were subscribed by AFC Group Holdings Limited (51% shareholding) and NZ Silveray Group Limited (a non-controlling interest) subscribed to the remaining 1,176,000 shares (49% shareholding).

Both entities are incorporated and domiciled in New Zealand.

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 7. NON-CONTROLLING INTEREST (continued)

The non-controlling interest in AFC Biotechnology Manufacture Co Limited and AFC Longview Limited are set out below. The amounts stated are before any inter-company eliminations.

	AFC Biotechnology Manufacture		AFC Longview Limited	
	2023 NZ\$	2022 NZ\$	2023 NZ\$	2022 NZ\$
<b>Summarised statement of financial position</b>				
Current assets	90,447	81,162	245,709	306,870
Current liabilities	2,090,673	1,689,552	1,263,983	1,697,094
<b>Current net assets/(liabilities)</b>	<b>(2,000,226)</b>	<b>(1,608,390)</b>	<b>(1,018,274)</b>	<b>(1,390,224)</b>
Non-current assets	11,317	25,734	1,383,203	1,398,309
Non-current liabilities	18,447	19,000	34,400	15,400
<b>Non-current net assets</b>	<b>(7,130)</b>	<b>6,734</b>	<b>1,348,803</b>	<b>1,382,909</b>
<b>Net assets</b>	<b>(2,007,355)</b>	<b>(1,601,656)</b>	<b>330,528</b>	<b>(7,315)</b>
Net Assets attributed to non-controlling interest	(983,604)	(784,811)	161,959	(3,584)
<b>Summarised statement of comprehensive income</b>				
Revenue	48,816	79,463	1,026,626	335,560
<b>Loss for the year</b>	<b>(405,699)</b>	<b>(475,125)</b>	<b>337,842</b>	<b>(194,684)</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss</b>	<b>(405,699)</b>	<b>(475,125)</b>	<b>337,842</b>	<b>(194,684)</b>
<b>Loss allocated to non-controlling interest</b>	<b>(198,793)</b>	<b>(232,811)</b>	<b>165,543</b>	<b>(95,395)</b>
<b>Summarised cash flows</b>				
Cash flows from operating activities	(365,247)	(141,136)	555,647	(115,555)
Cash flows from investing activities	(1,804)	-	(1,316)	(2,577)
Cash flows from financing activities	370,584	152,056	(554,376)	120,414
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,533</b>	<b>10,920</b>	<b>(45)</b>	<b>2,282</b>

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 7. NON-CONTROLLING INTEREST (continued)

The effect on the profit and loss attributable to non-controlling interest and to the equity holders of the parent of AFC Longview Limited and AFC Biotechnology Manufacture Co Limited is summarised as follows:

	Total comprehensive loss for the year	Loss allocated to non- controlling interest	Loss allocated to the equity holders of the parent
<b>31 March 2023</b>			
AFC Longview Limited	337,842	165,543	172,299
AFC Biotechnology Manufacture Co Limited	(405,699)	(198,793)	(206,907)
	<u>(67,857)</u>	<u>(33,250)</u>	<u>(34,607)</u>
<b>31 March 2022</b>			
AFC Longview Limited	(194,684)	(95,395)	(99,289)
AFC Biotechnology Manufacture Co Limited	(475,125)	(232,811)	(242,314)
	<u>(669,809)</u>	<u>(328,206)</u>	<u>(341,603)</u>

The effect on the equity attributable to the owners of AFC Longview Limited and AFC Biotechnology Manufacture Co Limited is summarised as follows:

	<b>2023</b> <b>NZ\$</b>	<b>2022</b> <b>NZ\$</b>
<b>AFC Longview Limited</b>		
Opening Balance	(3,583)	91,812
Loss and total comprehensive loss attributed to non-controlling interest	165,543	(95,395)
	<u>161,960</u>	<u>(3,583)</u>
<b>AFC Biotechnology Manufacture Co Limited</b>		
Opening Balance	(762,330)	(529,519)
Loss and total comprehensive loss attributed to non-controlling interest	(198,793)	(232,811)
	<u>(961,123)</u>	<u>(762,330)</u>
Total effect of non-controlling interest	<u><b>(799,163)</b></u>	<u><b>(765,913)</b></u>

#### 8. CASH AND CASH EQUIVALENTS

	<b>2023</b> <b>NZ\$</b>	<b>2022</b> <b>NZ\$</b>
Cash at bank and on hand	4,963	14,451
<b>Total cash and cash equivalents</b>	<u>4,963</u>	<u>14,451</u>

The carrying amount of cash and cash equivalents approximates their fair value.

Cash at bank earns interest at floating rates on daily deposit balances. There is no overdraft facility for the Group.

**AFC GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**9. TRADE, OTHER AND RELATED PARTY RECEIVABLES**

	<b>Note</b>	<b>2023</b> <b>NZ\$</b>	<b>2022</b> <b>NZ\$</b>
Trade receivables - third parties		8,230	6,849
Trade receivables - related parties	19	2,624	2,100
		<u>10,854</u>	<u>8,949</u>
Allowance for impairment losses		(8)	(6)
<b>Total trade and related party receivables</b>		<b><u>10,846</u></b>	<b><u>8,943</u></b>
<b>Analysis of trade and related party receivables</b>			
Current		3,780	361
Past due 0-30		4,320	49
Past due 31-90		580	4,032
Past due more than 90		2,174	4,507
		<u>10,854</u>	<u>8,949</u>

Trade debtors are non-interest bearing and receipt is normally on 30 days terms. Related party receivables are non-interest bearing and repayable on demand as disclosed in note 19.

The directors consider that there is no material difference between the carrying value and fair value of trade debtors and related party receivables. The Group's management considers that all financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. The directors also consider that the receivables that are past due and not impaired are fully recoverable.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and related party receivables.

	<b>2023</b> <b>NZ\$</b>	<b>2022</b> <b>NZ\$</b>
<b>Movement in the allowance for impairment losses</b>		
Opening Balance 1 April	6	182
Reversal of prior year provision	(6)	(182)
Charge for the financial year	8	6
<b>Closing Balance 31 March</b>	<b><u>8</u></b>	<b><u>6</u></b>
Prepayment of expenses	73,558	43,535
Taxation receivable	(4,315)	182
GST receivable		5,288
	<u>69,243</u>	<u>49,005</u>

Prepayment of inventory is required to secure the production of specific inventory items produced to the Group's specification.

**AFC GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**10. PREPAYMENTS AND OTHER CURRENT ASSETS**

	<b>2023</b>	<b>2022</b>
	<b>NZ\$</b>	<b>NZ\$</b>
Advances to suppliers	-	-
Prepayment of expenses	73,558	43,535
Taxation receivable	(4,315)	182
GST receivable		5,288
	<u>69,243</u>	<u>49,005</u>

Prepayment of inventory is required to secure the production of specific inventory items produced to the Group's specification.

