# Rural Liquid Fertilisers Asia Ltd

# CONSOLIDATED ANNUAL FINANCIAL REPORT

## For the year ended 30 June 2020

# Contents

# Directors' report

The Directors present their report on Rural Liquid Fertilisers Asia Ltd., "the Company", and its controlled entities "the Group" for the full financial year ended 30 June 2020.

**Director**

The name of the Directors in office at any time during or since the end of the period are:

Mr Kenneth Graeme Hancock, Managing Director
Mr Gavin Neil Ball, Executive Director
Dr Lu Shen (Mike), Chief Executive Officer and Executive Director

The Directors have been in office since the start of the period to the date of this report unless otherwise stated.

**Principal activities**

The principal activities of the Group during the year were manufacturing and sales of fertilisers in mainland China and some parts of Asia through its operating subsidiaries.

No significant change in the nature of these activities occurred during the period.

**Review of operations**

The loss of the Group for the financial year after income tax amounted to $1,032,927 (30 June 2019: $1,337,731 loss).

The Group's financial result was negatively impacted by non-recurring costs or lost revenue opportunities associated with the following:

- The Group's preparations for a proposed IPO on the Australian Stock Exchange. The Group expensed costs directly relating to this process. These costs included an increase to both the Company's internal operating costs and the direct costs of the professional services engaged for this purpose.
- On the 23rd January 2020 China operations were suspended by the Chinese government COVID-19 restrictions, all operations were fully closed for 4 weeks with partial operations recommencing on the 24th February and full operations returning after approximately 8 weeks of delay. As COVID-19 commenced at the start of Chinese New Year our operation had already started to wind down from the 1st week in January therefore further compounding the impact to operations.
- A seasonal working capital facility, historical made available to the Company (March to September) was no longer available due to the uncertainty around COVID-19 market conditions thereby reducing working capital compared to the prior years, the company then needed to reduce activities and this negatively impacted revenue.
- COVID-19 resulted in the traditional face to face marketing methods such as farmer meetings / distributor meetings, industry tradeshows and travel being suspended for several months. Scheduled internal staff meetings were also cancelled or delayed for a period of approximately 6 months.
- Continuing negative sentiment in market conditions is being felt throughout the China and Southeast Asia regions. Indications are that crop inputs may be down as a result of COVID-19 related events, such as farmers being unable to harvest crops and the widespread closure of restaurant's effecting trade. As a result, this has created a tightening of cashflow throughout the market with distributors holding cash and delaying payments generally in the sector.
- As at FYE 30 June 2020 COVID-19 related events, resulted in an 8% decline in revenue.

# Directors' report

Other than the events described above, the business production, packaging and distribution division of the Group continued to support the sales revenue achieved by the Group's sales and marketing division.

**Significant changes in state of affairs**

No significant changes in the Group's state of affairs occurred during the year.

**Events subsequent to the end of the reporting date**

On 16th September 2020 the Company extended an existing $400,000 loan facility for a further period of 12-months, with renewal becoming 16th September 2021.

On the 9th October 2020 the Company signed an Advisory Mandate agreement with KG Capital Partners Pty Ltd based in Melbourne, Victoria, for the purposes of managing the capital and equity strategy including a Pre-IPO Offering and an Initial Public Offering.

There are no other significant events have arisen since the end of the year which may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial year.

**Likely developments and expected results of operations**

Likely development in the operation of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

**Dividends paid or recommended**

No dividends were declared or paid during the year.

**Environmental issues**

The Group's operations are subject to relevant local environmental laws within the jurisdictions that it operates. The Directors have complied with these laws and are not aware of any breaches of the legislation during the year which are material in nature.

**Options and performance rights**

Option granted and performance rights issued subsequent to financial year end are disclosed in the section Events subsequent to the end of the reporting date of this Directors' Report.

**Indemnifying officers or Auditor**

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an officer or Auditor of the Company.

**Proceedings on behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the period.

# Directors' report

### Information on the Directors

**Mr Kenneth Graeme Hancock,**

**Managing Director**

Ken is the Managing Director of the Company and works between the Company's Australia and China offices. Ken has worked in commercial fertiliser manufacture and distribution for 19 years. He is also an executive of Rural Liquid Fertilisers Pty Ltd and has assumed responsibility for the development of strategic supply alliances that have enabled Rural Liquid Fertilisers Pty Ltd to offer a comprehensive and competitive range of crop nutrition products into the Australian and New Zealand market. In 2004 Ken identified the opportunity to create a manufacture and distribution business of RLF products into Asian markets initially into China. Following significant time spent in China researching the opportunity, including conducting product trials and evaluations, Ken managed the establishment of a new corporate structure (including seed funding) through which this opportunity would be conducted. This included the establishment of a Wholly Owned Foreign Enterprise (Rural Liquid Fertilisers China (Kaifeng) Co., Ltd.) located in Henan, China which is today the main operating entity of the Company.

Ken is a senior Executive Director of the Company. Ken is an Australian citizen who currently lives in Perth and will conduct Company operations from the Company's offices in Perth with regular travel to China when possible.

**Dr Lu Shen (Mike),**

**Chief Executive Officer and Executive Director (appointed 5 April 2019)**

Dr Lu is the Company's CEO and has been responsible for operations throughout China since 2012. Dr Lu has significant management experience in fertiliser markets. He has a PhD in Soil Science and Plant Nutrition and has considerable industry experience at senior appointment levels. This has included:

- Business Development Manager, Cargill Fertilizer Inc. (USA) 1993 - 1998. Approximately 1 year of this period was spent in each of Cargill's Canada and US offices and 3 years were spent in Cargill's Hong Kong office.
- Executive Deputy Manager, Cargill Tianjin Fertilisers Ltd, (US-Sino Joint Venture) based in Hong Kong 1996 - 1998. This was a joint venture that US company Cargill established to allow it to sell products to the Chinese market.
- Director, General Manager, Jiangsu Kebang Fertiliser Ltd. (Sino-HK JV Company) based in Hong Kong 2002 – 2018.

Dr Lu is fluent in Mandarin and English and brings an understanding of Chinese culture, business practices and government compliance requirements to the Company. Dr Lu was born in China but has been a Canadian citizen for 25 years and has held a Hong Kong passport for 11 years. Dr Lu currently lives in China and will conduct operations of the Company from China.

Dr Lu has no historical relationship with Rural Liquid Fertilisers Pty Ltd and is solely involved with business operations in China which are owned by the Company.

# Directors' report

**Mr Gavin Neil Ball,**

**Executive Director /Company Secretary**

Gavin has over 25 years of expertise in the start-up, development, growth and ongoing management of business. He has operated a diverse range of businesses aligned with real estate, telecommunications, retail, media, technology and agriculture. Working in numerous executive roles, Gavin has a management, financial and accounting skill set with sales and marketing focus. In his role as Executive Director, Gavin works directly with the Company's international Distribution Partners and manages the direct international sales and marketing operations.

Gavin is a senior Executive Director of the Company. Gavin is an Australian citizen who currently lives in Perth and will conduct Company operations from the Company's offices in Perth.

Currently Gavin Ball is also the Company Secretary. Gavin is being supported in this role by Gabriel Chiappini (pending his formal appointment prior to IPO). An agreement has been entered for the employment of Gabriel Chiappini to become Company Secretary effective subsequent to the lodgement of the Prospectus with ASIC/ASX.

## Directors Meetings

There have been one board meetings held during the financial year.

## Auditor's Independence Declaration

A copy of the auditor's independence declaration is set out immediately after this Directors' report.

The Directors' report is signed in accordance with resolution of the Board of Directors:

Mr Kenneth Graeme Hancock
Director

Bentleys
THINKING AHEAD

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To The Board of Directors

## Auditor's Independence Declaration

As lead audit Partner for the audit of the financial statements of Rural Liquid Fertilisers Asia Ltd for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct in relation to the audit.

