

AFC GROUP HOLDINGS LIMITED

ANNUAL REPORT 2021

FOR THE YEAR ENDED 31 MARCH 2021

AFC GROUP HOLDINGS LIMITED

ANNUAL REPORT CONTENTS

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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.

HAO LONG

Mr. Hao Long moved to New Zealand in 2002 and graduated from Massey University with a double major in Accounting and Marketing. He is a Chartered Accountant (CA), a member of Chartered Accountants Australia and New Zealand, and a Chartered Member of the Institute of Director (CMIInstD). He has over 12 years professional accounting experience, including working for a Big 4 accounting firm plus governance and management experience in the commercial sectors in China and New Zealand.

Mr. Long joined AFC in 2015 and is the Executive Director and CFO of AFC Group Holdings Ltd, and the CEO of AFC Longview Limited. Mr Long resigned as director of AFC Group Holdings Limited on 22 March 2021.

JINGWEI MA

Ms Jingwei Ma was appointed director of AFC Group Holdings Limited on 29 March 2021. 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 will bring in her governance expertise and trading channels to AFC to stimulate the international trade sector.

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 is an Independent Director of AFC Group Holdings Limited, and member of the Audit and Risk committee.

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 spread of COVID-19 has severely impacted many local economies around the globe. In New Zealand, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses, resulting in an economic slowdown.

The fiscal year 2021 is a challenging year for AFC Group Holdings Limited and its subsidiaries ("AFC"), but AFC has been actively and continuously taking various measures to deal with various challenges.

AFC Group Holdings Limited

1. Independent directors of AFC will continue to take a 30% reduction in remuneration. Other directors will voluntarily receive no director fees.
2. AFC is prepared to lease its office which can cut down on more than \$120,000 expenses.
3. AFC attended the 3rd China International Import Expo (CIIE) to promote the group and products.
4. AFC employed more senior personnel who can bring sales and profit to the group.
5. 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 has updated its pricing strategy and launched the marketing campaign "White Diamond is back to the community". The pricing strategy and marketing campaign was allowing more people to gain access to the White Diamond Wine.
2. Longview Estate has also participated in different wine exhibitions, such as Winetopia and NZ WINE Roadshows, to promote wine and increase sales.
3. Longview Estate has taken actions to cut costs, such as better work schedules organisation and people management.
4. Longview Estate intends to reevaluate its land. It will be a change of accounting policies from historical value to fair value.

AFC Biotechnology Manufacture Co Ltd ("AFCBIO")

1. AFCBIO has restructured successfully which cut down more than \$150,000 costs.
2. AFCBIO continuously reduced costs by preparing to sublease its premises.
3. AFCBIO will increase the use of online distribution channels in 2021. Examples include continuously using the shoppertainment to promote masks, Jingdong, Wei Pin Hui and Staff Live Stream on Tmall.
4. Signed MOU with new distributors in China to sell in duty-free shops in China.

In summary, the AFC Group will continue to work hard to enable future revenue growth and return value to our shareholders in the 2022 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.

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 2021, the Board comprised of the following directors:

Yang Xia	Non-Executive (Chair)
Bo Xian Cao	Non-Executive
Jingwei Ma	Executive
Qiang Li	Independent
Zilei Wang	Independent
Hao Long	Executive (Resigned)

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

	2021		2020	
	Female	Male	Female	Male
Directors	1	4	-	5
Officers	3	1	3	1

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
Hao Long (Resigned)	4	4
Qiang Li	4	4
Zilei Wang	4	4
Jingwei Ma	0	0

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)
Qiang Li
Zilei Wang

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 GROUP HOLDINGS LIMITED

CORPORATE GOVERNANCE STATEMENT CONTINUED

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. 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 was 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 have 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 2021

AFC GROUP HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 NZ\$	2020 NZ\$
Operating Revenue	2	646,910	1,234,931
Cost of Sales		(894,258)	(1,065,013)
Gross profit		<u>(247,348)</u>	<u>169,918</u>
Other Income	2	307,144	90,730
Expenses			
Selling and Distribution Expenses	3	(156,023)	(386,901)
Administration Expenses	3	(1,106,571)	(1,055,376)
Reversal/(Impairment loss) on trade receivables	9	276	60,004
Operating loss		<u>(1,202,522)</u>	<u>(1,121,625)</u>
Finance Income	2	8	195
Finance Expense	3	(69,337)	(49,123)
		<u>(69,329)</u>	<u>(48,928)</u>
Loss before income tax		<u>(1,271,851)</u>	<u>(1,170,553)</u>
Income tax expenses	4	-	-
Loss for the year		<u>(1,271,851)</u>	<u>(1,170,553)</u>
Other comprehensive income		-	-
Total comprehensive loss for the year		<u><u>(1,271,851)</u></u>	<u><u>(1,170,553)</u></u>
Loss and total comprehensive loss attributable to:			
Equity holders of the parent		(632,463)	(615,550)
Non-controlling interest	7	(639,388)	(555,003)
		<u>(1,271,851)</u>	<u>(1,170,553)</u>
Loss per share:			
Basic and Diluted Earning per share in NZ\$	5	(0.00017)	(0.00017)

The financial statements are to be read in conjunction with the notes to the financial statements set out on pages 16 to 52.

AFC GROUP HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	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 2019	6	28,679,503	(25,702,468)	2,977,035	756,684	3,733,719
Net loss for the financial year	7	-	(615,550)	(615,550)	(555,003)	(1,170,553)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss		-	(615,550)	(615,550)	(555,003)	(1,170,553)
Balance as at 31 March 2020		28,679,503	(26,318,018)	2,361,485	201,681	2,563,166
Net loss for the financial year	7	-	(632,463)	(632,463)	(639,388)	(1,271,851)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss		-	(632,463)	(632,463)	(639,388)	(1,271,851)
Balance as at 31 March 2021		28,679,503	(26,950,481)	1,729,022	(437,707)	1,291,315


The financial statements are to be read in conjunction with the notes to the financial statements set out on pages 16 to 52.

AFC GROUP HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Notes	2021 NZ\$	2020 NZ\$
SHAREHOLDERS EQUITY			
Issued share capital	6	28,679,503	28,679,503
Accumulated losses		(26,950,481)	(26,318,018)
Total Equity attributable to shareholders of the company		1,729,022	2,361,485
Non-controlling Interest	7	(437,707)	201,681
Total shareholders funds		1,291,315	2,563,166
<i>Represented by:</i>			
CURRENT ASSETS			
Cash and cash equivalents	8	3,375	197,905
Trade, other and related party receivables	9	181,781	456,916
Inventories	11	491,874	884,681
Prepayments and other current assets	10	76,838	76,563
Total current assets		753,868	1,616,065
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,488,055	1,729,695
Right-of-use assets	13	494,463	657,066
Intangible assets	15	858	1,008
Total non-current assets		1,983,376	2,387,769
Total assets		2,737,244	4,003,834
CURRENT LIABILITIES			
Trade, other and related party payables	16	866,581	766,269
Lease liabilities	13	164,768	151,991
Total current liabilities		1,031,349	918,260
NON-CURRENT LIABILITIES			
Borrowings	17	53,400	-
Lease liabilities	13	361,180	522,408
Total non-current liabilities		414,580	522,408
Total liabilities		1,445,929	1,440,668
Net assets		1,291,315	2,563,166

For and behalf of the Board, dated 25/06/2021


 Yang Xia
 Director


 Bo Xian Cao
 Director

The financial statements are to be read in conjunction with the notes to the financial statements set out on pages 16 to 52.