**11. INVENTORIES**

	<b>2023</b>	<b>2022</b>
	<b>NZ\$</b>	<b>NZ\$</b>
Work in progress	158,534	123,509
Finished goods	413,454	502,573
Provision for inventory	(257,263)	(273,920)
<b>Total Inventories</b>	<u>314,725</u>	<u>352,162</u>

	<b>2023</b>	<b>2022</b>
	<b>NZ\$</b>	<b>NZ\$</b>
<b>Provision for closing stock</b>		
Opening provision for inventory	(273,920)	(335,809)
Reversal of opening provision for inventory	-	-
Released to profit and loss	16,658	61,889
<b>Closing provision for closing stock</b>	<u>(257,263)</u>	<u>(273,920)</u>

Inventory of \$257,263 has been expensed and written down to net realisable value/lower of cost (2022: \$273,920).

Assessing write downs for inventory obsolescence and net realisable value involves making estimates and judgements in relation to future selling prices between the most recent store stock counts and reporting date.

The fair value of agricultural produce as at the point of harvest was \$4,490 (2022: \$6,725).

**AFC GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**12. PROPERTY, PLANT AND EQUIPMENT**

	Land NZ\$	Buildings NZ\$	Land Improve ment NZ\$	Plant & Equipment NZ\$	Motor Vehicles NZ\$	Computer Equipment NZ\$	Fixture & Fittings, Office Equipment NZ\$	Bearer Plants - Grape Vines NZ\$	Total NZ\$
<b>Year ended 31 March 2022</b>									
<b>Cost</b>									
Cost as at 1 April 2021	320,000	905,200	50,000	322,108	71,469	28,756	156,820	80,000	<b>1,934,352</b>
Additions	-	-	-	-	-	4,403	-	-	<b>4,403</b>
Disposal	-	-	-	-	-	-	-	-	<b>-</b>
Impairment	-	-	-	-	-	-	(52,604)	-	<b>(52,604)</b>
Written off	-	-	-	-	-	-	-	-	<b>-</b>
<b>Cost as at 31 March 2022</b>	<b>320,000</b>	<b>905,200</b>	<b>50,000</b>	<b>322,108</b>	<b>71,469</b>	<b>33,159</b>	<b>104,215</b>	<b>80,000</b>	<b>1,886,151</b>
<b>Accumulated Depreciation</b>									
Accumulated Depreciation at 1 April 2021	-	(10,818)	-	(224,394)	(55,589)	(26,253)	(103,416)	(25,826)	<b>(446,296)</b>
Depreciation charge for the year	-	(2,565)	-	(12,453)	(1,888)	(2,480)	(10,222)	(4,062)	<b>(33,670)</b>
Disposal	-	-	-	-	-	-	-	-	<b>-</b>
Impairment	-	-	-	-	-	-	25,012	-	<b>25,012</b>
<b>Accumulated Depreciation at 31 March</b>	<b>-</b>	<b>(13,383)</b>	<b>-</b>	<b>(236,847)</b>	<b>(57,477)</b>	<b>(28,733)</b>	<b>(88,626)</b>	<b>(29,888)</b>	<b>(454,954)</b>
<b>Carrying Amount</b>									
Cost	320,000	905,200	50,000	322,108	71,469	33,159	104,215	80,000	<b>1,886,151</b>
Accumulated Depreciation	-	(13,383)	-	(236,847)	(57,477)	(28,733)	(88,626)	(29,888)	<b>(454,954)</b>
<b>Carrying Amount 31 March 2022</b>	<b>320,000</b>	<b>891,817</b>	<b>50,000</b>	<b>85,261</b>	<b>13,992</b>	<b>4,426</b>	<b>15,589</b>	<b>50,112</b>	<b>1,431,194</b>
<b>Year ended 31 March 2023</b>									
<b>Cost</b>									
Cost as at 1 April 2022	320,000	905,200	50,000	322,108	71,469	33,159	104,215	80,000	<b>1,886,151</b>
Additions	-	-	-	1,315	-	-	1,804	-	<b>3,120</b>
Disposal	-	-	-	-	-	-	-	-	<b>-</b>
Impairment	-	-	-	(10,640)	-	(13,999)	(74,897)	-	<b>(99,537)</b>
Prior period correction	-	-	-	(8,834)	4,666	-	1,325	-	<b>(2,844)</b>
Written off	-	-	-	-	-	-	-	-	<b>-</b>
<b>Cost as at 31 March 2023</b>	<b>320,000</b>	<b>905,200</b>	<b>50,000</b>	<b>303,949</b>	<b>76,135</b>	<b>19,159</b>	<b>32,447</b>	<b>80,000</b>	<b>1,786,891</b>
<b>Accumulated Depreciation</b>									
Accumulated Depreciation at 1 April 2022	-	(13,383)	-	(236,847)	(57,477)	(28,733)	(88,626)	(29,888)	<b>(454,954)</b>
Depreciation charge for the year	-	(2,023)	-	(9,874)	(1,556)	(2,029)	(3,197)	(3,758)	<b>(22,437)</b>
Disposal	-	-	-	-	-	-	-	-	<b>-</b>
Prior period correction	-	928	-	8,599	(7,010)	-	325	-	<b>2,841</b>
Impairment	-	-	-	8,378	-	13,632	62,798	-	<b>84,808</b>
<b>Accumulated Depreciation at 31 March</b>	<b>-</b>	<b>(14,477)</b>	<b>-</b>	<b>(229,744)</b>	<b>(66,043)</b>	<b>(17,130)</b>	<b>(28,700)</b>	<b>(33,647)</b>	<b>(389,742)</b>
<b>Carrying Amount</b>									
Cost	320,000	905,200	50,000	303,949	76,135	19,159	32,447	80,000	<b>1,786,890</b>
Accumulated Depreciation	-	(14,477)	-	(229,744)	(66,043)	(17,130)	(28,700)	(33,647)	<b>(389,742)</b>
<b>Carrying Amount 31 March 2023</b>	<b>320,000</b>	<b>890,723</b>	<b>50,000</b>	<b>74,204</b>	<b>10,092</b>	<b>2,029</b>	<b>3,747</b>	<b>46,353</b>	<b>1,397,148</b>

Bearer plants consist of grape vines on our vineyards here in New Zealand. As at 31 March 2023, the Group had grape vines planted on 4.22 productive hectares of land (2022: 4.22 hectares).



# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 13. RIGHT-OF-USE ASSETS

The group leases a property in New Zealand. The periodic rent is fixed over the lease term for the property lease.