Yours faithfully

Bentleys

Chris Nicoloff

**BENTLEYS**
**Chartered Accountants**

**CHRIS NICOLOFF FCA**
**Partner**

Dated at Perth this 15th day of June 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

### For the year ended 30 June 2020

| | Note | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|---|
| Revenue | 2 | 9,528,676 | 10,390,966 |
| Cost of sales | | (4,543,250) | (4,819,177) |
| Gross profit | | 4,985,426 | 5,571,789 |
| Other income | 2 | 15,811 | 5,990 |
| Operating expenses | 3 | (3,594,440) | (3,168,831) |
| Administration expenses | 4 | (2,385,293) | (3,623,897) |
| Finance costs | 5 | (54,431) | (61,081) |
| (Loss) / Profit before income tax | | (1,032,927) | (1,276,030) |
| Income tax expense | 6 | - | (61,701) |
| **(Loss) / Profit for the year** | | **(1,032,927)** | **(1,337,731)** |
| **Other comprehensive income** | | | |
| **Items that will be reclassified subsequently to profit or loss** | | | |
| Foreign currency translation (loss) | | (559,827) | (33,640) |
| **Total comprehensive income for the year** | | **(1,592,754)** | **(1,371,371)** |

# Consolidated Statement of Financial Position

## As at 30 June 2020

| | Note | Consolidated Group 2020 $ | Consolidated Group 2019 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 1,052,771 | 1,253,480 |
| Trade and other receivables | 8 | 888,810 | 1,376,442 |
| Inventory | 9 | 2,369,022 | 2,209,472 |
| Other current assets | 10 | 168,526 | 158,578 |
| Total current assets | | **4,479,129** | **4,997,972** |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 722,948 | 893,888 |
| Intangible assets | 12 | 6,630 | 8,842 |
| Investment accounted for using the equity method | 13 | 37,819 | 54,810 |
| Right of use asset | 17 | 834,973 | - |
| Total non-current assets | | **1,602,370** | **957,540** |
| **Total assets** | | **6,081,499** | **5,955,512** |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 2,671,253 | 4,509,086 |
| Loan payable | 15 | 400,000 | - |
| Contract liabilities | 16 | 103,022 | 286,463 |
| Current tax liabilities | | - | 62,275 |
| Lease liabilities | 17 | 843,707 | - |
| Total current liabilities | | **4,017,982** | **4,857,824** |
| **Non-current liabilities** | | | |
| Trade and other payables | 14 | 2,577,750 | - |
| Total non-current liabilities | | **2,577,750** | **-** |
| **Total liabilities** | | **6,595,732** | **4,857,824** |
| **Net Assets** | | **(514,233)** | **1,097,688** |
| Share capital | 18 | 1,605,216 | 1,555,216 |
| Accumulated losses | | (7,694,618) | (6,661,691) |
| Reserve | 19 | 5,575,169 | 6,204,163 |
| **Total equity** | | **(514,233)** | **1,097,688** |

These financial statements should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

## For the year ended 30 June 2020

| | Share Capital | Accumulated losses | Group reorganisation reserve | Share-based Payment Reserve | Foreign currency translation reserve | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Balance at 1 July 2018** | 839,216 | (5,323,960) | 4,968,765 | - | 12,509 | **496,530** |
| (Loss) for the year | - | (1,337,731) | - | - | - | **(1,337,731)** |
| Other comprehensive income for the year | - | - | - | - | (33,640) | **(33,640)** |
| **Total Comprehensive income for the year** | **-** | **(1,337,731)** | **-** | **-** | **(33,640)** | **(1,371,371)** |
| Equity settled share-based payments | - | - | - | 1,256,529 | - | **1,256,529** |
| Shares issued during the year | 716,000 | - | - | - | - | **716,000** |
| **Balance at 30 June 2019** | **1,555,216** | **(6,661,691)** | **4,968,765** | **1,256,529** | **(21,131)** | **1,097,688** |
| | | | | | | |
| **Balance at 1 July 2019** | **1,555,216** | **(6,661,691)** | **4,968,765** | **1,256,529** | **(21,131)** | **1,097,688** |
| (Loss) for the year | - | (1,032,927) | - | - | - | **(1,032,927)** |
| Other comprehensive income for the year | - | - | - | - | (559,827) | **(559,827)** |
| **Total Comprehensive income for the year** | **-** | **(1,032,927)** | **-** | **-** | **(559,827)** | **(1,592,754)** |
| Shares issued during the year | 50,000 | - | - | - | - | **50,000** |
| Share-based payments | - | - | - | (69,167) | - | **(69,167)** |
| **Balance at 30 June 2020** | **1,605,216** | **(7,694,618)** | **4,968,765** | **1,187,362** | **(580,958)** | **(514,233)** |

# Consolidated Statement of Cash Flows

## For the year ended 30 June 2020

| | Note | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 9,578,243 | 8,631,287 |
| Payments to suppliers and employees | | (10,083,321) | (8,128,399) |
| Interest received | | 1,821 | 2,752 |
| Finance costs | | (54,431) | (61,081) |
| Income tax paid | | - | (71,324) |
| Net cash provided by/(used in) operating activities | 23 | **(557,689)** | **373,235** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (46,203) | (82,490) |
| Purchase of intangible assets | | - | (10,831) |
| Proceeds from disposal of property plant and equipment | | 3,182 | - |
| Net cash (used in) investing activities | | **(43,021)** | **(93,321)** |
| **Cash flows from financing activities** | | | |
| Cash (advances to) related parties | | 400,000 | (712,178) |
| Proceeds from additional share issued | | - | 716,000 |
| Net cash provided by financing activities | | **400,000** | **3,822** |
| Net change in cash and cash equivalents held | | (200,710) | 283,736 |
| Cash and cash equivalents at beginning of financial year | | 1,253,480 | 959,965 |
| Effect of exchange rates on cash holdings in foreign currency | | - | 9,779 |
| Cash and cash equivalents at end of financial year | 7 | **1,052,771** | **1,253,480** |

## 1 Statement of significant accounting policies

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Directors as at the date of the Directors' report.

### Basis of preparation

The consolidated financial statements have been prepared on an accrual basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied. All amounts are presented in Australian Dollar ($) which is the Group's presentational currency, unless otherwise noted.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

### Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realization of assets and settlement of liabilities in the normal course of business.

The Company incurred a net loss of $1,032,927 (2019: $1,337,731) and experienced net cash outflows from operations of $557,688 (2019: $373,253) for the year ended 30 June 2020. As at 30 June 2020, the Company has a working capital surplus of $461,147 (2019: $140,148 working capital surplus)

The ability of the Company to continue as a going concern is dependent upon the success of the fundraising under a prospectus yet to be issued. This requirement gives rise to a material uncertainty that may cast a significant doubt over the Company's ability to continue as a going concern and therefore that it will be able to realize its assets and discharge its liabilities in the normal course of business, and at the amount stated in the financial report.

The directors believe that the Company will continue as a going concern for the following reasons:

The major shareholder of Rural Liquid Fertilisers Asia Ltd being Rural Liquid Fertilisers Pty Ltd (35% of the issued shares) has acknowledged its financial support in the previous financial years and their ongoing and continued financial support for the current financial year which provides where required funds will be made available to the Company to ensure there is sufficient cash flows at all times for it to meet its budgeted expenditure and all other operating commitments.

- The Company has entered into an agreement with KG Capital Partners dated the 9th October, 2020, who are to act as the lead manager for the purposes of a pre-IPO capital raise for a minimum amount of $3,000,000 and a maximum amount of $5,000,000 via the issue of a convertible note instrument.

- The Company and its controlled entities have entered into deferral agreements on 1 October 2019 with related parties Rural Liquid Fertilisers Pty Ltd and RLF Global Pty Ltd to extend the repayment terms for $2,577,750 related party trade payables balance as follows:
    - The balance will be paid in 36 equal monthly instalments, with the first instalment payable on 1 January 2022 and repayment of all outstanding debts should be made on or before 31 December 2025.
    - If the Company becomes listed on the Australian Securities Exchange prior to 31 December 2025, then the Company must repay the full outstanding balance within 24 months after the Company is admitted to the official list of the Australian Securities Exchange.

The ability of the Company to continue as a going concern and meet its planned objectives is dependent on the continued and ongoing financial support of the related parties mentioned. On this basis no adjustments have been made to the financial report relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might be necessary should the Company not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis.