AFC GROUP HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 NZ\$	2020 NZ\$
Cash flows from operating activities			
<i>Cash was received from:</i>			
Receipts from customers		766,310	1,163,544
Receipts from related parties		238,279	584,232
Interest received		8	195
Other receipts		300,216	90,730
<i>Cash was applied to:</i>			
Payments to suppliers and employees		(1,463,836)	(1,716,258)
Payments to related parties		-	(223,159)
Interest paid		(25,592)	(1,825)
Lease interest	13	(43,745)	(47,298)
Net cash outflow from operating activities	18	(228,360)	(149,839)
Cash flows from investing activities			
<i>Cash was received from:</i>			
Proceeds from disposal of property, plant and equipment		1,739	2,421
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment	12	-	(4,179)
Net cash inflow/(outflow) from investing activities		1,739	(1,758)
Cash flows from financing activities			
<i>Cash was received from:</i>			
Proceeds from borrowings	17	53,400	-
Received from related parties		123,853	281,825
<i>Cash was applied to:</i>			
Payments for lease liabilities principal		(152,090)	(136,885)
Net cash inflow from financing activities		25,163	144,940
Net decrease in cash and cash equivalents		(201,458)	(6,657)
Foreign currency translation adjustment		6,928	(36,083)
Cash and cash equivalents at the beginning of the year		197,905	240,645
Cash and cash equivalents at the end of the year	8	3,375	197,905

The financial statements are to be read in conjunction with the notes to the financial statements set out on pages 16 to 52.

AFC GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES

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 2021 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 25/06/2021. 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 and financial assets which are carried at amortised cost. 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.

1.3 New accounting standards adopted

No new standards, amendments to standards and interpretations to existing standards which are mandatory for the first time for year ended 31 March 2021 have been adopted by the Group.

1.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2021. 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.

AFC GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES (continued)

1.4 Basis of consolidation (continued)

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.

1.5 Intangible assets

Intangible assets comprise of acquired brands, trademarks and distribution right asset. Goodwill and brands are indefinite life intangibles subject to annual impairment testing. Brands are not amortised but are tested for impairment annually and are carried at cost less any accumulated impairment losses.

Distribution right asset is amortised on the straight line basis over the life of the agreement and is also tested for impairment annually. The distribution right asset is recognised in the statement of financial position at cost less accumulated amortisation and any impairment losses.

Trademarks are also tested for impairment annually and are carried at cost less any accumulated amortisation and impairment losses. 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. At 31 March 2021, the Group has positive equity of \$1,291,315. The Group has minimal external debt and has negative working capital of (\$277,481) at that date. Excluding related party accounts payable and advances payable, the Group had positive working capital of \$361,842. The Group has suffered reduced sales in FY21 due to the Covid-19 pandemic and has taken steps manage the business accordingly.

AFC GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES (continued)

1.6 Going concern (continued)

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

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 \$639,323. 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 space taken at the premises of the Manufacturing facility has been reduced and surplus space offered for sub-letting.
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 May 2021 a contract to sell \$180,000 of wine was completed with a related party. This is one of three such expected contracts in FY22.
9. The Group has significantly revised its domestic pricing strategy on the core product, White Diamond wine, which has already lead to significantly increasing sales volumes at a positive Gross Margin.
10. Sales of cosmetic face masks in New Zealand have been negatively affected by the closure of borders. The Group has created new distribution channels in China, its primary market for the product. This includes the China Duty Free Group for which THE Group is in advanced negotiations for sale of significant volume of boxes of product.
11. Based on the current stages of negotiations with customers, the Directors are anticipating sales in FY22 on similar levels of pre-Covid sales in FY18 and FY19.

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.

AFC GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES (continued)

1.7 Revenue (continued)

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.

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 2021 was \$335,809 (31 March 2020: \$162,793).

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.

AFC GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES (continued)

1.10 Leases (continued)

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.

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.

AFC GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES (continued)

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.

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. Transaction 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.

AFC GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES (continued)

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.

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% - 2% Diminishing Value
Computer Equipment	40% - 50% Diminishing Value
Leasehold Improvements	20% Diminishing Value
Plant & Equipment	10% - 40% Diminishing Value
Motor Vehicles	20% - 30% Diminishing Value
Fixture and Fittings and Office Equipment	8% - 20% Diminishing Value
Grape Vines / Bearer Plants	7.5% Diminishing Value

AFC GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES (continued)

1.18 Property, plant and equipment (continued)

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.

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.

Financial assets are impaired where there is objective evidence, that as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted.

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. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired an adjustment is made and is not subsequently reversed.

AFC GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES (continued)

1.20 Impairment of assets (continued)

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.

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.

AFC GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES (continued)

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

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.

Recognition of provision for deferred tax assets

The Group has not recognised a deferred tax asset (2020: 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

	Note	2021 NZ\$	2020 NZ\$
Operating revenue			
Sales - wine products		155,676	131,390
Sales - cosmetic products		484,310	1,092,235
Sales - other products		6,924	11,306
Total operating revenue		<u>646,910</u>	<u>1,234,931</u>
Other Income		58,711	71,122
Rental Income		24,953	15,600
Covid-19 wage subsidy		223,480	4,008
		<u>307,144</u>	<u>90,730</u>
Total Income		<u><u>954,054</u></u>	<u><u>1,325,661</u></u>

AFC GROUP HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

2. REVENUE (continued)

	Note	2021 NZ\$	2020 NZ\$
Finance Income:			
Interest received on bank account		8	74
Interest received from related parties	19	-	87
Other Interest received		-	34
		8	195

Performance Obligations and Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

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\$
31 March 2021				
China	25,007	213,485	226	238,718
New Zealand	130,669	270,825	6,698	408,192
Operating Revenue	155,676	484,310	6,924	646,910
31 March 2020				
China	90,144	200,098	898	291,140
New Zealand	41,246	892,137	10,408	943,791
Operating Revenue	131,390	1,092,235	11,306	1,234,931