##### 13.1 Right-of-use assets

<u>Year ended 31 March 2022</u>	<u>Buildings</u>	<u>Forklift</u>	<u>Total</u>
At 1 April 2021	486,417	8,046	494,463
Depreciation	(161,643)	(4,828)	(166,470)
Effect of modification to lease terms	(318,440)	-	(318,440)
At 31 March 2022	<b>6,334</b>	<b>3,218</b>	<b>9,553</b>

<u>Year ended 31 March 2023</u>	<u>Buildings</u>	<u>Forklift</u>	<u>Total</u>
At 1 April 2022	6,334	3,218	9,553
Termination of lease	-	(2,816)	(2,816)
Addition of lease	121,982	-	121,982
Depreciation	(43,607)	(402)	(44,009)
At 31 March 2023	<b>84,710</b>	<b>-</b>	<b>84,710</b>

##### 13.2 Lease liabilities

<u>Year ended 31 March 2022</u>	<u>Buildings</u>	<u>Forklift</u>	<u>Total</u>
At 1 April 2021	517,178	8,770	525,948
Lease interest	30,754	787	31,541
Lease payments	(190,476)	(5,833)	(196,309)
Effect of modification to lease terms	(349,946)	-	(349,946)
At 31 March 2022	<b>7,509</b>	<b>3,724</b>	<b>11,234</b>

##### Lease liabilities

Current lease liabilities	7,509	3,724	11,234
Non-current lease liabilities	-	-	-
Total lease liabilities	<b>7,509</b>	<b>3,724</b>	<b>11,234</b>

<u>Year ended 31 March 2023</u>	<u>Buildings</u>	<u>Forklift</u>	<u>Total</u>
At 1 April 2022	7,509	3,724	11,234
Termination of lease	-	(3,578)	(3,578)
Addition of lease liabilities	121,982	-	121,982
Lease interest	10,326	-	10,326
Lease payments	(49,251)	(146)	(49,397)
Effect of modification to lease terms	-	-	-
At 31 March 2023	<b>90,566</b>	<b>-</b>	<b>90,567</b>

##### Lease liabilities

Current lease liabilities	35,110	-	35,110
Non-current lease liabilities	55,457	-	55,457
Total lease liabilities	<b>90,567</b>	<b>-</b>	<b>90,567</b>

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 13. RIGHT-OF-USE ASSETS (continued)

##### Short-term leases and leases for low value assets

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred on a straight line basis. The group's short-term leases and leases of low value assets include small office equipment such as eftpos equipment.

Lease payments for short-term leases and leases for low value assets expensed to profit or loss on a straight line basis are as follows:

	2023	2022
	NZ\$	NZ\$
Lease of eftpos equipment	811	825

#### 14. BIOLOGICAL ASSETS

Biological assets comprise the grape fruit bunches growing on the grape vines.

	2023	2022
	NZ\$	NZ\$
<b>Carrying value of biological assets</b>		
<b>Opening Balance</b>	-	-
<b>Movements in Period</b>		
Additions at fair value	4,490	6,725
Transfer of harvested fresh fruit bunches to inventory	(4,490)	(6,725)
<b>Balance as at 31 March</b>	-	-

The Company grows grapes to use in the production of wine, as part of normal operations. Vineyards are located in Whangarei, New Zealand. Grapes are harvested between February and March each year.

During the year ended 31 March 2023, the Group harvested grapes equal to 1,354 litres of wine (2022: 2,050 litres). The Company did not purchase any wine from independent third party growers (2022: \$nil). The grapes harvested are adjusted to fair value at the point of harvest and any adjustment to bring the cost of sales to fair value is recognised in inventory and cost of sales.

The Group is exposed to financial risks in respect of agricultural activity. The agricultural activity of the Company consists of the management of vineyards to produce grapes for use in the production of wine. The primary financial risk associated with this activity occurs due to the length of time between expending cash on the purchase or planting and maintenance of grape vines and on harvesting grapes, and ultimately receiving cash from the sale of wine to third parties. The Company's strategy to manage this financial risk is to actively review and manage its working capital requirements. The quality and quantity of the grape harvest is dependent on seasonal climatic factors such as rainfall, sunshine and temperature, including frosts.

Refer to the segment reporting disclosure in note 23 for details on the vineyard and winery.

**AFC GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**15. INTANGIBLE ASSETS**

	Trademarks NZ\$	Total NZ\$
<b>Year ended 31 March 2022</b>		
<b>Cost</b>		
Cost as at 1 April 2021	1,500	1,500
Additions	-	-
<b>Cost as at 31 March 2022</b>	<b>1,500</b>	<b>1,500</b>
<b>Accumulated Amortisation</b>		
Accumulated amortisation at 1 April 2021	(642)	(642)
Amortisation for the year	(150)	(150)
<b>Accumulated amortisation as at 31 March 2022</b>	<b>(792)</b>	<b>(792)</b>
<b>Carrying Amount</b>		
Cost	1,500	1,500
Accumulated amortisation	(792)	(792)
<b>Carrying Amount 31 March 2022</b>	<b>708</b>	<b>708</b>
<b>Year ended 31 March 2023</b>		
<b>Cost</b>		
Cost as at 1 April 2022	1,500	1,500
Additions	-	-
<b>Cost as at 31 March 2023</b>	<b>1,500</b>	<b>1,500</b>
<b>Accumulated Amortisation</b>		
Accumulated amortisation at 1 April 2022	(792)	(792)
Amortisation for the year	(150)	(150)
<b>Accumulated amortisation as at 31 March 2023</b>	<b>(942)</b>	<b>(942)</b>
<b>Carrying Amount</b>		
Cost	1,500	1,500
Accumulated amortisation	(942)	(942)
<b>Carrying Amount 31 March 2023</b>	<b>558</b>	<b>558</b>

The amortisation charge of \$150 (2022: \$150) is recognised under administration expenses in the Statement of Comprehensive Income.

**AFC GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**16. TRADE, OTHER AND RELATED PARTY PAYABLES**

	<b>Note</b>	<b>2023</b> <b>NZ\$</b>	<b>2022</b> <b>NZ\$</b>
Trade creditors		61,924	139,620
Accruals		124,469	125,534
Related party payables	19	1,082,531	968,153
Other payables		25,643	15,185
GST payable		39,182	
		<u>1,333,748</u>	<u>1,248,492</u>

The normal trade credit terms granted to the Group range from 30 to 90 days. The trade creditors are unsecured and non-interest bearing. The carrying amount disclosed above is a reasonable approximation of fair value. Refer to note 19 for related parties.

The related party advances with NZ Silveray Group Limited, Hao Long and E Way Holdings Group Limited are interest bearing advances with interest being charged at 10.08% per annum for outstanding amounts. The advance with Anhui Asin International Trade Co. Limited is non-interest bearing.

**17. BORROWINGS**

	<b>2023</b> <b>\$</b>	<b>2022</b> <b>\$</b>
Small business cashflow loan	81,847	53,400
Other(Insurance expense financing)	1,562	-
	<u>83,409</u>	<u>53,400</u>
Current	1,562	-
Non-current: Between one and five years	81,847	53,400
	<u>83,409</u>	<u>53,400</u>

The carrying amount of the borrowings is considered to be a reasonable approximation of the fair value. Borrowings are initially recognised at fair value plus transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (plus transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. The Small business cashflow loans are classified as non-current liabilities as the Group has an unconditional right to defer settlement of the liability 12 months after the balance sheet date.

The Small Business Cash flow (Loan) Scheme (SBCS) has been introduced to support businesses impacted by Covid-19. The Group have received loans of \$53,400 on 8 September 2020 and \$29,000 on 7 June 2022 with the final repayment date being five years after the receipt. The loans are subject to an annual interest rate of 3% from the date the loan is made available. Interest will not be charged if the loan is fully repaid within 2 years.