**New and amended standards adopted by the Group**

Leases

*The Group as lessee*
At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.
Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.
-

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

*The Group as lessor*
Upon entering into each contract as a lessor, the Group assesses if the lease is a finance or operating lease.

A contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases.

Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (for example, legal cost, costs to set up equipment) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Rental income due under finance leases are recognised as receivables at the amount of the Group's net investment in the leases.

When a contract is determined to include lease and non-lease components, the Group applies AASB 15 to allocate the consideration under the contract to each component.

*Initial Application of AASB 16: Leases*
The Group has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16 the comparatives for the 2018 reporting period have not been restated.

Lease liabilities are measured at the present value of the remaining lease payments, where applicable. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments. The Group has elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any lease payments made at or before the commencement date and any initial direct costs.

Refer to note 17 for details of Company leases.

Accounting Standards that are mandatorily effective for the current reporting year

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies as a result of adopting AASB 16: Leases.

The impact of the adoption of this Standard and the respective accounting policies are disclosed at (g) above.

New Accounting Standards for application in future periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated entity for the reporting year ended 30 June 2020.

**Significant accounting policies**

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

**a. Principle of consolidation**
The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Rural Liquid Fertilisers Asia Ltd) and all of the subsidiaries (including any structured

entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A list of the subsidiaries is provided in Note 27.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

**Business Combination**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving businesses under common control. Business combinations other than those involving businesses under common control are accounted for from the date that control is attained, whereby the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised at their acquisition-date fair values (except in a limited number of circumstances as identified in AASB 3: *Business Combinations*).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and other comprehensive income. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

**b. Income Tax**

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

**c. Property, Plant and Equipment**

Property, plant and equipment are measured at cost less depreciation and any impairment losses.

The cost of property, plant and equipment constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all property, plant and equipment including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

The depreciation rates used for each class of depreciable assets are:

| Class of Property, Plant and Equipment | Depreciation Rate |
|---|---|
| Buildings | 5%~12.5% |
| Plant and equipment | 5%~33% |
| Office equipment | 20%~33% |
| Motor vehicles | 13% |
| Lease improvement | 33% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date.

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.

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

**d. Intangible Assets - software**

Intangible assets related to software is recognised at cost of acquisition. It has a finite life and is carried at cost less any accumulated amortisation and any impairment losses. Software is amortised over its licensed period of 5 years.

**e. Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of fixed overheads. Overheads are applied on the basis of direct material usage. Costs are assigned on the basis of weighted average costs. Inventories were recognised by the Group on a first-in, first-out (FIFO) basis.

The direct overhead and direct labour are allocated based on standard manufacturing hours under normal production capacity. In the situation where the production facility is operating under normal capacity, the unallocated direct labour and direct overhead costs will be allocated to the administrative expense.

**f. Financial Instruments**

**Recognition, initial measurement and derecognition**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

**Classification and subsequent measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, the Group classifies its trade and other receivables as financial assets at amortised cost upon initial recognition. All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items.

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, other income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

**Subsequent measurement financial assets**

*Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

**Impairment of Financial assets**
AASB9's impairment requirements use more forward-looking information to recognise expected credit loss – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

**Trade receivables**
The Group makes use of a simplified approach in accounting for trade receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. Refer to Note 26 (b) for details of credit risk analysis of the Group.

**Other financial assets**
ECL for other financial assets at amortised cost, including cash and cash equivalents and other receivables, are assessed on 12-month expected credit losses basis as there had been no significant increase in credit risk since initial recognition.

**Classification and measurement of financial liabilities**
The Group's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

**g. Impairment of Non-Financial Assets**
At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. 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.

Any excess of the asset's carrying amount over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

**h. Employee Benefits**
Salary and wages are paid on a monthly basis and recognised as an expense when incurred and no leave entitlements accrue at the end of the reporting period.

**i. Cash and Cash Equivalents**
Cash comprises cash on hand and demand deposits. 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.

**j. Revenue**
Revenue arises mainly from the sale of liquid fertilisers.

To determine whether and when to recognise revenue, the Group follows a 5-steps process:

(i) Identifying the contract with a customer
(ii) Identifying the performance obligations
(iii) Determining the transaction price
(iv) Allocating the transaction price to the performance obligations
(v) Recognising revenue when / as performance obligation (s) are satisfied.

Revenue is recognised at a point in time when the Group satisfies performance obligations by transferring the promised goods to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts in the statement of financial position (see Note 16). Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Revenue from the sales of liquid fertilisers for a fixed fee is recognised when or as the Group transfers control of the assets to the customer. Invoices for goods transferred are due upon despatch of goods to the customer.

Interest revenue is accrued on a time 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.

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

All revenue is stated net of the amount of value added tax (VAT).

**k. Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets, less any provision for impairment.

**l. Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30~90 days of recognition of the liability.

**m. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale. All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

**n. Value Added Tax (VAT), Goods and Services Tax (GST) and other similar taxes**

For Revenues, expenses and assets are recognised net of the amount of VAT/GST, except where the amount of VAT/GST incurred is not recoverable from the Local Taxation Office. In these circumstances, the VAT/GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of VAT/GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the VAT/GST component of investing and financing activities, which are disclosed as operating cash flows. Commitments and contingencies are disclosed net of the amount of VAT/GST recoverable from, or payable to, the tax authority.

**o. Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**p. Critical Accounting Estimates and Judgments**

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Key Estimates — Impairment of Non-Financial Assets**

The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

**Significant Judgments — Provision for Obsolescence of Inventory and share based payment measurements**

The Group assesses the provision for obsolescence of inventory at each reporting date by evaluating the ageing of the inventory.

The measurement of share-based payment is outlined in Note 1(q)

**q. Share-based payments**

The Company operates a share-based payment employee incentive securities plan. The fair value of the equity to which employees, officer, or contractors or associated body corporate or such other person who has been determined by the Board of Directors entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity reserve account. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

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### r. Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' report and in the financial report have been rounded to the nearest dollar.

### s. Operating Segment

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### t. Foreign Currency Transactions and Balances

*Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The functional currency of the main operating entities, RLF Chemical Fertilisers (Shanghai) Co., Ltd and Rural Liquid Fertilisers China (Kaifeng) Co., Ltd is Chinese Renminbi. The consolidated financial statements are presented in Australian dollars which is the Parent Entity's functional and presentation currency.

*Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in profit or loss.

*Group entities*

Financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year end exchange rates;
- Income and expenses are translated at average rates for the period; and
- Retained earnings are translated at historical average rates.
- Share capital is translated at historical spot rates

Exchange differences arising on the translation of foreign operations are recognised directly to the Group's foreign currency translation reserve in the Consolidated Statement of Financial Position.

**Rural Liquid Fertilisers Asia Ltd**
**Notes to Financial Statements**
**For the year ended 30 June 2020**

## 2 Revenue and other income

| | Consolidated Group 2020 $ | Consolidated Group 2019 $ |
|---|---|---|
| **Operating activities** | | |
| Revenue from customers with contracts | 9,528,676 | 10,390,966 |
| Total revenue | **9,528,676** | **10,390,966** |
| **Other income** | | |
| Interest income | 1,821 | 2,752 |
| Other income | 13,990 | 3,238 |
| Total other Income | **15,811** | **5,990** |

## 3 Operating Expenses

| | Consolidated Group 2020 $ | Consolidated Group 2019 $ |
|---|---|---|
| **Operating expenses** | | |
| Advertising and promotion expense | 1,219,944 | 1,008,218 |
| Communication expense | 21,777 | 37,665 |
| Salary expense | 875,757 | 733,515 |
| Transportation expense | 544,211 | 511,785 |
| Travelling expense | 865,664 | 778,880 |
| Other | 67,087 | 98,768 |
| Total operating expenses | **3,594,440** | **3,168,831** |