3. EXPENSES

	Note	2021 NZ\$	2020 NZ\$
Profit / (Loss) before income tax has been determined after charging:			
Included in Cost of Sales Expenses			
Cost of Goods Sold		721,242	978,240
Provision for Inventory Obsolescence	11	173,016	86,774
Included in Selling and Distribution Expenses			
Advertising		986	11,704
Business Events		53,111	217,172
Freight and Courier		2,746	4,922
Salaries and Sales Commission		97,656	150,706

AFC GROUP HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

3. EXPENSES (continued)

	Note	2021 NZ\$	2020 NZ\$
Included in Administration Expenses			
Accounting and Consulting		15,300	28,030
Amortisation of Intangible Assets	15	150	150
Depreciation for property, plant and equipment	12	73,699	92,620
Depreciation for right-of-use assets	13	166,243	154,218
Directors Fees		61,005	58,070
Entertainment		12,898	28,369
Impairment of property, plant and equipment	12	161,333	-
Insurance		29,507	33,600
Kiwisaver Contributions		5,841	7,209
Legal Fees		461	2,300
Management Fees	19	30,000	30,000
Salaries		623,789	620,823
NZX costs		10,900	12,600
Travel		743	53,379
Auditors' remuneration			
Audit of financial statements		58,647	51,230
Wine Standards Management Plan audit		-	1,856
Total fees paid to auditors		58,647	53,086

The auditors of the financial statements for 2021 were William Buck Audit (NZ) Limited (2020: William Buck Audit (NZ) Limited).

The auditors of the Wine Standard Management Plan for 2021 were Quality Auditing Specialists Limited (2020: Quality Auditing Specialists Limited).

	Note	2021 NZ\$	2020 NZ\$
Finance costs:			
Interest paid on borrowings from related parties	19	25,475	1,825
Lease interest	13	43,745	47,298
Other interest paid		117	-
		69,337	49,123

4. INCOME TAX EXPENSE

4.1. Components of Income tax expense

	2021 NZ\$	2020 NZ\$
Current year income tax charge	-	-
Deferred tax movements	-	-
Income tax expense	-	-

AFC GROUP HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

4. INCOME TAX EXPENSE (continued)

	2021	2020
	NZ\$	NZ\$
Reconciliation of effective tax rate		
Profit / (loss) before income tax	(1,271,851)	(1,170,553)
Income tax expense/(benefit) calculated at 28%	(356,118)	(327,755)
Expected income expense / (benefit)	(356,118)	(327,755)
<u>Adjustments</u>		
Non deductible expenses	64,464	5,265
Non taxable income	(62,581)	(1,515)
Deferred tax adjustments	(19,344)	-
Deferred tax movements relating to origination and reversal of temporary differences including adjustments to deferred tax	-	(2,434)
Losses not recognised and carried forward	373,579	326,439
Income tax expense	-	-

The tax rate used for the reconciliation above is the corporate tax rate of 28% (2020: 28%) payable by New Zealand corporate entities on taxable profits under New Zealand tax law.

4.2 Deferred tax assets and liabilities

	2021	2020
	NZ\$	NZ\$
Deferred tax assets/(liabilities) arising from the following:		
Unused tax losses	1,155,617	884,681
Provisions and accruals	122,655	73,969
Property, plant and equipment	45,301	160
Right of use assets and lease liabilities	8,816	-
Tax benefits not recognised	(1,332,389)	(958,810)
Deferred tax assets as at 31 March	-	-

	Opening Balance	Movements	Balance as at
	1 April		31 March
	NZ\$	NZ\$	NZ\$
31 March 2020			
Unused tax losses	558,242	326,439	884,681
Provisions and accruals	76,363	(2,394)	73,969
Property, plant and equipment	200	(40)	160
Right of use assets and lease liabilities	-	-	-
Deferred tax not recognised	(634,805)	(324,005)	(958,810)
	-	-	-
31 March 2021			
Unused tax losses	884,681	270,936	1,155,617
Provisions and accruals	73,969	48,686	122,655
Property, plant and equipment	160	45,141	45,301
Right of use assets and lease liabilities	-	8,816	8,816
Deferred tax not recognised	(958,810)	(373,579)	(1,332,389)
	-	-	-

AFC GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

4. INCOME TAX EXPENSE (continued)

4.2 Deferred tax assets and liabilities (continued)

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 \$1,332,389 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.

5. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2021 NZ\$	2020 NZ\$
<u>Basic earnings per share</u>		
Profit/ (Loss) after taxation attributable to equity holders of the parent	(632,463)	(615,550)
Weighted average number of ordinary shares on issue	3,664,253,194	3,664,253,194
Basic and Diluted Earning per share in NZ\$	(0.00017)	(0.00017)

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	Shares Issued No.	Group NZ\$
31 March 2020		
Balance at 1 April 2019	3,664,253,194	28,679,577
Movement for 2020 financial year		
Ordinary shares authorised and issued	-	-
Ordinary shares on issue at 31 March 2020	3,664,253,194	28,679,577
Treasury shares	(37,082)	(74)
Ordinary shares on issue at 31 March 2020 excluding treasury shares	3,664,216,112	28,679,503

AFC GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

6. AUTHORISED AND ISSUED SHARE CAPITAL (continued)

6.1 Ordinary shares	Shares Issued No.	Group NZ\$
31 March 2021		
Balance at 1 April 2020	3,664,253,194	28,679,577
Movement for 2021 financial year		
Ordinary shares authorised and issued	-	-
Ordinary shares on issue at 31 March 2021	3,664,253,194	28,679,577
Treasury shares	(37,082)	(74)
Ordinary shares on issue at 31 March 2021 excluding treasury shares	3,664,216,112	28,679,503

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 2021 year.

No dividends have been declared or paid for the year ended 31 March 2021 (2020: \$nil).

7 NON-CONTROLLING INTEREST

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 2021 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 2021

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 Co		AFC Longview Limited	
	Limited			
	2021 NZ\$	2020 NZ\$	2021 NZ\$	2020 NZ\$
<u>Summarised statement of financial position</u>				
Current assets	357,150	969,147	362,428	486,775
Current liabilities	1,641,017	1,373,931	1,573,829	1,412,769
Current net assets/(liabilities)	(1,283,867)	(404,784)	(1,211,401)	(925,994)
Non-current assets	176,337	416,837	1,414,173	1,440,788
Non-current liabilities	19,000	161,132	15,400	-
Non-current net assets	157,337	255,705	1,398,773	1,440,788
Net assets	(1,126,530)	(149,079)	187,372	514,794
Net Assets attributed to non-controlling interest	(552,000)	(73,049)	91,812	252,249
<u>Summarised statement of comprehensive income</u>				
Revenue	484,385	1,088,376	155,694	132,043
Loss for the year	(977,452)	(652,658)	(327,422)	(480,002)
Other comprehensive income	-	-	-	-
Total comprehensive loss	(977,452)	(652,658)	(327,422)	(480,002)
Loss allocated to non-controlling interest	(478,951)	(319,802)	(160,437)	(235,201)
<u>Summarised cash flows</u>				
Cash flows from operating activities	(262,996)	(136,258)	(212,581)	(252,730)
Cash flows from investing activities	-	(89)	1,745	(1,167)
Cash flows from financing activities	193,781	194,103	188,177	245,484
Net increase/(decrease) in cash and cash equivalents	(69,215)	57,756	(22,659)	(8,413)

