Merino & Co. Pty Ltd

ABN 74 162 863 121

Reissued Annual Report - 30 June 2022

Merino & Co. Pty Ltd
Directors' report
30 June 2022

The directors present their report, together with the financial statements, on Merino & Co. Pty Ltd (referred to hereafter as the 'company') for the year ended 30 June 2022.

Directors
The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

TaiZong Kang (resigned on 23 September 2022)
Bill WeiPing Lee (appointed on 1 September 2022)
Fang Yue (appointed on 19 September 2022)
Jack Hanrahan (appointed on 19 September 2022)

Principal activities
During the financial year the principal continuing activities of the company consisted of sale of variety of wool products.

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

Review of operations
The profit for the company after providing for income tax amounted to $446,729 (30 June 2021: Loss of $833,804).

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing up to 30 June 2022, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Apart from the discussed above, no other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Environmental regulation
The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Shares under option
There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

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Fang Yue
Director

3rd November 2022
Perth

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RSM

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Merino & Co. Pty Ltd for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 3 November 2022

AIK KONG TING
Partner

Contents

General information

The financial statements cover Merino & Co. Pty Ltd as an individual entity. The financial statements are presented in Australian dollars, which is Merino & Co. Pty Ltd's functional and presentation currency.

Merino & Co. Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	**Principal place of business**
4 Gould Street Osborne Park WA 6017	4 Gould Street Osborne Park WA 6017

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors. The directors have the power to amend and reissue the financial statements.

Merino & Co. Pty Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue	3	5,076,039	991,811
Other income		-	145,857
Interest revenue		367	69
Foreign exchange (loss)/gain		(21,915)	4,089
Expenses			
Changes in inventories		1,509,574	(474,968)
Purchase of inventories		(4,565,531)	(84,996)
Employee benefits expense		(608,809)	(542,693)
Depreciation expense		(229,937)	(118,243)
Allowance for expected credit loss		(286,725)	39,266
Interest expense		(56,005)	(45,047)
Marketing expense		(96,721)	(266,339)
Rental expense		(98,680)	(59,063)
Other expenses		(368,223)	(423,547)
Profit/(Loss) before income tax expense		253,434	(833,804)
Income tax benefit/ (expense)	4	193,295	-
Profit/(Loss) after income tax expense for the year		446,729	(833,804)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year attributable to the owners of Merino & Co. Pty Ltd		446,729	(833,804)

Merino & Co. Pty Ltd
Statement of financial position
As at 30 June 2022

	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	5	735,827	90,838
Trade and other receivables	6	23,367	746,677
Inventories	7	2,439,556	929,982
Other assets	8	23,779	-
Income tax refundable	14	83,359	-
Total current assets		3,305,888	1,767,497
Non-current assets			
Property, plant and equipment	9	991,580	1,062,350
Intangible assets	10	216,943	257,452
Right-of-use assets	11	748,294	-
Other assets	12	100,828	-
Total non-current assets		2,057,645	1,319,802
Total assets		5,363,533	3,087,299
Liabilities			
Current liabilities			
Trade and other payables	13	258,683	1,496,900
Borrowings	16	3,839,873	1,381,935
Lease liabilities	17	100,712	-
Income tax payable	14	-	181,477
Employee benefits	15	52,966	32,225
Total current liabilities		4,252,234	3,092,537
Non-current liabilities			
Borrowings	16	328,425	374,686
Lease liabilities	17	694,639	-
Total non-current liabilities		1,023,064	374,686
Total liabilities		5,275,298	3,467,223
Net asset/(liabilities)		88,235	(379,924)
Equity			
Issued capital	18	800,100	800,100
Reserves	19	821,430	800,000
Accumulated losses	20	(1,533,295)	(1,980,024)
Total equity/(capital deficiency)		88,235	(379,924)

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

Merino & Co. Pty Ltd
Statement of changes in equity
For the year ended 30 June 2022