## 4 Administration Expenses

| | Note | Consolidated Group 2020 $ | Consolidated Group 2019 $ |
|---|---|---|---|
| **Administration expenses** | | | |
| Amortisation expense | | 2,212 | 2,105 |
| Consulting service expense | | 401,064 | 1,005 |
| Royalty fee expense (related party) | 24(b) | 295,523 | 379,619 |
| Depreciation expense | | 68,100 | 14,835 |
| Motor vehicle expense | | 28,680 | 35,645 |
| Office expense | | 104,947 | 61,790 |
| Professional service expense | | 454,119 | 451,659 |
| Rental expense | | 55,239 | 62,716 |
| Research and development expenses | | 282,337 | - |
| Salary expense | | 527,534 | 911,464 |
| Travelling expense | | 231,318 | 304,795 |
| Marketing expense (related party) | 24(b) | 2,189 | 22,439 |
| Share-based payment expenses | | (69,167) | 1,256,529 |
| Other | | 1,198 | 119,296 |
| Total administration expenses | | **2,385,293** | **3,623,897** |

## 5 Finance Costs

| | Consolidated Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| **Finance costs** | | |
| Bank charge | 4,013 | 4,121 |
| Foreign exchange losses / (gain) | 10,562 | 56,662 |
| Interest expense | 26,667 | - |
| Right of use asset – finance costs | 12,897 | - |
| Other | 292 | 298 |
| Total finance costs | **54,431** | **61,081** |

## 6 Income Tax Expense

| | Consolidated Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| **The components of tax expense comprise:** | | |
| Current tax | - | 61,701 |
| Total income tax expense | **-** | **61,701** |
| | | |
| **Reconciliation of tax expense** | | |
| Profit before income tax | (1,032,927) | (1,276,030) |
| Prima facie tax payable on profit before income tax at Australian Profit tax rate of 27.5% (2019:30%) | (284,055) | (382,809) |
| | | |
| Adjusted for tax effect of: | | |
| - Carry forward tax losses not recognised in deferred tax asset | 269,015 | 150,581 |
| - Non-allowable expenses | 8,886 | 386,249 |
| - Non-assessable income | (19,021) | 386,249 |
| - Recoupment of prior year tax losses not previously brought to account | - | (79,980) |
| - Difference in taxation rates in foreign subsidiaries | 16,615 | (12,340) |
| - Change in tax rate | 8,560 | - |
| Income tax attributable to the entity | **-** | **61,701** |

The total unused tax losses not recognised as deferred tax assets as at 30 June 2020 is $1,421,456 (2019: 1,141,376)

## 7 Cash and Cash Equivalents

| | Consolidated Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Cash on hand | 35,524 | 61,801 |
| Cash at bank | 1,017,247 | 1,191,67 |
| Total cash and cash equivalent | **1,052,771** | **1,253,48** |

## 8 Trade and Other Receivables

| | Note | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|---|
| **Current** | | | |
| Trade receivables | | 223,491 | 151,768 |
| Other receivables | | 262,847 | 177,601 |
| Note receivables | | - | 103,775 |
| Related party trade receivables | | 242,995 | 270,441 |
| Related party other receivables | 24 (c) | 176,500 | 672,857 |
| Provision for doubtful debts | | (17,023) | - |
| Total current trade and other receivables | | **888,810** | **1,376,442** |

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction which is up to 90 days.

| | Gross Amount | Past Due but Not Impaired 30~90 days | >90 days | Not Past Due (<30 days) |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2020** | | | | |
| Trade receivables | 223,491 | - | 60,446 | 163,045 |
| Other receivables | 262,847 | 231,090 | - | 31,757 |
| Related party trade receivables | 242,995 | - | 242,995 | - |
| Related party other receivables | 176,500 | - | 176,500 | - |
| Provision for doubtful debts | (17,023) | - | (17,023) | - |
| **Total** | **888,810** | **231,090** | **462,918** | **194,802** |

| | Gross Amount | Past Due but Not Impaired 30~90 days | >90 days | Not Past Due (<30 days) |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2019** | | | | |
| Trade receivables | 151,768 | - | 54,104 | 97,664 |
| Other receivables | 177,601 | 18,150 | 122,398 | 37,053 |
| Related party trade receivables | 270,441 | 144,501 | 125,940 | - |
| Related party other receivables* | 672,857 | 73,000 | 573,257 | 26,600 |
| Note receivables | 103,775 | - | - | 103,775 |
| **Total** | **1,376,442** | **235,651** | **875,699** | **265,092** |

*This amount is reduced to nil subsequent to year end of 30 June 2019 as a result of debt assignment agreement.

## 8 Trade and Other Receivables (Cont.)

The ageing analysis at balance date is on the basis of the sales invoice date rather than when the receivables are expected to be collected which relates to current and non-current classifications.

There are no past due impaired trade and other receivables as at balance date because all the receivables are considered to be of high credit quality.

## 9 Inventory

| | Consolidated Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| **Current** | | |
| Raw material | 1,618,405 | 1,123,047 |
| Finished goods | 200,117 | 260,064 |
| Work in progress | 550,500 | 826,361 |
| Total inventory | **2,369,022** | **2,209,472** |

## 10 Other Current Assets

| | Consolidated Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| **Current** | | |
| Prepayments | 168,526 | 158,578 |
| Total other current assets | **168,526** | **158,578** |

**Rural Liquid Fertilisers Asia Ltd**
**Notes to Financial Statements**
**For the year ended 30 June 2020**

## 11 Property, Plant and Equipment

| | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|
| **Office Equipment** | | |
| At cost | 36,584 | 101,792 |
| Accumulated depreciation | (28,735) | (82,945) |
| Total Office Equipment | 7,849 | 18,847 |
| **Plant and Equipment** | | |
| At cost | 1,941,401 | 1,891,648 |
| Accumulated depreciation | (1,243,506) | (1,037,751) |
| Total Plant and Equipment | 697,895 | 853,897 |
| **Motor vehicles** | | |
| At cost | 88,620 | 154,881 |
| Accumulated depreciation | (80,681) | (133,737) |
| Total Motor vehicles | 7,939 | 21,144 |
| **Electronic equipment** | | |
| At cost | 9,456 | - |
| Accumulated depreciation | (191) | - |
| Total Electronic equipment | 9,265 | - |
| **Leasehold improvement** | | |
| At cost | - | 81,585 |
| Accumulated depreciation | - | (81,585) |
| Total Leasehold improvement | - | - |
| **Total property, plant and equipment** | **722,948** | **893,888** |

### a Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Office Equipment $ | Plant and equipment $ | Motor Vehicle $ | Leasehold improvement $ | Total $ |
|---|---|---|---|---|---|
| Balance at 1 July 2018 | **8,251** | **955,401** | **31,283** | **2,007** | **996,942** |
| Addition | 12,701 | 69,789 | - | - | **82,490** |
| Disposal | - | - | - | - | **-** |
| Depreciation expense | (2,364) | (183,787) | (10,457) | (2,010) | **(198,618)** |
| Foreign currency translation difference | 259 | 12,494 | 318 | 3 | **13,074** |
| Balance at 30 June 2019 | **18,847** | **853,897** | **21,144** | **-** | **893,888** |

**Rural Liquid Fertilisers Asia Ltd**
**Notes to Financial Statements**
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| | Motor vehicle | Office equipment | Plant & equipment | Electronic equipment | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Balance at 1 July 2019 | 21,144 | 18,847 | 853,897 | - | **893,888** |
| Addition | - | 12,289 | 24,458 | 9,456 | **46,203** |
| Disposal | (13,454) | (1,167) | (11,899) | - | **(26,520)** |
| Depreciation expense | (10,833) | (3,878) | (170,141) | (4,314) | **(189,166)** |
| Foreign currency translation difference | 11,082 | (18,242) | (521) | 6,225 | **(1,457)** |
| **Balance at 30 June 2020** | **7,939** | **7,849** | **695,794** | **11,366** | **722,948** |

**Rural Liquid Fertilisers Asia Ltd**
**Notes to Financial Statements**
**For the year ended 30 June 2020**

## 12 Intangible assets

| | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|
| Computer software | 15,020 | 15,12 |
| Accumulated amortisation | (8,390) | (6,285) |
| Total intangible assets | **6,630** | **8,842** |

(a) Reconciliation of carrying amount

| | 2020 $ | 2019 $ |
|---|---|---|
| Balance at beginning of year | 15,020 | - |
| Additions | - | 10,831 |
| Amortisation | (8,390) | (2,105) |
| Foreign currency translation difference | - | 116 |
| Balance at end of year | **6,630** | **8,842** |

## 13 Investment accounted for using the equity method

| | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|
| Investment in associate | 37,819 | 54,810 |
| **Total investment in associate** | **37,819** | **54,810** |

### a. Investment in associate

Investment in associate is accounted for using the equity method.