AFC GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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
31 March 2021			
AFC Longview Limited	(327,422)	(160,437)	(166,985)
AFC Biotechnology Manufacture Co Limited	(977,452)	(478,951)	(498,501)
	<u>(1,304,874)</u>	<u>(639,388)</u>	<u>(665,486)</u>
31 March 2020			
AFC Longview Limited	(480,002)	(235,201)	(244,801)
AFC Biotechnology Manufacture Co Limited	(652,658)	(319,802)	(332,856)
	<u>(1,132,660)</u>	<u>(555,003)</u>	<u>(577,657)</u>

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

	2021 NZ\$	2020 NZ\$
AFC Longview Limited		
Opening Balance 1 April 2020/1 April 2019	252,249	487,450
Loss and total comprehensive loss attributed to non-controlling interest	(160,437)	(235,201)
	<u>91,812</u>	<u>252,249</u>
AFC Biotechnology Manufacture Co Limited		
Opening Balance 1 April 2020/1 April 2019	(50,568)	269,234
Loss and total comprehensive loss attributed to non-controlling interest	(478,951)	(319,802)
	<u>(529,519)</u>	<u>(50,568)</u>
Total effect of non-controlling interest	<u>(437,707)</u>	<u>201,681</u>

8. CASH AND CASH EQUIVALENTS

	2021 NZ\$	2020 NZ\$
Cash at bank and on hand	3,375	197,905
Total cash and cash equivalents	<u>3,375</u>	<u>197,905</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.

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9. TRADE, OTHER AND RELATED PARTY RECEIVABLES

	Note	2021 NZ\$	2020 NZ\$
Trade receivables - third parties		53,949	173,625
Trade receivables - related parties	19	128,014	283,749
		<u>181,963</u>	<u>457,374</u>
Allowance for impairment losses		(182)	(458)
Total trade and related party receivables		<u>181,781</u>	<u>456,916</u>

Analysis of trade and related party receivables

Current	-	166,605
Past due 0-30	30	94,422
Past due 31-90	137,500	19,129
Past due more than 90	44,433	177,218
		<u>181,963</u>
		<u>457,374</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.

The group applies both a specific loss component and a collective loss component in determining the allowance for impairment. The specific loss component considers and relates to individually significant exposures and the collective loss component is based on expected losses that are established for groups of similar assets. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The Group also considers other forward looking economic factors in determining the impairment of trade, other and related party receivables.

	2021 NZ\$	2020 NZ\$
Movement in the allowance for impairment losses		
Opening Balance 1 April	458	60,462
Reversal of prior year provision	(458)	(60,462)
Charge for the financial year	182	458
Closing Balance 31 March	<u>182</u>	<u>458</u>

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10. PREPAYMENTS AND OTHER CURRENT ASSETS

	2021	2020
	NZ\$	NZ\$
Advances to suppliers	10,340	6,397
Prepayment of expenses	44,268	59,863
Taxation receivable	181	74
GST receivable	22,049	10,229
	76,838	76,563

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

11. INVENTORIES

	2021	2020
	NZ\$	NZ\$
Work in progress	131,934	125,501
Finished goods	695,749	921,973
Provision for inventory	(335,809)	(162,793)
Total Inventories	491,874	884,681

	2021	2020
	NZ\$	NZ\$
Provision for closing stock		
Opening provision for inventory	(162,793)	(76,019)
Reversal of opening provision for inventory	-	46,427
Charged to profit and loss	(173,016)	(133,201)
Closing provision for closing stock	(335,809)	(162,793)

Inventory of \$335,809 has been expensed and written down to net realisable value/lower of cost (31 March 2020: \$162,793).

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 \$16,560 (2020: \$25,210).

A fair value loss of \$234,588 (2020: \$204,898) was recorded during the year within cost of sales.

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12. PROPERTY, PLANT AND EQUIPMENT

	Land NZ\$	Buildings NZ\$	Land Improvements NZ\$	Plant & Equipment NZ\$	Motor Vehicles NZ\$	Computer Equipment NZ\$	Fixture & Fittings, Office Equipment NZ\$	Bearer Plants - Grape Vines NZ\$	Total NZ\$
Year ended 31 March 2020									
Cost									
Cost as at 1 April 2019	320,000	905,199	50,000	447,775	98,744	30,252	205,591	80,000	2,137,561
Additions	-	-	-	2,697	-	502	980	-	4,179
Disposal	-	-	-	(417)	-	-	(4,500)	-	(4,917)
Impairment	-	-	-	-	-	-	-	-	-
Written off	-	-	-	(11,865)	-	-	-	-	(11,865)
Cost as at 31 March 2020	320,000	905,199	50,000	438,190	98,744	30,754	202,071	80,000	2,124,958
Accumulated Depreciation									
Accumulated Depreciation at 1 April 2019	-	(5,578)	-	(143,167)	(56,221)	(19,288)	(67,763)	(16,684)	(308,701)
Depreciation charge for the year	-	(2,435)	-	(45,759)	(14,191)	(5,671)	(19,815)	(4,749)	(92,620)
Disposal	-	-	-	263	-	-	1,908	-	2,171
Written off	-	-	-	3,887	-	-	-	-	3,887
Accumulated Depreciation at 31 March 2020	-	(8,013)	-	(184,776)	(70,412)	(24,959)	(85,670)	(21,433)	(395,263)
Carrying Amount									
Cost	320,000	905,199	50,000	438,190	98,744	30,754	202,071	80,000	2,124,958
Accumulated Depreciation	-	(8,013)	-	(184,776)	(70,412)	(24,959)	(85,670)	(21,433)	(395,263)
Carrying Amount 31 March 2020	320,000	897,186	50,000	253,414	28,332	5,795	116,401	58,567	1,729,695
Year ended 31 March 2021									
Cost									
Cost as at 1 April 2020	320,000	905,199	50,000	438,190	98,744	30,754	202,071	80,000	2,124,958
Additions	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	(26,484)	(1,999)	-	-	(28,483)
Impairment	-	-	-	(116,082)	-	-	(45,251)	-	(161,333)
Written off	-	-	-	-	(791)	-	-	-	(791)
Cost as at 31 March 2021	320,000	905,199	50,000	322,108	71,469	28,755	156,820	80,000	1,934,351
Accumulated Depreciation									
Accumulated Depreciation at 1 April 2020	-	(8,013)	-	(184,776)	(70,412)	(24,959)	(85,670)	(21,433)	(395,263)
Depreciation charge for the year	-	(2,805)	-	(39,618)	(6,635)	(2,502)	(17,746)	(4,393)	(73,699)
Disposal	-	-	-	-	21,458	1,208	-	-	22,666
Written off	-	-	-	-	-	-	-	-	-
Accumulated Depreciation at 31 March 2021	-	(10,818)	-	(224,394)	(55,589)	(26,253)	(103,416)	(25,826)	(446,296)
Carrying Amount									
Cost	320,000	905,199	50,000	322,108	71,469	28,755	156,820	80,000	1,934,351
Accumulated Depreciation	-	(10,818)	-	(224,394)	(55,589)	(26,253)	(103,416)	(25,826)	(446,296)
Carrying Amount 31 March 2021	320,000	894,381	50,000	97,714	15,880	2,502	53,404	54,174	1,488,055

Bearer plants consist of grape vines on our vineyards here in New Zealand. As at 31 March 2021, the Group had grape vines planted on 4.22 productive hectares of land (2020: 4.22 hectares).