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 18. NET CASH OUTFLOW FROM OPERATING ACTIVITIES

The reconciliation of net profit / (loss) with cash outflow from operations is as follows:

	Note	2023 NZ\$	2022 NZ\$
Loss before taxation		(178,421)	(738,425)
<i>Adjustment for non cash items</i>			
Amortisation and impairment of intangible assets	15	150	150
Depreciation of property, plant and equipment	12	22,437	33,671
Depreciation of right-of-use assets	13	44,009	166,470
Impairment of property, plant and equipment	12	14,729	27,592
Revaluation adjustment on inventory		113,398	170,205
Foreign exchange differences		7,958	6,135
Loss/(gain) on disposal of property, plant and equipment		-	-
Property, plant and equipment written off		-	-
Provision for closing stock		(16,658)	(61,889)
Gain on lease modification		-	(31,506)
<i>Adjustment for movements in working capital items</i>			
Trade and other receivables		(1,379)	46,925
Inventories		(59,303)	31,396
Prepayments and other current assets		(20,238)	27,832
Related party receivable		(524)	125,914
Trade and other payables		(29,124)	53,084
Related party payables		164,629	16,619
Net cash outflow from operating activities		<u>61,663</u>	<u>(125,827)</u>

#### 19. RELATED PARTIES

Related party transactions have arisen where a person(s) has control or significant influence over the reporting entity or where two entities are controlled or jointly controlled by a person(s) that has control or significant influence over the reporting entity.

##### Related Parties:

Anhui Asin International Trade Co. Ltd	Company associated to company's major shareholder, Mr Yang
Australasian International Group Limited	Company associated to company's major shareholder, Mr Yang
Bo Xian Cao	Director of company and subsidiary
E Way Holdings Group Limited	Company associated with director, Mr Bo Xian Cao
E Way Trading Limited	Company associated with director, Mr Bo Xian Cao
Federation of New Zealand Shenzhen Societies Inc.	Company associated with director, Mr Bo Xian Cao
Guangdong Farmside International Trading Co. Limited	Company associated to company's major shareholder, Mr Yang Xia
Guangdong Sanjiang Industry Development Limited	Company associated to company's major shareholder, Mr Yang

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 19. RELATED PARTIES (continued)

##### Related Parties (continued):

Guangdong Silver Fern Network Technology Co.	Company associated to company's major shareholder, Mr Yang
Guangdong Yinrui Investment & Management	Company associated to company's major shareholder, Mr Yang
Hao Long	Director of company and subsidiary, senior employee of AFC, shareholder of company
Hefei Ge Lun Bu E-commerce Co., Ltd	Company associated to company's major shareholder, Mr Yang
Howard & Co Consulting and Advisory Services Limited	Company associated with director, Mr Hao Long
KWXS Trading Limited	Company associated with director of subsidiary, Shuang Xia
May Sun Trading Limited	Company associated with shareholder of company, Lin Fang
New Zealand Asia-Pacific Cultural Exchange Centre Limited	Company associated to company's major shareholder, Mr Yang Xia
New Zealand Fantasy Angel Biotechnology Limited	Company associated with director, Mr Bo Xian Cao
New Zealand Guangdong General Association of Commerce Inc	Company associated with director, Mr Bo Xian Cao
New Zealand National Trade Limited	Company associated with director, Mr Qiang Li
NZ Guangdong Business Development Corporation Limited	Company associated with director, Mr Bo Xian Cao
NZ Silveray Group Limited	Company's major shareholder
Oceania Traceability Technology Limited	Company associated with director, Mr Bo Xian Cao
Qiang Li	Director of company
Suncare Nutrition (NZ)	Company associated with director, Mr Qiang Li
Shuang Xia	Director of subsidiary, director of NZ Silveray Group Limited
Super Life NZ Ltd	Company associated to company's major shareholder, Mr Yang
Tongqu Trading Group Limited	Company associated with director, Mr Zilei Wang
Yang Xia	Director of company and subsidiary
Zilei Wang	Director of company
Jianfeng Chen	Director of company
Ex space limited	Company associated with director, Mr Jianfeng Chen
Foshan Shunde Amante Trading Co., Limited	Company associated with senior employee, Kelly Hu

##### Related party balances

The following balances were held with related parties at year end.

		31 March 2023	31 March 2022
	Nature of Transactions	\$	\$
<b>Related Party Receivables</b>			
Guangdong Farmside International Trading Co. Limited	Payment on behalf of Farmside	2,174	-
Ex space limited	Sale of products	450	-
Hefei Ge Lun Bu E-commerce Co., Ltd	Sale of products	-	2,100
		<b>2,624</b>	<b>2,100</b>

The related parties receivables are non interest bearing, unsecured and repayable on demand. There is no collateral or guarantees for related parties receivables. Sales made to related parties in China are made on extended terms with payment due 3 months from the date the goods are received by the related party.

**AFC GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**19. RELATED PARTIES (continued)**

	Nature of Transactions	31 March 2023 \$	31 March 2022 \$
<b>Related Party Payables</b>			
Anhui Asin International Trade Co. Ltd	Purchases of goods	52,945	50,036
Anhui Asin International Trade Co. Ltd	Advance	34,640	34,640
Australasian International Group Limited	Purchases of goods	119,298	103,679
E Way Holdings Group Limited	Management Fees	-	4,696
E Way Holdings Group Limited	Advance	10,726	101,569
Guangdong Farmside International Trading Co. Limited	Purchase of goods and services	54,387	26,553
Guangdong Farmside International Trading Co. Limited	Advance	60,000	-
Hao Long	Advance	70,429	108,494
New Zealand National Trade Limited	Director fees	12,075	18,113
Howard & Co Consulting and Advisory Services Limited	Management fees & salary	15,392	3,833
NZ Silveray Group Limited	Management fees	-	38,372
NZ Silveray Group Limited	Advances	556,827	478,169
Ex Space Limited	Sales incentive	91,304	-
Suncare Nutrition (NZ)	Storage fee	4,509	-
		<b>1,082,531</b>	<b>968,153</b>

The related parties payables are unsecured and repayable on demand. There is no collateral or guarantees for related parties payables. Related parties payables for purchases of goods, sales incentive, directors fees and management fees are non-interest bearing.

The related party advances with NZ Silveray Group Limited, Hao Long and E Way Holdings Group Limited are interest bearing advances with interest being charged at 10.08% per annum for outstanding amounts. The advance with Anhui Asin International Trade Co. Limited is non-interest bearing.

The amount \$91,304 was accrued wine sales incentive to Ex Space Limited and will be paid once sales target achieved.

Australasian International Group Limited and NZ Silveray Group Limited have agreed that they will not be calling upon the group for the repayment of the above payables balances as at 31 March 2023 for a period of at least 12 months from the date of signing the 31 March 2023 financial statements, or to such a point in time as the group has the liquidity to settle these liabilities.