	Issued capital $	Reserves $	Accumulated losses $	Total $
Balance at 1 July 2020	100	-	(1,146,220)	(1,146,120)
Loss after income tax expense for the year	-	-	(833,804)	(833,804)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(833,804)	(833,804)
Transactions with owners in their capacity as owners:				
Share issued	800,000	-	-	800,000
Convertible notes issued	-	800,000	-	800,000
Balance at 30 June 2021	800,100	800,000	(1,980,024)	(379,924)

	Issued capital $	Reserves $	Accumulated losses $	Total $
Balance at 1 July 2021	800,100	800,000	(1,980,024)	(379,924)
Profit after income tax expense for the year	-	-	446,729	446,729
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	446,729	446,729
Transactions with owners in their capacity as owners:				
Convertible notes issued	-	21,430	-	21,430
Balance at 30 June 2022	800,100	821,430	(1,533,295)	88,235

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

Merino & Co. Pty Ltd
Statement of cash flows
For the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers		5,512,624	1,319,359
Payments to suppliers and employees		(7,001,134)	(1,985,480)
Government grant received		-	145,857
Interest received		367	69
Interest paid		(56,005)	(45,047)
Income tax paid		(71,541)	-
Net cash used in operating activities	26	(1,615,689)	(565,242)
Cash flows from investing activities			
Payments for property, plant and equipment		(38,072)	-
Proceeds from sale of property, plant and equipment		-	41,500
Net cash (used in) / from investing activities		(38,072)	41,500
Cash flows from financing activities			
Proceeds from issue of convertible notes		21,430	800,000
Net advanced to/(from) director		(48,613)	(228,911)
Repayment of hire purchase loan		(55,908)	(35,060)
Proceeds from borrowings		2,789,666	50,000
Repayment of borrowings		(273,469)	(80,915)
Repayment of lease liabilities		(33,528)	-
Movement in bank guarantee		(100,828)	
Net cash from financing activities		2,298,750	505,114
Net increase/(decrease) in cash and cash equivalents		644,989	(18,628)
Cash and cash equivalents at the beginning of the financial year		90,838	109,466
Cash and cash equivalents at the end of the financial year	5	735,827	90,838

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Going concern
The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the company had net cash outflows from operating activities of $1,615,689 for the year ended 30 June 2022. As at that date, the company had net current liabilities of $946,346.

These factors indicate significant uncertainty as to whether the company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Director believes that there are reasonable grounds to believe that the company will be able to continue as a going concern, after consideration of the following factors:

- The company is forecasting to be profitable and generate positive cash flow from its operating activities for the year ended 30 June 2023;
- The company has a bank loan of $2,000,000 classified as current liabilities as at 30 June 2022. The facility has fixed monthly principal and interest repayments and a final payment in December 2031. As the lender has the discretion to demand repayment of the bank loan at any time, it is classified as current. The director believes that the company can satisfy all the terms and conditions of the bank loan with fixed monthly principal and interest repayment in accordance with the loan facility;
- As disclosed in note 16, the company has a loan payable to a director of $615,113, which is classified as a current liability as at 30 June 2022. The director has confirmed that he will not seek repayment of the loan for at least 12 months from the date of signing of these financial statements; and

Note 1. Significant accounting policies (Continued)

- The company has the ability to curtail administrative and discretionary overhead cash outflows as and when required.

Accordingly, the Director believes that the company will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

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

Foreign currency translation
The financial statements are presented in Australian dollars, which is Merino & Co. Pty Ltd's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
The company recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest
Interest revenue is recognised as interest accrues.

Government grants

Note 1. Significant accounting policies (Continued)

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company’s normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company’s normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 1. Significant accounting policies (Continued)

Inventories
Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.
Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company's has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the company's intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The company's recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment
Land and buildings are shown at cost less subsequent depreciation and impairment for buildings.