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13. RIGHT-OF-USE ASSETS

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

13.1 Right-of-use assets

<u>Year ended 31 March 2020</u>	<u>Buildings</u>	<u>Forklift</u>	<u>Total</u>
At 1 April 2019	-	-	-
Effect on adoption of NZ IFRS 16	780,742	14,483	795,225
Depreciation	(152,609)	(1,609)	(154,218)
Increase in rent modification	16,059	-	16,059
At 31 March 2020	644,192	12,874	657,066
<u>Year ended 31 March 2021</u>	<u>Buildings</u>	<u>Forklift</u>	<u>Total</u>
At 1 April 2020	644,192	12,874	657,066
Depreciation	(161,415)	(4,828)	(166,243)
Increase in rent modification	3,640	-	3,640
At 31 March 2021	486,417	8,046	494,463

13.2 Lease liabilities

<u>Year ended 31 March 2020</u>	<u>Buildings</u>	<u>Forklift</u>	<u>Total</u>
At 1 April 2019	-	-	-
Effect on adoption of NZ IFRS 16	780,742	14,483	795,225
Lease interest	46,674	624	47,298
Lease payments	(182,239)	(1,944)	(184,183)
Increase in rent modification	16,059	-	16,059
At 31 March 2020	661,236	13,163	674,399
<u>Lease liabilities</u>			
Current lease liabilities	147,598	4,393	151,991
Non-current lease liabilities	513,638	8,770	522,408
Total lease liabilities	661,236	13,163	674,399
<u>Year ended 31 March 2021</u>	<u>Buildings</u>	<u>Forklift</u>	<u>Total</u>
At 1 April 2020	661,236	13,163	674,399
Lease interest	42,306	1,439	43,745
Lease payments	(190,005)	(5,832)	(195,837)
Increase in rent modification	3,641	-	3,641
At 31 March 2021	517,178	8,770	525,948
<u>Lease liabilities</u>			
Current lease liabilities	159,723	5,045	164,768
Non-current lease liabilities	357,455	3,725	361,180
Total lease liabilities	517,178	8,770	525,948

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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:

	2021	2020
	NZ\$	NZ\$
Lease of eftpos equipment	1,254	1,149

14. BIOLOGICAL ASSETS

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

	2021	2020
	NZ\$	NZ\$
Carrying value of biological assets		
Opening Balance	-	-
Movements in Period		
Additions at fair value	16,560	25,210
Transfer of harvested fresh fruit bunches to inventory	(16,560)	(25,210)
Balance as at 31 March	-	-

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 2021, the Group harvested grapes equal to 5,210 litres of wine (2020: 8,110 litres). Of this amount the Company purchased 3,150 litres (2020: 8,566 litres) from independent third party growers. 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.

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15. INTANGIBLE ASSETS

	Trademarks NZ\$	Total NZ\$
Year ended 31 March 2020		
Cost		
Cost as at 1 April 2019	1,500	1,500
Additions	-	-
Cost as at 31 March 2020	1,500	1,500
Accumulated Amortisation		
Accumulated amortisation at 1 April 2019	(342)	(342)
Amortisation for the year	(150)	(150)
Accumulated amortisation as at 31 March 2020	(492)	(492)
Carrying Amount		
Cost	1,500	1,500
Accumulated amortisation	(492)	(492)
Carrying Amount 31 March 2020	1,008	1,008
Year ended 31 March 2021		
Cost		
Cost as at 1 April 2020	1,500	1,500
Additions	-	-
Cost as at 31 March 2021	1,500	1,500
Accumulated Amortisation		
Accumulated amortisation at 1 April 2020	(492)	(492)
Amortisation for the year	(150)	(150)
Accumulated amortisation as at 31 March 2021	(642)	(642)
Carrying Amount		
Cost	1,500	1,500
Accumulated amortisation	(642)	(642)
Carrying Amount 31 March 2021	858	858

The amortisation charge of \$150 (2020: \$150) is recognised under administration expenses in the Statement of Comprehensive Income.

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16. TRADE, OTHER AND RELATED PARTY PAYABLES

	Note	2021 NZ\$	2020 NZ\$
Trade creditors		100,165	63,647
Accruals		121,123	115,908
Related party payables	19	639,323	432,926
Other payables		5,970	153,788
		866,581	766,269

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

	2021 \$	2020 \$
Small business cashflow loan	53,400	-
	53,400	-
<u>Non-current</u>		
Between one and five years	53,400	-
	53,400	-

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. Borrowings 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 Company has received one-off loans totalling \$53,400 on 8 September 2020 with the final repayment date being 8 September 2025. The loan will be 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

18. NET CASH OUTFLOW FROM OPERATING ACTIVITIES

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

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18. NET CASH OUTFLOW FROM OPERATING ACTIVITIES (continued)

		2021	2020
		NZ\$	NZ\$
Loss before taxation		(1,271,851)	(1,170,553)
<i>Adjustment for non cash items</i>			
Amortisation and impairment of intangible assets	15	150	150
Bad debts written off		-	115
Depreciation of property, plant and equipment	12	73,699	92,620
Depreciation of right-of-use assets	13	166,243	154,218
Impairment of property, plant and equipment	12	161,333	-
Fair value adjustment on agricultural produce		234,588	204,898
Foreign exchange differences		(6,928)	36,083
Loss/(gain) on disposal of property, plant and equipment		4,077	325
Property, plant and equipment written off		791	7,978
Provision for closing stock		173,016	86,774
<i>Adjustment for movements in working capital items</i>			
Trade and other receivables		119,400	(71,387)
Inventories		(14,797)	31,064
Prepayments and other current assets		(275)	62,785
Related party receivable		155,735	584,232
Trade and other payables		(106,085)	54,018
Related party payables		82,544	(223,159)
Net cash outflow from operating activities		<u>(228,360)</u>	<u>(149,839)</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 Xia
Anthony Edwin Falkenstein & Ian Donald Malcolm	Shareholder of company
Australasian International Group Limited	Company associated to company's major shareholder, Mr Yang Xia
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
Fei Yao	Shareholder of company
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 Xia