**AFC GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**19. RELATED PARTIES (continued)**

	Year ended 31 March 2023 \$	Year ended 31 March 2022 \$
<b>Related party transactions</b>		

**Sales of products or services provided to the following:**

E Way Holdings Group Limited	79,017	3,099
NZ Silveray Group Limited	596,413	10,000
Howard & Co Consulting and Advisory Services Limited	448	-
Guangdong Farmside International Trading Co., Ltd	-	200,131
Ex space limited	243,878	-
Foshan Shunde Amante Trading Co., Limited	-	41,879
New Zealand Fantasy Angel Biotechnology Limited	-	668
New Zealand Guangdong General Association of Commerce Inc.	536	3,544
	<b>920,292</b>	<b>259,322</b>

**Expenses repaid/recharged on behalf of the related party:**

Guangdong Farmside International Trading Co. Limited	2,174	-
	<b>2,174</b>	-

**Purchases from the following for services or products provided:**

Australasian International Group Limited	13,440	-
Ex space limited	91,304	-
Guangdong Farmside International Trading Co., Ltd	25,000	-
Suncare Nutrition (NZ)	14,376	-
E Way Holdings Group Limited	-	583
Howard & Co Consulting and Advisory Services Limited	98,125	35,000
New Zealand National Trade Limited	4,375	10,500
NZ Silveray Group Limited	-	10,000
Tongqu Trading Group Limited	-	4,083
	<b>246,620</b>	<b>60,167</b>

**Interest paid or credited on related party balances:**

E Way Holdings Group Limited	5,618	8,457
Hao Long	3,490	4,645
NZ Silveray Group Limited - on advances	40,501	40,325
	<b>49,609</b>	<b>53,427</b>

**Key Management Personnel**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and include the directors and the Chief Executive. Remuneration paid to key management personnel is as follows:

	March 2023 \$	March 2022 \$
Salaries and other short-term benefits	226,959	259,605
Directors' fees	4,375	14,875
	<b>231,334</b>	<b>274,480</b>



# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 20. COMMITMENTS

The Group has no capital commitments as at 31 March 2023 (2022: \$nil).

#### 21. FINANCIAL INSTRUMENTS

##### Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

	Financial assets at amortised cost NZ\$	Financial liabilities at amortised cost NZ\$	Total NZ\$
<b>31 March 2023</b>			
<i>Financial Assets:</i>			
Cash and cash equivalents	4,963	-	4,963
Trade and related party receivables	10,846	-	10,846
<b>Total financial assets</b>	<b>15,809</b>	<b>-</b>	<b>15,809</b>
<i>Financial liabilities:</i>			
Trade and other payables	-	1,294,566	1,294,566
Borrowings	-	83,409	83,409
Lease liabilities	-	90,567	90,567
<b>Total financial liabilities</b>	<b>-</b>	<b>1,468,542</b>	<b>1,468,542</b>
<b>31 March 2022</b>			
<i>Financial Assets:</i>			
Cash and cash equivalents	14,451	-	14,451
Trade and related party receivables	8,943	-	8,943
<b>Total financial assets</b>	<b>23,394</b>	<b>-</b>	<b>23,394</b>
<i>Financial liabilities:</i>			
Trade and other payables	-	1,243,705	1,243,705
Borrowings	-	53,400	53,400
Lease liabilities	-	11,234	11,234
<b>Total financial liabilities</b>	<b>-</b>	<b>1,308,339</b>	<b>1,308,339</b>

The fair value of the financial instruments of the Group approximates their carrying value.

The use of financial instruments exposes the Group to credit, interest rate and liquidity risks. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

The specific financial risks that the Group is exposed to are discussed below.

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 21. FINANCIAL INSTRUMENTS (continued)

##### Capital management

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising of issued capital and retained earnings. The Group's capital includes shares net of accumulated losses with total shareholders' funds equal to \$374,469 (2022: \$552,890). The related party advances of \$732,622 (2022: \$722,872 ) included in the Group's capital structure are disclosed in note 19. As there is no collateral over the related party advances, the maximum exposure is represented by the carrying amount of the payables as at the end of the reporting period.

The Group is not subject to any externally imposed capital requirements.

The Board reviews the Group's capital structure regularly. The capital of the Group is monitored to ensure equity holder objectives are met, the primary of which is to ensure the Group provides a consistent return to its equity shareholders through a combinations of capital growth and distributions. The Group manages its capital to ensure the entities in the Group will be able to continue as going concerns.

##### Credit risk

Financial instruments which potentially are subject to credit risk principally relate to bank accounts, loans receivable, trade receivables and other receivables. The Group's exposure to credit risk arises from potential default of the counterparty. The bank accounts are placed with high credit quality financial institutions. The Company performs credit evaluations on all customers requiring advances. The Company generally requires collateral or other security to support loans advanced. The board and management on a regular basis assess all receivables.

The values in the statement of financial position are also the maximum credit risk exposure.

##### Credit risk concentration profile

The Group's concentrations of credit risk relate to two balances owing as at balance date. One (1) amount is owing from a customer which constituted approximately 76% of its total trade receivables as at the end of the reporting period and balance is owing by one (2) related party customer which constitutes the remaining 24% of total trade receivables as at the end of the report period. (2022: 23% of the total trade receivables and related party receivables related to one of the Groups' related party customers).

##### Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade and other receivables by geographical region is as follows:

	2023	2022
	NZ\$	NZ\$
China	-	2,100
New Zealand	10,846	6,843
Total trade and related party receivables	10,846	8,943

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 21. FINANCIAL INSTRUMENTS (continued)

##### Credit risk (continued)

##### Ageing analysis

The ageing analysis of the Group's trade and related party receivables as at reporting date is as follows:

	<b>2023</b>	<b>2022</b>
	<b>NZ\$</b>	<b>NZ\$</b>
Not past due	3,780	361
Past due 0-30	4,320	49
Past due 31-90	572	4,026
Past due more than 90	2,174	4,507
Total trade and related party receivables	<u>10,846</u>	<u>8,943</u>

##### Expected credit loss assessment as at 1 April 2022 and 31 March 2023

The Group has recognised impairment losses on trade, other and related party receivables of \$8 (2022: \$6) based on the expected loss model assessment under NZ IFRS 9.

This includes assessing and allocating expected loss rates based on historical data and trends using loss rates that are calculated using actual credit losses experienced for the 2021 and 2022 years. These rates are also adjusted for factors such as economic conditions, external ratings, cash flow projections and other information available that impacts the customers of the Group. The Group has used unemployment rates and inflation rates for the assessment and calculation of the expected loss.

The Group has also assessed and included specific expected losses amounts relating to specific customers where there are indications that the customer is not expected to be able to pay their outstanding balances.

The Group believe that no further impairment allowance is necessary in respect of trade and related party receivables. They are substantial companies with good track records. 37% (2022: 25%) of the receivables that are past due relate to amounts owing by one (2) related party and the balance of 63% of the receivables that are past due relate to one customer.

##### **Interest rate risk**

Interest rate risk is where the risk of loss to the Group from adverse changes in interest rates. The Group exposure to interest rate changes that can affect the performance of the operation relates primarily to changes in fixed rates at the time term loans are renegotiated.