The Group has a 49% equity interest in Rural Liquid Fertilisers (Thailand) Co., Limited (48% held by Rural Liquid Fertilisers Asia Ltd and 1% held by International Agri Investments Pty Ltd). The equity intertest was acquired on 23 January 2019 and is immaterial to the Group.

Interests are held in the following associated company:

| Associate | Nature of relationship | Principal Place of Business | Ownership Interest Held by the Group 2020 % | 2019 % |
|---|---|---|---|---|
| Rural Liquid Fertilisers (Thailand) Co., Limited | Strategic investment | Thailand | 49 | 49 |

All voting power is reflective of the ownership interest.

## 13 Investment accounted for using the equity method (cont.)

Principal place of business is also country of incorporation.

### a. Individually immaterial associate

| | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|
| Aggregate carrying amount of individually immaterial associate | | |
| Aggregate amounts of the Group's share of associate's | | |
| Loss for the year | (7,991) | (5,002) |
| Other comprehensive income | - | - |
| Total comprehensive income | (7,991) | (5,002) |

### b. Unrecognised share of losses of associate

| | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|
| The unrecognised share of loss of associate for the year | (7,991) | (5,002) |
| Cumulative share of loss of associate | (12,993) | (5,002) |

## 14 Trade and Other Payables

| | Note | Consolidated Group 2020 $ | 2019 $ |
|---|---|---|---|
| **Current** | | | |
| Trade payables | | 2,029,157 | 434,563 |
| Salary payable | | 116,433 | 177,678 |
| VAT payables | | 341,168 | 141,455 |
| Other tax payables | | 11,447 | 6,453 |
| Other payables | | 7,455 | 703,769 |
| Related party trade payables | | - | 2,577,75 |
| Related party other payables | 24(d) | - | 467,418 |
| Revenue received in advance | | 165,593 | - |
| Total current trade and other payables | | **2,671,253** | **4,509,086** |

Trade payables are non-interest bearing and are normally settled on 30-day terms.

| | | |
|---|---|---|
| **Non-current** | | |
| Related party trade payables | 2,577,750 | - |

## 15 Loan payable

| | Consolidated Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| **Current** | | |
| Loan payable | 400,000 | - |
| Total loan payable | **400,000** | **-** |

On 16 September 2019, the Company entered into a loan agreement for $400,000 on the following terms:

- Borrower: Rural Liquid Fertilisers Asia Ltd
- Draw down date: 16 September 2019
- Term: 12 months or less from drawdown date unless otherwise agreed
- Purpose: Working capital
- Interest: 8% per annum
- Interest repayment: Monthly in arrears
- Security: Secured by personal guarantees provided by Kenneth Graeme Hancock and Gavin Neil Ball

On 16 September 2020 the Company extended the loan facility for a further period of 12-months, with an expiry date of 16 September 2021.

A reconciliation of the loan payable balance is shown below:

| | Consolidated Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Opening balance | - | - |
| Advanced received | 400,000 | - |
| Repayments made | - | - |
| **Closing balance** | **400,000** | **-** |

## 16 Contract Liabilities

| | Consolidated Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| **Current** | | |
| Contract Liabilities related to customer deposits in advance | 103,022 | 286,463 |
| Total Contract Liabilities | **103,022** | **286,463** |

Amounts relating to contract liabilities are balances received from customers before the Group has performed its obligation to transfer goods to the customers. The Group has previously recognised other current liabilities for the receipts. Any amount previously recognised as a contract liability will be reduced at the point at which the goods are delivered. As at 30 June 2020, contract liabilities included customer deposits in advance of $103,022 (2019: $286,463).

The amounts recognised as a contract liability will generally be utilised within the next reporting period.



## 17 Leases

A lease agreement was entered into on 19 September 2019 for a building at No.70 Cao Bao Road in Shanghai. The lease has a three year term from 8 October 2019 to 7 October 2022 with an option to renew prior to expiry of the lease term. Where the option to extend is reasonably certain, this has been included in the calculations.

A second lease was entered into on 30 March 2020 for factories at West Li Tai Road in Xiangfu District Kaifeng City. The lease has a five year term from 1 April 2020 to 31 March 2025 with an option to renew three months prior to expiry of the lease term. Where the option to extend is reasonably certain, this has been included in the calculations.

### i) AASB 16 related amounts recognised in the consolidated statement of financial position

| | 2020<br>$ |
|---|---|
| **Right-of-use asset** | |
| Leased premises and equipment | 883,848 |
| Accumulated depreciation | (48,875) |
| | 834,973 |

***Lease liability***

| | 2020<br>$ |
|---|---|
| Current | 164,221 |
| Non-current | 697,486 |
| Lease liability | 843,707 |

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

| 2020 | < 1 year | 1 – 5 years | 5 years | Total undiscounted lease liabilities | Lease liabilities included in this Consolidated Statement of Financial Position |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Lease liabilities | 164,221 | 697,486 | - | - | 843,707 |

**ii) AASB 16 related amounts recognised in the consolidated statement of profit or loss and other comprehensive income**

| | 2020<br>$ |
|---|---|
| Depreciation charge | **48,875** |
| Interest | **12,897** |
| | **61,772** |

**iii) Total financial year-end cash outflows for leases**

| | 2020<br>$ |
|---|---|
| Repayment of lease liabilities | **53,037** |

## 18 Share Capital

| | Consolidated Group | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Share capital | 1,605,216 | 1,555,216 |
| Total Issued Capital | **1,605,216** | **1,555,216** |

### a. Ordinary shares

| | $ | No. |
|---|---|---|
| Shares on issue as at 1 July 2018 | 839,216 | 104,188,488 |
| Shares issued during the year: | | |
| 05/07/2018 | 200,000 | 1,428,570 |
| 02/11/2018 | 66,000 | 471,429 |
| 25/02/2019 | 400,000 | 2,857,143 |
| 21/05/2019 | 25,000 | 178,572 |
| 21/05/2019 | 25,000 | 178,575 |
| Shares on issue as at 30 June 2019 | **1,555,216** | **109,302,777** |

| | $ | No. |
|---|---|---|
| Shares on issue as at 1 July 2019 | 1,555,216 | 109,302,777 |
| Shares issued during the year: | | |
| 30/06/2020 | 50,000 | 357,146 |
| Shares on issue as at 30 June 2020 | 1,605,216 | 109,659,923 |

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

### b. Capital Management

Management controls the capital of the Group in order to maintain a capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business, and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

## 19 Reserves

| | Consolidated Group | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Foreign currency translation reserve | (580,958) | (21,131) |
| Group reorganisation reserve | 4,968,765 | 4,968,765 |
| Share-based payment reserve | 1,187,362 | 1,256,529 |
| Total Reserves | **5,575,169** | **6,204,163** |

*Foreign Currency Translation Reserve*

The foreign currency translation reserve records exchange differences arising on translation of parent company.

*Group reorganisation reserve*

The Group reorganisation reserve represents the the carrying amount of contributed share capital of International Agri Investments Pty Ltd and RLF China (HK) Limited recognised in the prior years and transferred to other reserve from the financial year ended 30 June 2018 onwards.

*Share-based payment reserve*

(i) Nature and purpose of reserve

This reserve is used to record the value of equity settled share-based payments.

(ii) Movements in reserve

| | Consolidated Group | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Balance at beginning of year | 1,256,529 | - |
| Net share-based payment expense for the year | (69,167) | 1,256,529 |
| Balance at end of year | **1,187,362** | **1,256,529** |

**Rural Liquid Fertilisers Asia Ltd**
**Notes to Financial Statements**
**For the year ended 30 June 2020**

## 20 Commitments

### (a) Capital Commitments

The Group does not have any capital commitments as at 30 June 2020 (30 June 2019: none).