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19. RELATED PARTIES (continued)

Related Parties (continued):

Guangdong Silver Fern Network Technology Co. Limited	Company associated to company's major shareholder, Mr Yang Xia
Guangdong Yinrui Investment & Management Company	Company associated to company's major shareholder, Mr Yang Xia
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 Xia
Howard & Co Consulting and Advisory Services Limited	Company associated with director, Mr Hao Long
Huai Ji Zhou	Shareholder of company
KWXS Trading Limited	Company associated with director of subsidiary, Shuang Xia
Lei Chen	Shareholder of company
Lin Fang	Shareholder of company
May Sun Trading Limited	Company associated with shareholder of company, Lin Fang
Mingbao Zhang	Shareholder of company
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
Prakash Pandey	Shareholder of company
Qiang Li	Director of company
Shanshan Lu	Shareholder of company
Shuang Xia	Director of subsidiary, director of NZ Silveray Group Limited
Shuopeng Wang	Shareholder of company
Snowdon Peak Investments Limited	Shareholder of company
Super Life NZ Ltd	Company associated to company's major shareholder, Mr Yang Xia
Tingsong Zhang	Shareholder of company
Tongqu Trading Group Limited	Company associated with director, Mr Zilei Wang
Wei Fang	Shareholder of company
Wei Li	Shareholder of subsidiary
Wenming Tan	Shareholder of company
Yang Xia	Director of company and subsidiary
Yinrui Shen	Shareholder of company
Yong Zhu	Shareholder of company
Zhan Qin Xu	Shareholder of company
Zhongsheng Yao	Shareholder of company
Zilei Wang	Director of company

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19. RELATED PARTIES (continued)

Related party balances

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

		31 March 2021	31 March 2020
	Nature of Transactions	\$	\$
Related Party Receivables			
Guangdong Farmside International Trading Co. Limited	Sale of products	125,914	283,749
Hefei Ge Lun Bu E-commerce Co., Ltd	Sale of products	2,100	-
		128,014	283,749

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.

		31 March 2021	31 March 2020
	Nature of Transactions	\$	\$
Related Party Payables			
Anhui Asin International Trade Co. Ltd	Purchases of goods	49,790	-
Anhui Asin International Trade Co. Ltd	Advance	33,362	-
Australasian International Group Limited	Purchases of goods	99,429	145,159
E Way Holdings Group Limited	Management Fees	4,025	-
E Way Holdings Group Limited	Advance	25,112	-
Guangdong Farmside International Trading Co. Limited	Purchase of goods and services	26,313	-
Hao Long	Advance	25,381	-
New Zealand National Trade Limited	Director fee	6,038	-
NZ Silveray Group Limited	Management fees	38,372	-
NZ Silveray Group Limited	Advances	326,806	286,808
Tongqu Trading Group Limited	Director fee	4,696	959
		639,323	432,926

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, 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.

Australasian International Group Limited and NZ Silveray Goup Limited have agreed that they will not be calling upon the group for the repayment of the above payables balances as at 31 March 2021 for a period of at least 12 months from the date of signing the 31 March 2021 financial statements, or to such a point in time as the group has the liquidity to settle these liabilities.

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19. RELATED PARTIES (continued)

	Year ended 31 March 2021 \$	Year ended 31 March 2020 \$
Related party transactions		

Sales of products or services provided to the following:

Australasian International Group Limited (sales of products)	-	653
E Way Holdings Group Limited	2,940	5,243
E Way Trading Limited	-	18,900
Federation of New Zealand Shenzhen Societies Inc.	122	-
Guangdong Farmside International Trading Co., Ltd (sales of products)	234,836	283,749
Hefei Ge Lun Bu E-commerce Co., Ltd	2,100	-
Howard & Co Consulting and Advisory Services Limited	-	87
New Zealand Fantasy Angel Biotechnology Limited	142	10,058
New Zealand Guangdong General Association of Commerce Inc.	783	-
	240,922	318,690

Expenses repaid/recharged on behalf of the Group:

Anhui Asin International Trade Co. Ltd	49,285	-
Guangdong Farmside International Trading Co. Limited	29,458	1,779
Guangdong Yinrui Investment & Management Company Limited	-	25,124
Other related parties	-	6,509
	78,743	33,412

Purchases from the following for services or products provided:

Anhui Asin International Trade Co. Ltd	57,474	-
Australasian International Group Limited (purchase of goods)	-	304,344
E Way Holdings Group Limited	7,105	13,070
Guangdong Farmside International Trading Co. Limited (purchase of goods)	-	954
Howard & Co Consulting and Advisory Services Limited (Note 3)	30,000	30,000
New Zealand Asia-Pacific Cultural Exchange Centre Limited	-	2,043
New Zealand National Trade Limited	10,500	-
NZ Silveray Group Limited	36,400	32,000
Tongqu Trading Group Limited	7,000	-
	148,479	382,411

Interest received or debited on related party balances:

Guangdong Farmside International Trading Co. Limited	-	87
	-	87

Interest paid or credited on related party balances:

E Way Holdings Group Limited	112	-
Hao Long	381	-
NZ Silveray Group Limited - on advances	24,982	1,825
	25,475	1,825

Other transactions:

New Zealand Guangdong General Association of Commerce Inc. - donation for annual event	-	1,000
	-	1,000

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19. RELATED PARTIES (continued)

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 2021 \$	March 2020 \$
Salaries and other short-term benefits	230,891	202,317
Directors' fees	35,052	58,070
	265,943	260,387

20. COMMITMENTS

The Group has no capital commitments as at 31 March 2021 (2020: \$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\$
31 March 2021			
<i>Financial Assets:</i>			
Cash and cash equivalents	3,375	-	3,375
Trade and related party receivables	181,781	-	181,781
Total financial assets	185,156	-	185,156
<i>Financial liabilities:</i>			
Trade and other payables	-	856,838	856,838
Borrowings	-	53,400	53,400
Lease liabilities	-	525,948	525,948
Total financial liabilities	-	1,436,186	1,436,186
31 March 2020			
<i>Financial Assets:</i>			
Cash and cash equivalents	197,905	-	197,905
Trade and related party receivables	456,916	-	456,916
Total financial assets	654,821	-	654,821
<i>Financial liabilities:</i>			
Trade and other payables	-	750,505	750,505
Lease liabilities	-	674,399	674,399
Total financial liabilities	-	1,424,904	1,424,904

AFC GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

21. FINANCIAL INSTRUMENTS (continued)

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.