The Group exposure to interest rate risk is minimal as the interest-bearing financial instruments carry fixed interest rates and are measured at amortised cost. As such, sensitivity analysis is not disclosed.

##### **Liquidity risk**

Liquidity risk arises mainly from general funding and business activities. The Group practices prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 21. FINANCIAL INSTRUMENTS (continued)

##### Liquidity risk (continued)

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources, trade receivables and the provision of funding from related parties and bank loan facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on the rate at the end of the reporting period):

	0 to 6 months NZ \$	7 to 12 months NZ \$	1 to 2 years NZ \$	Over 2 years NZ \$	Total NZ \$
<b>2023</b>					
<u>Financial Liabilities</u>					
Trade creditors and other payables	188,129	1,162	-	22,744	212,035
Related party payables	1,070,456	5,031	7,044	-	1,082,531
Borrowings	1,561	-	52,847	29,000	83,409
Lease liabilities	14,627	25,363	50,578	-	90,567
	<u>1,274,773</u>	<u>31,556</u>	<u>110,469</u>	<u>51,744</u>	<u>1,468,542</u>
<b>2022</b>					
<u>Financial Liabilities</u>					
Trade creditors and other payables	230,933	23,349	857	20,414	275,554
Related party payables	968,151	-	-	-	968,151
Borrowings	53,400	-	-	-	53,400
Lease liabilities	11,234	-	-	-	11,234
	<u>1,263,718</u>	<u>23,349</u>	<u>857</u>	<u>20,414</u>	<u>1,308,338</u>

##### Interest rate risk profile

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2023 NZ\$	2022 NZ\$
Fixed interest instruments		
Financial assets	-	-
Financial liabilities	(811,957)	(752,865)
Total	<u>(811,957)</u>	<u>(752,865)</u>

The Financial assets and liabilities are fixed for various terms.

##### Fair value of financial assets and liabilities

The fair value of financial assets and financial liabilities are determined using standard terms and conditions of the relevant instruments. The method used in determining the fair values of financial instruments are discussed in note 1.13 and 1.14.

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 22. INVESTMENT IN SUBSIDIARIES

Name of subsidiary	Principal activity	Ownership interest and voting rights	
		2023	2022
AFC Longview Limited	Vineyard and winery	51%	51%
AFC International Trading Group Limited	Commodity trading	100%	100%
National Dairy Group Limited	Source and distribute goods to China	100%	100%
AFC Biotechnology Manufacture Co Limited	Manufacturing	51%	51%
AFC GoGlobal Ecommerce Limited	Non-Trading	100%	100%
AFC Education Investment Limited	Non-Trading	100%	100%

All the subsidiaries are incorporated in New Zealand and have 31 March balance dates.

Refer to note 7 for further details of non-controlling interests in AFC Longview Limited and AFC Biotechnology Manufacture Co Limited.

#### 23. SEGMENT REPORTING

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments on an entity. The Group has determined the Group's Board of Directors as its chief operating decision-maker as the board is responsible for allocating resources and assessing the performance of the operating segments and making strategic and operating decisions. Income and expenses directly associated with each segment are included in determining each segment's performance.

The Group operates in a number of business segments in New Zealand. The Group has determined its operating segments into three segments, namely international marketing and distribution, vineyard and winery and manufacturing. These segments reflect the different type of industry sectors within which the Group operates. The Company is considered to be in the corporate operating segment.

Information regarding the operations of each reportable operating segment is included below.

##### ***Vineyard and winery***

AFC Longview Limited, a vineyard and winery based in Whangarei which produces and sells a number of varietals and blends of wine.

##### ***Manufacturing***

AFC Biotechnology Manufacture Co Limited which manufactures cosmetic face masks.

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 23. SEGMENT REPORTING (continued)

##### Corporate

The operations of this segment include providing accounting, management and administration services to other segments of the Group. AFC GoGlobal ECommerce Limited and AFC Education Investment Limited did not trade during the 2023 financial year and have been included under this segment. AFC International Trading Group Limited, which sources packaged food products, cosmetics and health products. National Dairy Group Limited, which sources food products for distribution for China. National Dairy Group Limited was not trading during the 2023 financial year.

No operating segments have been aggregated to form the above reportable operating segments.

The Group's taxation has not been allocated to segments and is included centrally. Financing has been allocated to segments.

Sales between the segments of the Group are made on in a similar manner to transactions with third parties.

##### Year ended 31 March 2023

	Vineyard and winery	Corporate	Manufacturin g	Eliminations and adjustments	Year ended 31 March
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
<b>Operating Income</b>					
Operating Revenue	1,026,626	-	48,816	-	1,075,442
Other Revenue	18,918	253,086	(637)	(240,000)	31,367
Interest Income	1	275,044	14	(275,043)	16
Gain on Lease Modification	-	-	-	-	-
<b>Total Revenue</b>	<b>1,045,545</b>	<b>528,130</b>	<b>48,193</b>	<b>(515,043)</b>	<b>1,106,825</b>
<b>Cost of sales</b>	262,079	-	60,526	-	322,605
<b>Operating Expenses</b>					
Interest	99,840	68,430	168,649	(275,043)	61,876
Amortisation and Impairment losses	-	8,050	6,829	-	14,879
Depreciation	16,422	43,449	6,576	-	66,446
Other expenses	329,362	518,765	211,312	(240,000)	819,440
<b>Total operating expenses</b>	<b>445,624</b>	<b>638,694</b>	<b>393,366</b>	<b>(515,043)</b>	<b>962,641</b>
<b>Segment profit/ (loss) before tax</b>	<b>337,842</b>	<b>(110,564)</b>	<b>(405,699)</b>	<b>-</b>	<b>(178,421)</b>
<b>Assets</b>					
Segment assets	1,628,912	6,188,221	101,765	(6,036,705)	1,882,193
Capital Expenditure	-	-	-	-	-
Segment Liabilities	1,298,384	1,402,925	2,109,120	(3,302,705)	1,507,724

**AFC GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**23. SEGMENT REPORTING (continued)**

Year ended 31 March 2022

	Vineyard and winery	Corporate	Manufacturin g	Eliminations and adjustments	Year ended 31 March 2022
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
<b>Operating Income</b>					
Operating Revenue	335,560	-	79,463	-	415,023
Other Revenue	94,472	511,224	35,392	(395,468)	245,620
Interest Income	-	264,768	2	(264,768)	2
Gain on Lease Modification	-	21,458	10,048	-	31,506
<b>Total Revenue</b>	<b>430,032</b>	<b>797,450</b>	<b>124,905</b>	<b>(660,236)</b>	<b>692,151</b>
<b>Cost of sales</b>	255,014	1,394	164,804	(37,241)	383,971
<b>Operating Expenses</b>					
Interest	134,477	82,771	135,183	(264,769)	87,662
Impairment losses	-	27,742	-	-	27,742
Depreciation	18,440	128,330	53,371	-	200,141
Other expenses	216,785	625,828	246,673	(358,226)	731,060
<b>Total operating expenses</b>	<b>369,702</b>	<b>864,671</b>	<b>435,227</b>	<b>(622,995)</b>	<b>1,046,605</b>
<b>Segment profit/(loss) before tax</b>	<b>(194,684)</b>	<b>(68,615)</b>	<b>(475,126)</b>	<b>-</b>	<b>(738,425)</b>
<b>Assets</b>					
Segment assets	1,705,179	6,340,012	106,896	(6,286,071)	1,866,016
Capital expenditure	-	-	-	-	-
Segment liabilities	1,712,494	1,444,150	1,708,552	(3,552,071)	1,313,125

The eliminations and adjustments of segment profit, assets and liabilities relate to intercompany transactions and balances which are eliminated on consolidation.