### (b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements are as follows:

| | Consolidated Group | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| **Payable — minimum lease payments** | | |
| not later than 12 months | 207,229 | 45,527 |
| between 12 months and five years | 733,576 | - |
| greater than five years | - | - |
| Total operating commitments | **940,806** | **45,527** |

The Group leases the following properties under an operating lease:

1. an office in Shanghai, China for RLF Chemical Fertilisers (Shanghai) Co., Ltd with expiration date on 7 October 2019.
2. a production building in Kaifeng, China for Rural Liquid Fertilisers China (Kaifeng) Co., Ltd with expiration date on 30 June 2021.
3. an office in Perth for Rural Liquid Fertilisers Asia Ltd with no expiration date but a 12-month advance termination term.

## 21 Contingent Assets and Contingent Liabilities

The Group has no contingent liabilities or contingent assets.

## 22 Events After the Balance Sheet Date

On 16th September 2020 the Company extended an existing $400,000 loan facility for a further period of 12-months, with renewal becoming 16th September 2021.

On the 9th October 2020 the Company signed an Advisory Mandate agreement with KG Capital Partners Pty Ltd based in Melbourne, Victoria, for the purposes of managing the capital and equity strategy including a Pre-IPO Offering and an Initial Public Offering.

There are no other significant events have arisen since the end of the year which may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial year.

## 23 Cash Flow Information

(a) Reconciliation of cash flows from operating activities

| | Consolidated Group | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| **Reconciliation of cash flow from operations with (Loss) / Profit after income tax** | | |
| (Loss) / Profit after income tax | (1,027,617) | |
| Non-cash flows: | | |
| Depreciation | 42,177 | 198,618 |
| Amortisation | 2,212 | 2,105 |
| Company secretary fee | - | 1,596 |
| Share-based payment expenses | (69,167) | 1,256,529 |
| **Changes in assets and liabilities** | | |
| (Increase)/decrease in trade receivables | 487,633 | (11,898) |
| (Increase)/decrease in prepayments | (9,949) | 8,571 |
| (Increase)/decrease in other receivables | - | (26,708) |
| (Increase)/decrease in inventories | (159,550) | (539,620) |
| (Increase)/decrease in right of use assets | (83,199) | - |
| (Decrease)/increase in trade payables | 1,314,289 | 1,858,900 |
| (Decrease)/increase in other payables | (1,152,286) | 579,797 |
| (Decrease)/increase in salary payables | (61,245) | 21,673 |
| (Decrease)/increase in VAT payable | 199,713 | 89,396 |
| (Decrease)/increase in income tax payable | - | (9,623) |
| (Decrease)/increase in other tax payables | (6,454) | 4,249 |
| (Decrease)/increase in Contract liabilities/Customer deposits in advance | (120,870) | (1,722,619) |
| (Decrease)/increase in lease liabilities | 86,624 | - |
| **Cash flows from operations** | **(557,689)** | **373,235** |

## 24 Related Party Transactions

### a) The Company's main related parties are as follows:

(i) Key management personnel:

| | |
|---|---|
| Kenneth Graeme Hancock | Director of Rural Liquid Fertilisers Asia Ltd |
| Gavin Neil Ball | Director of Rural Liquid Fertilisers Asia Ltd |
| Lu Shen (Mike) | Director of Rural Liquid Fertilisers Asia Ltd |

(ii) Parent entity:

| | |
|---|---|
| Rural Liquid Fertilisers Asia Ltd | Ultimate parent entity |

(iii) Other related entities:

| | |
|---|---|
| Alan Roy Hancock | Mr Alan Roy Hancock is the father of Kenneth Graeme Hancock. |
| RLF Global Pty Ltd | Mr Kenneth Graeme Hancock, Mr Alan Roy Hancock and Mr Gavin Neil Ball are directors of the entity. |
| Rural Liquid Fertilisers Pty Ltd | Mr Kenneth Graeme Hancock and Mr Alan Roy Hancock are directors of the entity. |
| Rural Liquid Fertilisers (Thailand) Co., Limited | The entity is 49% owned by the Group. |
| Capital Corporation (Holdings) Pty Ltd | Mr Gavin Neil Ball is the director of the company |

### b) Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

| | Consolidated Group | |
|---|---|---|
| (i) Other related entities | 2020 | 2019 |
| | $ | $ |
| Sale of goods: | | |
| Sale of goods to Rural Liquid Fertilisers Pty Ltd | 27,056 | 130,820 |
| Purchase of goods: | | |
| Purchase of goods from Rural Liquid Fertilisers Pty Ltd | 295,323 | 168,869 |
| Fees Charged between Related Parties | | |
| Manufacturing fee charged by Rural Liquid Fertilisers Pty Ltd | 631,132 | 791,091 |
| Research & Development Fees charged by Rural Liquid fertilisers Pty Ltd | 282,337 | - |
| Royalty fee charged by RLF Global Pty Ltd | 295,523 | 379,619 |
| Distribution fee charged by RLF Global Pty Ltd | 19,440 | - |
| Marketing service fee charged by RLF Global Pty Ltd | 2,189 | 22,439 |
| Director fee charged by Capital Corporation (Holdings) Pty Ltd | 90,000 | 120,000 |
| Rental charged by Rural Liquid Fertilisers Pty Ltd | 36,000 | 18,000 |
| Marketing service charged by Magicorp | 649 | 3,484 |
| Marketing service charged by Sourcefit Inc | 12,576 | - |

## 24 Related Party Transactions (Cont.)

Balances outstanding relating to the transactions above are disclosed in Notes 8 and 14.

### c) Amounts receivable from related parties:

| | Consolidated Group | |
|---|---|---|
| Other receivables | 2020 | 2019 |
| | $ | $ |
| (i) Loans to other related parties: | | |
| Beginning of the year | 672,857 | 12,171 |
| Loan advanced | 469,000 | 737,178 |
| Loan repayment received | (965,357) | (76,492) |
| End of the year | 176,500 | 672,857 |

### d) Amounts payable to related parties:

| | Consolidated Group | |
|---|---|---|
| Other payables | 2020 | 2019 |
| | $ | $ |
| (i) Loans from other related parties: | | |
| Beginning of the year | 467,418 | 436,624 |
| Loan advance received | - | 4,914 |
| Loan repayment made | (466,300) | - |
| Foreign currency translation difference | 1,118 | 25,880 |
| End of the year | - | 467,418 |

Related party balances are comprised of related party loans and no specific terms and conditions have been attached to the above transactions. No interest is charged to or from related parties.

**Rural Liquid Fertilisers Asia Ltd**
**Notes to Financial Statements**
**For the year ended 30 June 2020**

## 25 Financial Risk Management

The Group is exposed to the following financial risks in respect to the financial instruments that it held at the end of the reporting period:

- Liquidity risk
- Credit risk
- Market risk

The board of directors has overall responsibility for identifying and managing operational and financial risks.

The Group's financial instruments are comprised of cash and cash equivalent, trade and other receivables, trade and other payables and related party loans.

The total for each category of financial instruments are as follows:

| | | Consolidated Group | |
|---|---|---|---|
| | | 2020 | 2019 |
| | Note | $ | $ |
| **Financial Assets at amortised cost** | | | |
| Cash and cash equivalents | 7 | 1,052,771 | 1,253,48 |
| Trade and other receivables | 8 | 888,810 | 329,369 |
| Note receivables | 8 | - | 103,775 |
| Related party trade receivables | 8 | 335,765 | 270,441 |
| Related party other receivables | 24(c) | 176,500 | 672,857 |
| **Total financial assets** | | **2,453,846** | **2,629,922** |
| | | | |
| **Financial Liabilities at amortised cost** | | | |
| Trade and other payables | 14 | 2,671,253 | 1,316,01 |
| Related party trade payables | 14 | 2,577,750 | 2,577,750 |
| Related party other payables | 24(d) | - | 467,418 |
| Loan payable | 16 | 400,000 | - |
| **Total financial liabilities** | | **5,649,003** | **4,361,178** |

The main financial risks to which the Group is exposed to are liquidity risk, credit risk and market risk.