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 \$1,291,315 (2020: \$2,563,166). The related party advances of \$410,661 (2020: \$286,808) 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 major concentrations of credit risk relate to the amounts owing by one (1) related party customer which constituted approximately 69% of its total trade receivables as at the end of the reporting period. (2020: 62% 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:

	2021	2020
	NZ\$	NZ\$
China	128,014	283,956
New Zealand	53,767	172,960
Total trade and related party receivables	<u>181,781</u>	<u>456,916</u>

AFC GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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:

	2021	2020
	NZ\$	NZ\$
Not past due	-	166,147
Past due 0-30	30	94,422
Past due 31-90	137,318	19,129
Past due more than 90	44,433	177,218
Total trade and related party receivables	<u>181,781</u>	<u>456,916</u>
	2021	2020
	NZ\$	NZ\$
Impairment losses on trade, other and related party receivables	<u>182</u>	<u>458</u>
	<u>182</u>	<u>458</u>

Expected credit loss assessment as at 1 April 2020 and 31 March 2021

The Group has recognised impairment losses on trade, other and related party receivables of \$182 (2020: \$458) 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 2019 and 2020 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. 70% (2020: 98%) of the receivables that are past due relate to amounts owing by two (2) related party. A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group.

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 2021

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 \$
2021					
<u>Financial Liabilities</u>					
Trade creditors and other payables	211,490	974	-	5,051	217,514
Related party payables	639,323	-	-	-	639,323
Borrowings	-	53,400	-	-	53,400
Lease liabilities	80,796	83,971	175,498	185,683	525,948
	<u>931,609</u>	<u>138,345</u>	<u>175,498</u>	<u>190,734</u>	<u>1,436,186</u>
2020					
<u>Financial Liabilities</u>					
Trade creditors and other payables	328,274	-	-	5,069	333,343
Related party payables	325,093	-	107,833	-	432,926
Lease liabilities	74,468	77,524	164,215	358,192	674,399
	<u>727,835</u>	<u>77,524</u>	<u>272,048</u>	<u>363,261</u>	<u>1,440,668</u>

Interest rate risk profile

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

	2021 NZ\$	2020 NZ\$
Fixed interest instruments		
Financial assets	-	197,905
Financial Liabilities	(956,647)	(956,224)
Total	<u>(956,647)</u>	<u>(758,319)</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 2021

22. INVESTMENT IN SUBSIDIARIES

Name of subsidiary	Principal activity	Ownership interest and voting rights	
		2021	2020
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 GoGobal 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.

International marketing and distribution

The operations of this segment were reclassified to Corporate in the 2020 year.

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 2021

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 2021 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 2021 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 2021

	Vineyard and winery	Corporate	Manufacturing	Eliminations and adjustments	Year ended 31 March 2021
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
Operating Income					
Operating Revenue	155,694	6,924	484,385	(93)	646,910
Other Revenue	110,771	652,013	100,036	(555,676)	307,144
Interest Income		208,521	9	(208,522)	8
Total Revenue	266,465	867,458	584,430	(764,291)	954,062
Cost of sales	295,044	5,785	628,480	(35,051)	894,258
Operating Expenses					
Interest	111,415	62,390	104,054	(208,522)	69,337
Amortisation and Impairment losses	-	150	-	-	150
Depreciation	20,799	19,569	33,331		73,699
Other expenses	166,629	745,950	796,017	(520,127)	1,188,469
Total operating expenses	298,843	828,059	933,402	(728,649)	1,331,655
Segment profit/ (loss) before tax	(327,422)	33,614	(977,452)	(591)	(1,271,851)
Assets					
Segment assets	1,776,601	6,385,665	533,487	(5,958,509)	2,737,244
Capital Expenditure	-	-	-	-	-
Segment Liabilities	1,589,229	1,421,192	1,660,017	(3,224,509)	1,445,929

AFC GROUP HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

23. SEGMENT REPORTING (continued)

Year ended 31 March 2020

	Vineyard and winery	Corporate	Manufacturing	Eliminations and adjustments	Year ended 31 March 2020
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
Operating Income					
Operating Revenue	132,043	11,353	1,088,376	3,159	1,234,931
Other Revenue	16,820	143,665	3,966	(73,721)	90,730
Interest Income	4	157,264	98	(157,171)	195
Total Revenue	148,867	312,282	1,092,440	(227,733)	1,325,856
Cost of sales	280,855	13,637	800,275	(29,754)	1,065,013
Operating Expenses					
Interest	85,486	40,830	79,978	(157,171)	49,123
Amortisation and Impairment losses	-	150	-	-	150
Depreciation	27,292	25,450	39,878	-	92,620
Other expenses	235,236	269,762	824,967	(40,462)	1,289,503
Total operating expenses	348,014	336,192	944,823	(197,633)	1,431,396
Segment profit/ (loss) before tax	(480,002)	(37,547)	(652,658)	(346)	(1,170,553)
Assets					
Segment assets	1,927,563	6,243,697	1,385,984	(5,553,410)	4,003,834
Capital Expenditure	2,697	502	980	-	4,179
Segment Liabilities	1,412,769	1,312,837	1,535,063	(2,820,001)	1,440,668

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

	2021 NZ\$	2020 NZ\$
Profit / (loss) before tax for operating segments	(1,271,851)	(1,170,553)
Taxation benefit for the year	-	-
Profit / (loss) after taxation	(1,271,851)	(1,170,553)
Total assets for operating segments	2,737,244	4,003,834
Add: deferred tax asset Position	-	-
	2,737,244	4,003,834
Total liabilities for operating segments	1,445,929	1,440,668
Adjustments Position	-	-
	1,445,929	1,440,668

AFC GROUP HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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 six related party customers of the Group's international marketing, vineyard and manufacturing segments represented 37% (2020: 26%) of the Group's total operating revenue.

	Vineyard and winery	Corporate	Manufacturing	Eliminations and adjustments	Total
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
31 March 2021					
China	25,007	226	213,485	-	238,718
New Zealand	130,669	6,698	270,825	-	408,192
Operating Revenue	155,676	6,924	484,310	-	646,910
31 March 2020					
China	90,144	898	200,098	-	291,140
New Zealand	41,246	10,408	892,137	-	943,791
Operating Revenue	131,390	11,306	1,092,235	-	1,234,931

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:

	2021	2020
	NZ\$	NZ\$
Total assets	2,737,244	4,003,834
Less right-of-use assets	494,463	657,066
Less intangible assets	858	1,008
Tangible assets	2,241,923	3,345,760
Less total liabilities	1,445,929	1,440,668
Add lease liabilities	525,948	674,399
Net tangible assets	1,321,942	2,579,491
Number of ordinary shares on issue	3,664,253,194	3,664,253,194
Net tangible assets / liabilities per share in NZ\$	0.0004	0.0007

AFC GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

25. CONTINGENT LIABILITIES

The Group has no contingent liabilities at 31 March 2021 (2020: Nil).