	2023 NZ\$	2022 NZ\$
Profit / (loss) before tax for operating segments	(178,421)	(738,425)
Taxation benefit for the year	-	-
Profit / (loss) after taxation	(178,421)	(738,425)
Total assets for operating segments	1,882,193	1,866,016
Add: deferred tax asset	-	-
Position	1,882,193	1,866,016
Total liabilities for operating segments	1,507,724	1,313,126
Adjustments	-	-
Position	1,507,724	1,313,126

# AFC GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2023

#### 23. SEGMENT REPORTING (continued)

##### Geographical segments

Revenue from external customers is attributed to geographical segments on the basis of the country the customer is trading in. Revenues from five related party customers of the Group's international marketing, vineyard and manufacturing segments represented 86% (2022: 59%) of the Group's total operating revenue.

	Vineyard and winery	Corporate	Manufacturin g	Eliminations and adjustments	Total
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
<b>31 March 2023</b>					
China	589,100	-	-	-	589,100
New Zealand	437,526	-	48,816	-	486,342
<b>Operating Revenue</b>	<b>1,026,626</b>	<b>-</b>	<b>48,816</b>	<b>-</b>	<b>1,075,442</b>
<b>31 March 2022</b>					
China	223,976	-	19,027	-	243,003
New Zealand	111,584	-	60,436	-	172,020
<b>Operating Revenue</b>	<b>335,560</b>	<b>-</b>	<b>79,463</b>	<b>-</b>	<b>415,023</b>

All operations, assets, and liabilities were domiciled within New Zealand.

#### 24. NET TANGIBLE ASSETS PER SHARE

The net tangible assets and number of shares used in the calculation are as follows:

	2023	2022
	NZ\$	NZ\$
Total assets	1,882,193	1,866,016
Less right-of-use assets	84,710	9,553
Less intangible assets	558	708
Tangible assets	1,796,925	1,855,755
Less total liabilities	1,507,724	1,313,126
Add lease liabilities	90,567	11,234
Net tangible assets	379,768	553,863
Number of ordinary shares on issue	3,664,253,194	3,664,253,194
Net tangible assets / liabilities per share in NZ\$	0.0001	0.0002



**AFC GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**25. CONTINGENT LIABILITIES**

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The Group has no contingent liabilities at 31 March 2023 (2022: Nil).

**26. EVENTS AFTER THE REPORTING PERIOD**

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The Group has no events after the reporting period that need to be disclosed.

## AFC Group Holdings Limited

Independent auditor's report to the Shareholders

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of AFC Group Holdings Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, AFC Group Holdings Limited or its subsidiaries.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1.6 in the consolidated financial statements, which indicates that the Group incurred a net loss of \$178,421 during the year ended 31 March 2023 and, as of that date, the Group's current liabilities exceeded its current assets by \$970,643. As stated in Note 1.6, these events or conditions, along with other matters as set forth in Note 1.6, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be determined in our report.

Area of focus	How our audit addressed it
<p><b>Inventory</b></p> <p>The Group holds inventory of work in progress and finished goods with a net book value of \$314,725 as disclosed in Note 11. This represents 17% of total assets.</p> <p>The valuation of these assets has a direct impact on the Comprehensive Income of the Group which is the reason why we have given specific audit focus and attention to this area.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— Understanding the system of processing inventory transactions</li> <li>— Attended physical inventory counts on or around balance date</li> <li>— Completed detailed substantive testing of the costing of inventory</li> <li>— Tested that inventory at the reporting date is stated at the lower of Cost or Net Realisable Value by testing a selection of inventory items to the most recent sales price less costs to sell</li> <li>— Assessing the appropriateness of the Group's provision for inventory based on sales history and the Group's forecasts and considering the level of sales in the period between the reporting date and the time of approving the financial statements</li> <li>— Ensured appropriate disclosure has been included in the financial statements</li> </ul>
<p><b>Property, Plant &amp; Equipment</b></p> <p>The Group owns property, plant &amp; equipment with a net book value of \$1,397,148 as disclosed in Note 12. This represents 74% of total assets.</p> <p>The valuation of these assets has a significant impact on the equity of the Group which is the reason why we have given specific audit focus and attention to this area.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— Understanding the recording process for tracking fixed assets</li> <li>— Selected a sample of fixed assets and ensured the assets existed, were in good order and remained in operational use</li> <li>— Reviewed the process for assessing asset impairment and ensured any impaired assets were appropriately provided for</li> <li>— Reviewed recent valuations for land and building assets to ensure there is no evidence of impairment in value</li> <li>— Reviewed depreciation rates and calculations</li> <li>— Ensured appropriate disclosure has been included in the financial statements</li> </ul>

## Directors' Responsibilities

The directors are responsible on behalf of the Group for the preparation of consolidated financial statements that give a true and fair view in accordance with New Zealand equivalents to International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

This description forms part of our independent auditor's report.

The engagement director on the audit resulting in this independent auditor's report is Michael Wood.

## Restriction on Distribution and Use

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.



**William Buck Audit (NZ) Limited**

Auckland  
26 June 2023

# AFC GROUP HOLDINGS LIMITED

## SHAREHOLDER AND STATUTORY INFORMATION

The company is listed on the Alternative Market of the New Zealand Exchange (NZX).

### Largest Shareholders (As at 31 May 2023)

Rank	Shareholder	Holding	%
1	NZ SILVERAY GROUP LIMITED	1,508,808,517	41.18%
2	WEI FANG	451,043,376	12.31%
3	E WAY HOLDINGS GROUP LIMITED	198,750,000	5.42%
4	LEI CHEN	180,000,000	4.91%
5	YINRUI SHEN	180,000,000	4.91%
6	YONG ZHU	122,578,309	3.35%
7	SHANSHAN LU	120,000,000	3.27%
8	SHUOPENG WANG	100,000,000	2.73%
9	ZHONGSHENG YAO	100,000,000	2.73%
10	LIN FANG	98,750,000	2.69%
11	FEI YAO	80,000,000	2.18%
12	MINGBAO ZHANG	80,000,000	2.18%
13	TINGSONG ZHANG	47,505,000	1.30%
14	ZHAN QIN XU	30,000,000	0.82%
15	WENMING TAN	28,609,957	0.78%
16	PRAKASH PANDEY	28,513,333	0.78%
17	ANTHONY EDWIN FALKENSTEIN & IAN DONALD MALCOLM	22,347,222	0.61%
18	HAO LONG	20,000,000	0.55%
19	HUAI JI ZHOU	20,000,000	0.55%
20	WEIHUA LI	19,334,790	0.53%