Note 1. Significant accounting policies (Continued)

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings and improvements	20-50 years
Motor vehicles	5-15 years
Plant and equipment	2-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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

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

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

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Trademarks
Significant costs associated with trademarks are not amortised and are subsequently measured at cost less any impairment
Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount

Note 1. Significant accounting policies (Continued)

may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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

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

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.
Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction

Note 1. Significant accounting policies (Continued)

between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Company assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the company’s operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Company remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Note 1. Significant accounting policies (Continued)

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2022. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.
Revenue from contracts with customers involving sale of goods
When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Determination of variable consideration
Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the Company where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the

Note 1. Significant accounting policies (Continued)

Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.
Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 3. Revenue

	2022 $	2021 $
Revenue from contracts with customers		
Sale of goods	5,076,039	991,811

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	2022 $	2021 $
Geographical regions		
Australia	1,186,081	194,529
China	3,889,958	797,282
	5,076,039	991,811
Timing of revenue recognition		
Goods transferred at a point in time	5,076,039	991,811

Note 4. Income tax expense

	2022 $	2021 $
Income tax expense		
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	-	-
Adjustment recognised for prior periods	(193,295)	-
Aggregate income tax expense	(193,295)	-
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	-	-
Increase/(decrease) in deferred tax liabilities	-	-
Deferred tax - origination and reversal of temporary differences	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(loss) before income tax expense	253,434	(833,804)
Tax at the statutory tax rate of 25% (2021: 26%)	63,359	(216,789)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Sundry items		(3,525)
Tax losses not recognised		220,314
Current year losses for which no deferred tax asset was recognised	(63,359)	-
Over provided in prior years	(193,295)	-
Income tax (benefits)/expense	(193,295)	-

Deferred tax assets of nil (2021: $248,972) not brought to account arising from tax losses, the benefits of which will only be realised if the conditions for deductibility set out in Note 1 occur.

Note 5. Current assets - cash and cash equivalents

	2022 $	2021 $
Cash at bank	735,827	90,838

Note 6. Current assets - trade and other receivables

	2022 $	2021 $
Trade receivables	558,352	994,937
Less: Allowance for expected credit losses	(534,985)	(248,260)
	23,367	746,677

Allowance for expected credit losses
The company has recognised a loss of $286,725 in profit or loss in respect of the expected credit losses for the year ended 30 June 2022.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2022 %	2021 %	2022 $	2021 $	2022 $	2021 $
Not overdue	0%	0%	1,658	-	-	-
0 to 3 months overdue	31%	0%	15,772	62,763	4,886	-
3 to 6 months overdue	0%	100%	-	3,000	-	3,000
Over 6 months overdue	98%	26%	540,922	929,174	530,099	245,260
			558,352	994,937	534,985	248,260

Movements in the allowance for expected credit losses are as follows:

	2022 $	2021 $
Opening balance	248,260	752,374
Additional provisions recognised	286,725	62,663
Unused amounts reversed	-	(101,929)
Receivables written off during the year as uncollectable	-	(464,848)
Closing balance	534,985	248,260

Note 7. Current assets - inventories

	2022 $	2021 $
Finished goods	2,439,556	929,982

Note 8. Current assets – other assets

	2022 $	2021 $
Prepayments	23,779	-

Note 9. Non-current assets - property, plant and equipment

	2022 $	2021 $
Buildings and improvements - at cost	543,373	543,373
Less: Accumulated depreciation	(99,058)	(88,190)
	444,315	455,183
Motor vehicles - at cost	166,189	166,189
Less: Accumulated depreciation	(89,692)	(68,919)
	76,497	97,270
Plant and equipment – at cost	620,461	590,557
Less: Accumulated depreciation	(149,693)	(80,660)
	470,768	509,897
Total	991,580	1,062,350

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

	Buildings and improvements $	Motor vehicles $	Plant and equipment $	Total $
Balance at 1 July 2020	466,050	174,059	48,925	689,034
Additions	-	-	509,071	509,071
Disposals	-	(50,989)	-	(50,989)
Depreciation expense	(10,867)	(25,800)	(48,099)	(84,766)
Balance at 30 June 2021	455,183	97,270	509,897	1,062,350
Additions	-	-	29,904	29,904
Disposals	-	-	-	-
Depreciation expense	(10,868)	(20,773)	(69,033)	(100,674)
Balance at 30 June 2022	444,315	76,497	470,768	991,580