26. EVENTS AFTER THE REPORTING PERIOD

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

At the date of this report, the Board of Directors of AFC Group Holdings Limited provided the following update on the operations of AFC Group Holdings Limited and its subsidiaries ("AFC Group") in relation to the Coronavirus ("COVID-19") global pandemic.

In regards to the duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and reserve bank responses, it is still not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

The company has not adopted the fair value accounting policy to remeasure property, plant and equipment for the year ended 31 March 2021. However, the company is still looking into the adoption of fair value policy in the 2022 fiscal year.

The company is actively looking for new customers and markets to increase revenue and profit. Lastly, the Board of Directors are assessing the Group's position on an ongoing basis and will continue to keep the market informed of any changes to the operation that may have a material impact on the current business strategy.

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 2021, 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 2021, 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 Financial Statements section of our report. We are independent of the Company 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 any of its subsidiaries.

Material Uncertainty Related to Going Concern

We draw attention to Note 1.6 in the financial statements, which indicates that the Company incurred a net loss of \$1,271,851 during the year ended 31 March 2021. As of that date, the Group's current liabilities exceed its current assets by \$277,481 and the Group had positive net equity of \$1,291,315. As stated in Note 1.6 these events or conditions 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.

ACCOUNTANTS & ADVISORS

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William Buck Audit (NZ) Limited

Key Audit Matters

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

INVENTORY OBSOLESCENCE	
Area of focus - Refer also to Note 11	How our audit addressed it
<p>The Group holds material levels of inventory that represents 18% of Total Assets. The valuation or inventory requires significant audit attention.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Understanding the system of processing inventory transactions — Attended physical inventory counts on or around the Reporting Date — Complete detailed substantive testing of the costing of inventory — 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 — 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 — Obtained an Independent Experts valuation report on the market value of the wine and considered their assumptions and conclusions — Ensure appropriate disclosure has been included in the financial statements
IMPAIRMENT OF PROPERTY, PLANT & EQUIPMENT	
Area of focus - Refer also to Note 12	How our audit addressed it
<p>The Group has significant value in Property, Plant & Equipment and there are operating losses at Segmental level</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Physical inspection of all tangible property — Critically assessing the Group's impairment analysis and operating forecast covering an extended period on the Manufacturing segment — Performing stress-test analysis on the Group's forecasts on the Manufacturing segment — Reviewing trading activity subsequent to the Reporting Date for both trading segments — Reviewed third party expert valuation of Land and Buildings for the Vineyard — Ensure appropriate disclosure has been included in the financial statements

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors are responsible for the Annual Report which includes information other than the consolidation financial statements and audit report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities

The directors are responsible on behalf of the entity 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 Darren Wright.

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

28 June 2021

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 07 May 2021)

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 07 May 2021)

Size of Holding	Number of shareholders	%	Number of Shares	%
1 - 1,999	46	6.64%	58,918	0.00%
2,000 - 4,999	97	14.00%	332,961	0.01%
5,000 - 9,999	105	15.15%	767,045	0.02%
10,000 - 49,999	236	34.05%	5,559,846	0.15%
50,000 - 99,999	42	6.06%	2,833,929	0.08%
100,000 – 499,999	67	9.67%	12,478,375	0.34%
500,000 – plus	100	14.43%	3,642,222,120	99.40%
	693	100.00%	3,664,253,194	100.00%
Geographic Spread				
New Zealand	679	97.98%	3,661,046,501	99.91%
Other	14	2.02%	3,206,693	0.09%
	693	100.00%	3,664,253,194	100.00%

AFC GROUP HOLDINGS LIMITED

SHAREHOLDER AND STATUTORY INFORMATION (continued)

Substantial Product Holders (as at 07 May 2021)

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
	2021	2020	2021	2020
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
	2,518,601,893	2,518,601,893	68.73	68.73

The total number of voting securities of the company on issue at 07 May 2021 was 3,664,253,194 paid ordinary shares.

Directors

During the year the board of directors comprised:

<u>Non-executive directors</u>	Appointed	Resigned
Bo Xian Cao	06-Jun-16	-
Yang Xia (Chairman)	13-Apr-15	-
<u>Executive directors</u>		
Hao Long (Resigned)	17-Oct-16	22-Mar-21
Jingwei Ma	29-Mar-21	-
<u>Independent directors</u>		
Qiang Li	01-Apr-18	-
Zilei Wang	16-May-18	-

Statement of Directors' Security Holdings (as at 31 March 2021)

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

AFC GROUP HOLDINGS LIMITED

SHAREHOLDER AND STATUTORY INFORMATION (continued)

Statement of Directors' Security Holdings (as at 31 March 2021) (continued)

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.

There were no other securities transactions disclosed to the Board and entered into the Interests Register for the year to 31 March 2021.

The following are directorships held by the AFC Group Holdings Limited Directors as at 31 March 2021:

Yang Xia
AFC Group Holdings Limited 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
Bo Xian Cao
AFC Biotechnology Manufacture Co Limited AFC International Trading Group Limited AFC Group Holdings Limited E Way Holdings Group Limited NZ Guangdong Business Development Corporation Limited Oceania Traceability Technology Limited
Jingwei Ma
AFC Group Holdings 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 2021:

	Director's fees	Other Remuneration
Yang Xia (Chairman)	\$14,000	Nil
Bo Xian Cao	\$3,552	Nil
Hao Long (Resigned)	Nil	\$76,192
Qiang Li	\$10,500	Nil
Zilei Wang	\$7,000	Nil

Hao Long also received a salary of \$76,192.01 during the year. The Directors of AFC Group Holdings Limited did not receive any other benefits from AFC Group Holdings Limited in the 12 months to 31 March 2021.

AFC GROUP HOLDINGS LIMITED

SHAREHOLDER AND STATUTORY INFORMATION (continued)

Directors' Remuneration and Other Benefits (Continued)

Employees Remuneration (Excluding Directors)

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

Yanling Hu (Deputy General Manager) received a salary of \$100,000 during the year.

Directors' Indemnity and Insurance

The Company has not arranged policies of Directors' Liability insurance to ensure that generally, directors will incur no monetary loss as a result of action taken against them as directors.

AFC GROUP HOLDINGS LIMITED

CORPORATE INFORMATION

SOLICITORS

Buddle Findlay New Zealand Lawyers
P O Box 1433
Auckland 1140

AFC GROUP HOLDINGS LIMITED

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

SHARE REGISTRAR

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

HEAD OFFICE / REGISTERED OFFICE

AFC Group Holdings Limited
245 Ti Rakau Drive
Burswood
Auckland 2013

ACCOUNTANTS

RSM New Zealand (Auckland)
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62 Highbrook Drive, Highbrook
Auckland 2013

TELEPHONE

64-9-930-0245

WEBSITE

www.afcnz.com

AUDITORS

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P O Box 106 090
Level 4, 21 Queen Street
Auckland 1010

BANKERS

ANZ Bank New Zealand Limited