### Spread of Shareholders (as at 31 May 2023)

Size of Holding	Number of Shareholders	%	Number of Shares	%
1 - 1,999	46	6.66%	58,918	0.00%
2,000 - 4,999	97	14.04%	330,154	0.01%
5,000 - 9,999	99	14.33%	722,912	0.02%
10,000 - 49,999	233	33.72%	5,432,498	0.15%
50,000 - 99,999	42	6.08%	2,854,863	0.08%
100,000 – 499,999	69	9.99%	12,930,037	0.35%
500,000 – 1,000,000	24	3.47%	16,653,993	0.45%
1,000,000 – plus	81	11.72%	3,625,269,819	98.94%
	<b>691</b>	<b>100.00%</b>	<b>3,664,253,194</b>	<b>100.00%</b>

### Geographic Spread

New Zealand	675	97.68%	3,660,764,581	99.90%
Other	16	2.32%	3,488,613	0.10%
	<b>691</b>	<b>100.00%</b>	<b>3,664,253,194</b>	<b>100.00%</b>

# AFC GROUP HOLDINGS LIMITED

## SHAREHOLDER AND STATUTORY INFORMATION (continued)

### Substantial Product Holders (as at 31 May 2023)

This information reflects the company's records and disclosures made under section 280(1)(b) of the Financial Markets Conduct Act 2013.

	Ordinary Shares Beneficially Held	Ordinary Shares Beneficially Held	% Held	% Held
	2023	2022	2023	2022
NZ Silveray Group Limited	1,508,808,517	1,508,808,517	41.18	41.18
Wei Fang	451,043,376	451,043,376	12.31	12.31
E Way Holdings Group Limited	198,750,000	198,750,000	5.42	5.42
Lei Chen	180,000,000	180,000,000	4.91	4.91
Yinrui Shen	180,000,000	180,000,000	4.91	4.91
	<b>2,518,601,893</b>	<b>2,518,601,893</b>	<b>68.73</b>	<b>68.73</b>

The total number of voting securities of the company on issue at 31 March 2023 was 3,664,253,194 paid ordinary shares.

### Directors

During the year the board of directors comprised:

<u>Non-executive directors</u>	<b>Appointed</b>	<b>Resigned</b>
Yang Xia (Chairman)	13-Apr-15	-
Jingwei Ma	29-Mar-21	-
Shuang (Simon) Xia	16-Sep-22	-
Jianfeng Chen	25-Oct-22	-
 <u>Independent directors</u>		
Bo Xian Cao	06-Jun-16	-
Qiang Li	01-Apr-18	25-Oct-22
Zilei Wang	16-May-18	-

### Statement of Directors' Security Holdings (as at 31 March 2023)

	Shares Beneficially Owned Held Solely	Shares Beneficially Owned Held by Associated Persons
Bo Xian Cao	-	198,750,000
Yang Xia	-	1,508,808,517

Shares beneficially owned held by associated persons for Mr Bo Xian Cao comprise his interest as the owner of all the shares in E Way Holdings Group Limited, which company is the holder of 198,750,000 shares.

Mr Xia's shares beneficially owned held by associated persons comprise his interest as an ultimate shareholder in NZ Silveray Group Limited, which company is the holder of 1,508,808,517 shares.

# AFC GROUP HOLDINGS LIMITED

## SHAREHOLDER AND STATUTORY INFORMATION (continued)

### Statement of Directors' Security Holdings (as at 31 March 2023) (continued)

There were no other securities transactions disclosed to the Board and entered into the Interests Register for the year to 31 March 2023

The following are directorships held by the AFC Group Holdings Limited Directors as at 31 March 2023:

<b>Yang Xia</b>
Anhui Sanhe Concrete Company Anhui Asin International Trade Co. Ltd Guangdong Farmside International Trading Co Limited Guangzhou Ruifeng Fertilizer Company Guangdong Sanjiang Industrial Development Company Guangdong SYYR Investment & Management Company Guangdong Yinrui Investment & Management Company Hefei Ge Lun Bu E-commerce Co., Ltd National Dairy Group Ltd NZ Silveray Group Limited Sanhe Building Materials Technology Company Ltd Zhonghui Yuanlin Construction Limited
<b>Bo Xian Cao</b>
AFC International Trading Group Limited E Way Holdings Group Limited NZ Guangdong Business Development Corporation Limited Oceania Traceability Technology Limited
<b>Jianfeng Chen</b>
Ex Space Limited JFC Group Limited

### Directors' Remuneration and Other Benefits

The following is the remuneration paid to the Directors of AFC Group Holdings Limited for the twelve months to 31 March 2023:

	<b>Director's fees</b>	<b>Other Remuneration</b>
Yang Xia (Chairman)	Nil	Nil
Bo Xian Cao	Nil	Nil
Qiang Li	\$4,375	Nil
Zilei Wang	Nil	Nil
Jingwei Ma	Nil	\$21,538
Shuang (Simon) Xia	Nil	\$7,385

The director Jingwei Ma received a salary of \$21,538, and Shuang (Simon) Xia received a salary of \$7,385 in FY 2023. The Directors of AFC Group Holdings Limited did not receive any other benefits from AFC Group Holdings Limited in the 12 months ended 31 March 2023.

### Employees Remuneration (Excluding Directors)

There were one employees who received remuneration in excess of \$100,000 during the year.

# AFC GROUP HOLDINGS LIMITED

## SHAREHOLDER AND STATUTORY INFORMATION (continued)

### Directors' Remuneration and Other Benefits (continued)

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#### Directors' Indemnity and Insurance

The Company has not arranged policies of Directors' Liability insurance. Directors are personally liable for obtaining insurance to ensure that generally they do not incur no monetary loss as a result of action taken as directors.

### Donations

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No donations were made during the period (2022: \$1,000)



# **AFC GROUP HOLDINGS LIMITED**

## **CORPORATE INFORMATION**

### **SOLICITORS**

Buddle Findlay New Zealand Lawyers  
P O Box 1433  
Auckland 1140

### **SHARE REGISTRAR**

Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road  
Private Bag 92-119  
Auckland 1142

### **ACCOUNTANTS**

RSM New Zealand (Auckland)  
PO Box 204276  
Level 2, Building 5  
62 Highbrook Drive, Highbrook  
Auckland 2013

### **AUDITORS**

William Buck Audit (NZ) Limited  
P O Box 106 090  
Level 4, 21 Queen Street  
Auckland 1010

### **BANKERS**

ANZ Bank New Zealand Limited

### **AFC GROUP HOLDINGS LIMITED**

Security code: AFC  
Listed on NZX Market  
NZ Company number: 1799581

### **HEAD OFFICE / REGISTERED OFFICE**

AFC Group Holdings Limited  
Level 15, Tower 2, 205 Queen Street  
Auckland 1010  
New Zealand

### **TELEPHONE**

64-9-930-0245

### **WEBSITE**

[www.afcnz.com](http://www.afcnz.com)