Note 10. Non-current assets – intangible assets

	2022 $	2021 $
Intangible assets	290,929	290,929
Less: Accumulated amortisation	(81,965)	(33,477)
	208,964	257,452
Trademarks - at cost	3,858	-
Less: Accumulated amortisation	-	-
	3,858	-
		-
Software - at cost	4,310	-
Less: Accumulated amortisation	(189)	-
	4,121	-
Total	216,943	257,452

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

	Intangible assets $	Trademarks $	Software $	Total $
Balance at 1 July 2020	-	-	-	-
Additions	290,929	-	-	290,929
Amortisation expense	(33,477)	-	-	(33,477)
Balance at 30 June 2021	257,452	-	-	257,452
Additions	-	3,858	4,310	8,168
Amortisation expense	(48,488)	-	(189)	(48,677)
Balance at 30 June 2022	208,964	3,858	4,121	216,943

Note 11. Non-current assets - right-of-use assets

	2022 $	2021 $
Land and buildings - right-of-use	828,880	-
Less: Accumulated depreciation	(80,586)	-
	748,294	-

Additions to the right-of-use assets during the year were $828,880.

The company leases land and buildings for its office under agreement of three years with option to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 12. Non-current assets – other assets

	2022 $	2021 $
Rental deposit	100,828	-

Note 13. Current liabilities - trade and other payables

	2022 $	2021 $
Trade payables	76,421	1,223,943
Other payables	182,262	272,957
	258,683	1,496,900

Refer to note 22 for further information on financial instruments.

Note 14. Current asset / (liabilities) - income tax

	2022 $	2021 $
(Income tax refundable) / Provision for income tax	83,359	(181,477)

Note 15. Current liabilities - employee benefits

	2022 $	2021 $
Employee benefits	52,966	32,225

Note 16. Borrowings

	2022 $	2021 $
Current		
Loan from directors [1, 5]	615,113	1,038,401
Hire purchase loan [2]	23,186	37,510
Loan from investors [1]	1,129,000	50,000
Loan from bank [3a]	32,574	32,574
Loan from bank [3b]	2,000,000	-
Other loans [4]	-	223,450
Loan from related party [1,6]	40,000	-
	3,839,873	1,381,935
Non-current		
Hire purchase loan [2]	42,370	83,954
Loan from bank [3a]	286,055	290,732
	328,425	374,686
	4,168,298	1,756,621

[1] Unsecured, interest free and no fixed term of repayment.
[2] Secured, interest charge between 6.31% to 7.53% p.a. Final repayment in April 2025 and May 2023 respectively.
[3a] Secured over the company's land and buildings and director personal guarantee, interest charge at 5.12% p.a. (2021: 4.87%). Final repayment in December 2029.
[3b] Secured over the company's present and future rights, property and undertaking and director personal guarantee, interest charge at 4.70% p.a. (2021: nil). Final repayment in December 2031.
[4] Secured by director personal guarantee, interest charge at 6% p.a. and no fixed term of repayment.
[5] Loan due to Taizong Kang who is a director and major shareholder of the company. Taizong Kang resigned as a director on 23 September 2022.
[6] Loan due to a company where Taizong Kang is a director.

Note 17. Lease liabilities

	2022 $	2021 $
Current lease liabilities	100,712	-
Non-current lease liabilities	694,639	-

Refer to note 22 for further information on financial instruments.

Note 18. Equity - issued capital

	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares - fully paid	24,000,000	24,000,000	800,100	800,100

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	30 June 2020	100		100
Share split	21 October 2020	19,999,900	-	-
Issue of consideration shares (refer to Note 26)	21 October 2020	4,000,000	$0.20	800,000
Balance	30 June 2021	24,000,000		800,100
Balance	30 June 2022	24,000,000		800,100

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 19. Equity - reserves

	2022 $	2021 $
Convertible notes reserve	821,430	800,000

The reserve is used to recognise the convertible notes issued during the year ended 30 June 2022.