There have been no substantive changes in the types of risks the company is exposed to or how these risks arise from the previous period.

**Rural Liquid Fertilisers Asia Ltd**
**Notes to Financial Statements**
**For the year ended 30 June 2020**

## 25 Financial Risk Management (Cont.)

a. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, collection of trade receivables and shareholder capital injection.

The Group manages this risk through the following mechanisms:

- continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities
- monitoring cash flow on a monthly basis to ensure adequate funds are in place
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile and
- ensuring trade receivable is collected within the normal trading terms

The table below reflects a maturity analysis for financial liabilities

| | 0 - 12 Months Consolidated Group | | Over 1 Year Consolidated Group | | Total Consolidated Group | |
|---|---|---|---|---|---|---|
| Financial liabilities due for payment | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | $ | $ | $ | $ | $ | $ |
| Trade and other payables | 2,671,253 | 4,361,178 | 2,577,750 | - | 5,249,003 | 4,361,178 |
| **Total expected outflows** | **2,671,253** | **4,361,178** | **2,577,750** | **-** | **5,249,003** | **4,361,178** |

b. Credit risk analysis

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at balance date.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. In addition, the Group has adopted a policy of only extending credit to customers with proven credit histories as a means of mitigating the risk of financial loss from default without any collateral held. For significant transactions, customers are required to make sufficient prepayments in order to reduce the credit risk to an acceptable level. Accordingly, the Group has an immaterial exposure to credit risk.

## 25 Financial Risk Management (Cont.)

### (i) Interest rate risk

The Group is exposed to interest rate risk in relation to its cash and cash equivalents. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group manages its interest rate risk by maintaining a variable rate cash and equivalents.

The Group's exposure to interest rate risk in relation to future cash flows and the effective weighted average interest rates on classes of financial assets at the reporting date are:

| 30 June 2019 | Interest bearing $ | Non-interest bearing $ | Total carrying amount $ | Weighted average effective interest rate $ | Fixed / variable rate $ |
|---|---|---|---|---|---|
| (i) Financial assets | | | | | |
| Cash and cash equivalents | 1,191,679 | 61,801 | 1,253,480 | 0.35% | Variable rate |
| **Total financial assets** | **1,191,679** | **61,801** | **1,253,480** | | |

| 30 June 2020 | Interest bearing $ | Non-interest bearing $ | Total carrying amount $ | Weighted average effective interest rate $ | Fixed / variable rate $ |
|---|---|---|---|---|---|
| (i) Financial assets | | | | | |
| Cash and cash equivalents | 1,017,248 | 35,524 | 1,052,771 | 0.32% | Variable rate |
| **Total financial assets** | **1,017,248** | **35,524** | **1,052,771** | | |

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

## 25 Financial Risk Management (Cont.)

If interest rates were to increase/decrease by 25 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit/(loss) for the year and equity is as follows:

| | Consolidated Group | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| +/- 25 basis points | | |
| Impact on profit/(loss) after tax | 2,543 | 2,227 |

The Group's holds no marketable securities and all cash balances are primarily used for working capital and not invested in interest or dividend-bearing assets and the Group's borrowing are with fixed interest rate. Accordingly, the Group has an immaterial exposure to market risk.

c. Fair value estimation

The carrying amount of financial assets and financial liabilities is a reasonable approximation of their fair values.

## 26 Key Management Personnel Compensation

The total remuneration paid to KMP of the company during the year are as follows:

| | Consolidated Group | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Short-term employee benefits | 388,316 | 289,210 |
| Share-based payments | (69,167) | 1,241,635 |
| Total compensation | **319,949** | **1,530,845** |

During the financial year, payments for Executive Director services from Mr Gavin Neil Ball is made to Capital Corporation (Holdings) Pty Ltd (director-related entity of Gavin Neil Ball).

## 27 Interests in subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares or share capital injection, which are held directly by the Group unless otherwise stated. Each subsidiary's principal place of business is also its country of incorporation or registration.

| Name of Subsidiary | Principal Place of Business | Ownership Interest Held by the Group | |
|---|---|---|---|
| | | 2020 | 2019 |
| | | % | % |
| International Agri Investments Pty Ltd. | WA, Australia | 100 | 100 |
| RLF China (HK) Limited. | Hong Kong | 100 | 100 |
| RLF Chemical Fertilisers (Shanghai) Co., Ltd. | Henan, China | 100 | 100 |
| Rural Liquid Fertilisers China (Kaifeng) Co., Ltd. | Henan, China | 100 | 100 |

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

## 28 Operating Segment and Disaggregation of Revenue

a. Operating segment

The Directors (who are identified as the Chief Operating Decision Maker (CODM)) assess performance and determine the allocation of resources based on the internal reports which are organised in one operating segment for the manufacturing and sale of liquid fertilisers in mainland China and Asia. As a result, there is only one operating segment and the statement of profit or loss and other comprehensive income and the statement of financial position is reflective of this operating segment.

*Major customers*

During the year ended 30 June 2020 approximately 7% (2019: 4%) of the Group's external revenue was derived from sale of goods to one customer.

## 28 Operating Segment and Disaggregation of Revenue (Cont.)

b. Disaggregation of Revenue

The disaggregation of revenue for the Group is based on the type of sales for one category namely sales of liquid fertiliser in Asia:

| **30 June 2020** | **Sales of liquid fertilizer** | **Total** |
|---|---|---|
| | **$** | **$** |
| Timing of revenue recognition | 9,528,676 | 9,528,676 |
| Over time | - | - |
| | **9,528,676** | **9,528,676** |

| **30 June 2019** | **Sales of liquid fertilizer** | **Total** |
|---|---|---|
| | **$** | **$** |
| Timing of revenue recognition | 10,390,966 | 10,390,966 |
| Over time | - | - |
| | **10,390,966** | **10,390,966** |

## 29 Parent Entity Information

Rural Liquid Fertilisers Asia Ltd "the Company" is a limited liability incorporated and domiciled in Australia on 4 October 2017, the Company was converted to an unlisted public company on 5 April 2019.

| **Statement of financial position** | **2020 $** | **2019 $** |
|---|---|---|
| Assets | | |
| Current assets | 341,483 | 1,035,880 |
| Non-current assets | 956,406 | 53,692 |
| Total Assets | 1,298,260 | 1,089,572 |
| Liabilities | | |
| Current liabilities | 743,659 | 239,310 |
| Total Liabilities | 743,659 | 239,310 |
| Net Assets | 554,601 | 850,262 |
| Equity | | |
| Issued capital | 1,605,217 | 1,555,216 |
| Share-based payment reserve | 1,187,362 | 1,256,529 |
| Accumulated losses | (2,237,978) | (1,961,483) |
| Total equity | 554,601 | 850,262 |
| **Statement of profit or loss and other comprehensive income** | | |
| Total (loss) for the year | (276,495) | (1,772,629) |
| Total comprehensive income | (276,495) | (1,772,629) |

The Company has no contingent liabilities or contingent assets as at 30 June 2020.

## 30 Auditors' Remuneration

| | **Consolidated Group** | |
|---|---|---|
| | **2020 $** | **2019 $** |
| **Remuneration of the auditor for:** | | |
| - Auditing and review of financial statements | 45,000 | 154,700 |
| - Other services | - | 15,000 |
| Total Auditors' Remuneration | **45,000** | **169,700** |

## 31 Share-based payments

### (a) Employee incentive securities plan

Pursuant to the employee incentive securities plan, the Company may grant securities to the full-time or part-time employee, officer, or contractor of the Company, or an associated body corporate, or such other person who has been determined by the board of the directors (the "Participants") as incentives and rewards for their contributions to the Group. The exercise price of the securities will be specified in the relevant invitation. Such exercise price may be nil. The securities are exercisable at any time during the securities period, subject to the terms and conditions of the employee incentive securities plan and any conditions of grant as may be stipulated by the board of the directors.

The maximum number of shares in respect of which securities may be issued upon exercise of all outstanding securities granted and yet to be exercised under the employee incentive securities plan shall not exceed 15% of the total number of issued shares at the date of the invitation.