In 2021, the company issued 2,900,000 convertible notes with a face value of $0.10 each, and 2,550,000 convertible notes with a face value of $0.20 each, for total proceeds of $800,000. The notes are non-interest bearing and are automatically converted to shares of the company upon the sooner of the company's successful listing on ASX or two years from issue date. The conversion rate is one share for each note held.

In 2022, the company issued 200,000 convertible notes with a face value of $0.10 each, for total proceeds of $21,430. The notes are non-interest bearing and are automatically converted to shares of the company upon the sooner of the company's successful listing on ASX or two years from issue date. The conversion rate is one share for each note held.

Note 20. Equity – accumulated losses

	2022 $	2021 $
Accumulated losses at the beginning of the financial year	(1,980,024)	(1,146,220)
Profit / (Loss) after income tax expense for the year	446,729	(833,804)
Accumulated losses at the end of the financial year	(1,533,295)	(1,980,024)

Note 21. Equity – Dividends

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

Note 22. Financial instruments

Financial risk management objectives
The company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Market risk

Foreign currency risk
The company undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the company's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2022 $	2021 $	2022 $	2021 $
Chinese Yuan	256,356	696	23,123	6,579
	256,356	696	23,123	6,579

The company had net assets denominated in foreign currencies of $233,233 (assets of $256,356 less liabilities of $23,123) as at 30 June 2022 (2021: net liabilities $5,883 (assets of $696 less liabilities of $6,579). Based on this exposure, had the Australian dollar weakened by 5%/strengthened by 5% (2021: weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the company's profit before tax for the year would have been $12,275 lower/$11,106 higher (2021: $310 lower/$280 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2022 was $21,915 (2021: gain of $4,089).

Price risk
The company is not exposed to any significant price risk.

Note 22. Financial instruments (continued)

Market risk (continued)

Interest rate risk
The company's main interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the company to interest rate risk.

The company's loan from bank, totalling $2,318,629 (2021: $323,305), are principal and interest payment loans based on variable interest rate. An official increase/decrease in interest rates of 100 (2021: 100) basis points would have an adverse/favourable effect on profit before tax of $23,186 (2021: $3,233) per annum. The percentage change is based on the expected volatility of interest rates using market data and analyst forecasts.

The loan and borrowings other than mentioned above are fixed rate instruments.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The company obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The company does not hold any collateral.

Liquidity risk
Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2022	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	258,683	-	-	-	258,683
Loan from directors	-	615,113	-	-	-	615,113
Loan from investor	-	1,129,000	-	-	-	1,129,000
Loan from related party	-	40,000	-	-	-	40,000
Interest-bearing - fixed rate						
Hire purchase loan	6.31% - 7.53%	28,616	28,616	21,470	-	78,702
Lease liabilities	5.15%	139,354	145,338	556,109	82,384	923,185
Interest-bearing - floating rate						
Loan from bank	4.70% - 5.12%	205,629	319,498	958,494	1,362,929	2,846,550
Total non-derivatives		2,416,395	493,452	1,536,073	1,445,313	5,891,233

Note 22. Financial instruments (continued)

Liquidity risk (continued)

2021	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	1,496,900	-	-	-	1,496,900
Loan from directors	-	1,038,401	-	-	-	1,038,401
Loan from investor	-	50,000	-	-	-	50,000
Interest-bearing - fixed rate						
Hire purchase loan	6.31% - 7.53%	44,507	42,042	50,086	-	136,635
Other loans	6%	241,450	-	-	-	241,450
Interest-bearing - floating rate						
Loan from bank	4.87%	18,675	47,598	142,793	194,733	403,799
Total non-derivatives		2,889,933	89,640	192,879	194,733	3,367,185

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 23. Commitments

	2022 $	2021 $
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Research project funding	400,000	-

Note 24. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2022 $	2021 $
Short-term employee benefits	355,846	221,539
Post-employment benefits	35,585	21,046
	391,431	242,585

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company:

	2022 $	2021 $
Audit services		
Audit of the financial statements	45,000	45,000

Note 26. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	2022 $	2021 $
Profit/(loss) after income tax expense for the year	446,729	(833,804)
Adjustments for:		
Loss on disposal of assets	-	9,490
Depreciation and amortisation	229,937	118,243
Allowance for expected credit loss	286,725	(39,266)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	436,585	330,763
(Increase)/decrease in inventories	(1,509,574)	474,968
(Increase)/decrease in other assets	(23,779)	8,999
Decrease in trade and other payables	(1,238,217)	(651,359)
Decrease in provision for income tax	(264,836)	-
Increase in employee benefits	20,741	16,724
Net cash used in operating activities	(1,615,689)	(565,242)

Non-cash investing and financing activities

	2022	2021
Plant and equipment and intangibles	-	800,000

Note 27. Related party transactions

Key management personnel
Disclosures relating to key management personnel are set out in note 24.

Transactions with related parties
The following transactions occurred with related parties:

	2022 $	2021 $
Loans to/from related parties		
Loan advanced due to director, Taizong Kang [1]	615,113	1,038,401
Loan advanced due to related party[2]	40,000	-
Investment loan advanced due to director, Taizong Kang [1]	80,000	-

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

[1] Amount due to Taizong Kang who is a director and major shareholder of the company. Taizong Kang resigned as a director on 23 September 2022.
[2] Loan due to a company where Taizong Kang is a director.

Note 28. Contingent Assets and Liabilities

The Company has given bank guarantees as at 30 June 2022 of $ 100,828 (2021: Nil) to the lessor.

The Company has no contingent assets as at 30 June 2022 and 30 June 2021.

Note 29. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing up to 30 June 2022, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Apart from the discussed above, no other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 30. Acquisition of intangible assets and plant and equipment

In September 2020, the company entered into an agreement with Australian Wool Network Pty Ltd (AWN) to purchase the business name "Merino & Co.", plant and equipment and Intellectual property assets including trademarks and domains. The acquisition was assessed as an asset acquisition rather than a business combination.

The full consideration for the asset acquisition, being 4,000,000 fully paid ordinary shares in the company, was issued on 21 October 2020.

	$
Purchase consideration	
Fair value of consideration shares issued	800,000
	800,000
Net assets acquired	
Plant and equipment	509,071
Intangible assets	290,929
	800,000

Note 31. Reissued Annual Report

On 28 October 2022, the company signed its annual report for the year ended 30 June 2022. This report included an error in relation to the directors of the company at the date of the auditor's report and the officer signing off the directors' report and directors' declaration. TaiZong Kang resigned as a director of the company on 23 September 2022.

Merino & Co. Pty Ltd
Directors' declaration
30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Fang Yue
Director

3rd November 2022
Perth

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MERINO & CO. PTY LTD

Opinion

We have audited the financial report of Merino and Co. Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2022, 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, 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 2022 and of its financial performance for the year then ended; and

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

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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2, which indicates that the Company had net cash outflows from operating activities of $1,615,689 for the year ended 30 June 2022. As at that date, the Company had net current liabilities of $946,346. As stated in Note 1, these events or conditions, along with other matters as set forth in the going concern note, 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 further modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report and contents page but does not include the financial report and the 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 preparing the financial report, the directors are responsible for assessing the ability of the Company 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 have 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Emphasis of Matter – Reissue of Annual Report

We draw your attention to Note 31, which describes that the financial report has been revised and reissued as a result of the correction of the resignation of a director and the change in officer signing off the directors' report and directors' declaration. This audit report supersedes our auditor's report previously issued, dated 28 October 2022. Our opinion is not modified in respect of this matter.

RSM

RSM AUSTRALIA PARTNERS

AIK KONG TING
Partner

Perth, WA
Dated: 3 November 2022