The number of securities issued under the plan to Participants during the 30 June 2020 was financial year was nil (2019: 28,000,000).

**1. Unlisted options granted to Directors**

**2020**

No options were granted to the Directors during the June 2020 financial year.

**2019**

On 3 April 2019, the Company granted 15,000,000 share options to Director Kenneth Graeme Hancock and 6,000,000 share options to Director Gavin Neil Ball. The exercise price of the share options is $0.30 and the expiry date will be 5 years from the date of the Company's admission to the official list of the ASX. The options are exercisable at any time prior to the expiry date.

Details of the options granted are provided below:

| 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Class | Grant date | Expiry date | Exercise price | Balance at beginning of the year | Granted during the year | Exercised during the year | Expired during the year | Balance at the end of the year | Exercisable at the end of the year |
| A | 3 April 2019 | 5 years from the date of the Company's admission to the official list of the ASX | $0.30 | - | 21,000,000 | - | - | 21,000,000 | 21,000,000 |

There are no share options exercised during the period

The weighted average remaining contractual life expires 5 years from the date of the Company's admission to the official list of the ASX.

Fair value of options granted:

The fair value of the options at grant date was $0.0565. The Fair value was determined using the Trinomial Option pricing model. The following inputs were utilised:

- Exercise price: $0.30
- Grant date: 3 April 2019
- Expiry date: 3 years from grant date
- Share price at grant date: $0.14
- Expected price volatility of the company's shares: 90%
- Expected dividend yield: 0%
- Risk-free interest rate: 1.40%

**2. Performance rights granted to Director**

**2020**

$69,167 share based payments expense was reversed in the current period, as the milestones associated with performance rights were not met.

**2019**

On 3 April 2019, the Company granted 6,000,000 performance rights to Director Lu Shen. The exercise price of the performance rights is Nil and the expiry date will be 5 years from the date of official quotation of the shares on the ASX.

The performance rights will be exercised and convert into the Company's shares as follows:

(i) 2,000,000 Class A Performance Rights, vesting upon the Company's subsidiary RLF China (HK) Limited achieving annual consolidated gross Revenue of not less than RMB 71,500,000 and EBITDA of not less than RMB 10,500,000 on or before 30 June 2020;

(ii) 2,000,000 Class B Performance Rights, vesting upon the Company's subsidiary RLF China (HK) Limited achieving annual consolidated gross Revenue of not less than RMB 95,000,000 and EBITDA of not less than RMB 16,000,000 on or before 30 June 2021; and

(iii) 2,000,000 Class C Performance Rights, vesting upon the Company's subsidiary RLF China (HK) Limited achieving annual consolidated gross Revenue of not less than RMB 119,000,000 and EBITDA of not less than RMB 23,800,000 on or before 30 June 2022.

Details of the performance rights granted are provided below:

| 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Class | Grant date | Expiry date | Exercise price | Balance at beginning of the year | Granted during the year | Exercised during the year | Expired during the year | Balance at the end of the year | Exercisable at the end of the year |
| A | 3 April 2019 | 5 years from the date of official quotation of the shares on the ASX | Nil | - | 2,000,000 | - | - | 2,000,000 | - |
| B | 3 April 2019 | 5 years from the date of official quotation of the shares on the ASX | Nil | - | 2,000,000 | - | - | 2,000,000 | - |
| C | 3 April 2019 | 5 years from the date of official quotation of the shares on the ASX | Nil | - | 2,000,000 | - | - | 2,000,000 | - |

Fair value of performance rights granted:

- The share price of $0.14 for shares issued during February and May 2019 was used to establish the value of the underlying share price of an unlisted company at a point in time. This amount has been taken as the underlying share price of the Company for the purposes of valuation of the performance right.
- As the rights have no exercise price and no dividends are projected during the term of the rights, the other inputs into the valuation will not change the valuation away from the intrinsic value of the right being $0.14. (i.e. a nil dividend amount was used in the valuation of the rights as historically no dividends have been paid nor do the directors intend on paying any [in the foreseeable future].)
- The Directors' view as at 30 June 2019 is that neither the Class B nor Class C rights have a greater than 50% chance that the non-market conditions will be met. Accordingly, none of those rights should be expensed for the for the year ended 30 June 2019.
- The Directors' view as at 30 June 2019 is that the Class A rights have a greater than 50% chance that the non-market conditions will be met. Accordingly, the 2,000,000 Class A rights for 2,000,000 fully paid shares is valued at $280,000. Based on 88 days / 454 days (estimated time to vesting), the amount to be expensed for 30 June 2019 is $54,273.

**3. Performance rights granted to corporate advisor**

**2020**

No performance rights were granted to corporate advisors during the June 2020 financial year.

**2019**

On 10 June 2019, the Company granted 1,000,000 performance rights to corporate advisor for the provision of service in connection with its proposed IPO and listing on the ASX and/or a Private Placement of no less than $5,000,000. The exercise price of the performance rights is Nil and the expiry date is 31 January 2020. The performance rights will be exercise and convert into the Company's shares when the Company is admitted to the ASX Official List and raising the minimum amount specified in its IPO prospectus and / or a private placement of no less than $5,000,000.

Details of the performance rights granted are provided below:

| 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Class | Grant date | Expiry date | Exercise price | Balance at beginning of the year | Granted during the year | Exercised during the year | Expired during the year | Balance at the end of the year | Exercisable at the end of the year |
| A | 10 June 2019 | 31 January 2020 | nil | - | 1,000,000 | - | - | 1,000,000 | - |

Fair value of performance rights granted:

- The share price of $0.14 for share issued during February and May 2019 was used to establish the value of the underlying share price of an unlisted company at a point in time. This amount has been taken as the underlying share price of the Company for the purposes of valuation of the performance right.
- As the rights have no exercise price and no dividends are projected during the term of the rights, the other inputs into the valuation will not change the valuation away from the intrinsic value of the right being $0.14. (i.e. A nil dividend amount was used in the valuation of the rights as historically no dividends have been paid nor do the directors intend on paying any [in the foreseeable future].)
- Directors' view as at 30 June 2019 is that there is a greater than 50% chance that the non-market condition will be met.
- Accordingly, the 1,000,000 rights for 1,000,000 fully paid shares is valued at $140,000. Based on 20 days / 188 days (estimated time to vesting), the amount to be expensed for 30 June 2019 should be $14,894.

### (b) Expenses recognised from share-based payment transactions

The expense recognised in relation to the share-based payment transactions was recognised within administration expenses within profit or loss were as follows:

| | Consolidated Group | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Options granted to Directors (refer a (1)) | - | 1,187,362 |
| Performance rights granted to Director (refer a (2)) | (69,167) | 54,273 |
| Performance rights granted to corporate advisor (refer a (3)) | - | 14,894 |
| **Total expenses recognised from share-based payment transactions** | **(69,167)** | **1,256,529** |

$69,167 share based payments expense was reversed in the current period, as the milestones associated with performance rights were not met.

## 32 Company Details

The registered office of the Company is:

61 Dowd Street Welshpool WA 6106

# Directors' declaration

1. In the opinion of the Directors of Rural Liquid Fertilisers Asia Ltd and its controlled entities:

    a. The consolidated financial statements and notes of Rural Liquid Fertilisers Asia Ltd and its controlled entities are in accordance with the *Corporations Act 2001* and:

        i. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date; and

        ii. comply with Australian Accounting Standards (including the Australian Accounting Interpretations); and

    b. There are reasonable grounds to believe that the Rural Liquid Fertilisers Asia Ltd and its controlled entities will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

3. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Board of Directors.

Director
Mr Kenneth Graeme Hancock

Dated this 15th of June 2021

# Independent Auditor's Report

## To the Members of Rural Liquid Fertilisers Asia Ltd

Bentleys
THINKING AHEAD

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### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Rural Liquid Fertilisers Asia Ltd ("the Company"), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report which indicates that the Company incurred a net loss of $1,032,927 during the year ended 30 June 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in this respect of this matter.

### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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.

### Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Bentleys

**BENTLEYS**
**Chartered Accountants**

**CHRIS NICOLOFF CA**
**Partner**

Dated at Perth this 15th day of June 2021