AFC GROUP HOLDINGS LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2017

AFC GROUP HOLDINGS LIMITED
INTERIM CONSOLIDATED REPORT CONTENTS
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2017

AFC GROUP HOLDINGS LIMITED
DIRECTORS' PROFILES

YANG XIA

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

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

HAO LONG

Mr. Hao (Howard) Long is a Chinese National and a New Zealand Permanent Resident. He moved to New Zealand in 2002 and graduated from Massey University with a double major in Accounting and Marketing. He is a Chartered Accountant (CA) and a member of Chartered Accountants Australia and New Zealand. He has over 10 years professional accounting experience, including working for a Big 4 accounting firm plus experience in the commercial sectors in China and New Zealand.

Mr. Long joined AFC in 2015 and is also the chairman of the AFC Audit Committee and the CEO of AFC Longview Limited.

BO XIAN CAO

Mr. Bo Xian (Charles) Cao is a Chinese National and a New Zealand Citizen. He moved to New Zealand in 1994 and he has over 22 years business experience in China and New Zealand. He has held various executive positions in export related sectors specifically primary industries (including Hydroponics) and Skin Care industries. Mr. Cao has developed skills in trading between New Zealand and Asian countries specialising in Hong Kong and China. Mr. Cao joined AFC in 2016.

AFC GROUP HOLDINGS LIMITED
DIRECTORS' REPORT

The interim financial statements of AFC Group Holdings Limited (“AFC Group”) for the period ended 30 September 2017 have not been audited.

The net assets of AFC Group were NZ$4.94 million, with a 10% decrease from the half year position as at 30 September 2016. Cash and cash equivalent products was NZ$0.36 million, and property, plant and equipment were $1.96 million.

The revenue for the period to 30 September 2017 was NZ$4.89 million. AFC Group experienced a net loss of NZ$249 thousand for the period, which is NZ$300 thousand less than the loss incurred in the period ended 30 September 2016.

The Group operates in a number of business segments in New Zealand. These are:

International Marketing
This includes AFC International Trading Group Limited, who source packaged food products, cosmetics and health products and National Dairy Group Limited, who source food products for distribution to China. The half year sales of AFC International Trading Group Limited, an AFC Group subsidiary, were more than NZ$4 million. The company is actively changing the current low margin trade, by adjusting its product mix and increasing sales of “DD Mask”. The company is expecting a decrease in turnover but an increase in margin.

Vineyard and Winery
The half year wine sales of AFC Longview Ltd were more than NZ$300 thousand.

Manufacturing
AFC Biotechnology Manufacture Co Ltd has started manufacturing its product “DD Mask” from the beginning of 2018 financial year, resulting in half year sales of more than NZ$910 thousand.

Corporate
The operations of this segment include providing accounting, management and administration services to other segments of the Group.

Yang Xia

Chairman of the Board of Directors

AFC GROUP HOLDINGS LIMITED
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2017

	Note	Unaudited 6 Months September 2017 $	Unaudited 6 Months September 2016 $
Operating Revenue		4,890,074	6,472,329
Cost of Sales		(4,030,331)	(5,885,910)
Gross profit		859,743	586,419
Other Income		35,712	22,575
Expenses			
Selling and Distribution Expenses		(136,906)	(38,068)
Administration Expenses		(1,002,375)	(1,093,874)
Operating profit / (loss)		(243,826)	(522,948)
Finance Income		579	1,507
Finance Expense		(6,160)	(28,429)
		(5,581)	(26,922)
Profit / (Loss) before income tax		(249,407)	(549,870)
Income tax benefit		-	-
Net profit / (loss) for the period		(249,407)	(549,870)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the period		(249,407)	(549,870)
Profit/(loss) and Total Comprehensive Income/(Loss) Attributable to:			
Equity holders of the parent		(230,027)	(486,144)
Non-controlling interest		(19,380)	(63,726)
		(249,407)	(549,870)
Profit / (loss) per share:			
Basic earnings per share (cents per share)		(0.00007)	(0.00002)
Diluted earnings per share (cents per share)		(0.00007)	(0.00002)

The interim financial statements are to be read in conjunction with the notes to the financial statements set out on pages 8 to 21.

AFC GROUP HOLDINGS LIMITED
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2017

	Notes	Issued Share Capital $	Accumulated Loss $	Equity Holders $	Non-Controlling Interests $	Total $
Balance as at 1 April 2016		**25,540,835**	**(23,810,181)**	**1,730,654**	**1,151,151**	**2,881,805**
Comprehensive income						
Net profit for the financial period		-	(486,144)	(486,144)	(63,726)	(549,870)
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	(486,144)	(486,144)	(63,726)	(549,870)
Transactions with owners						
Ordinary Shares Issued		-	-	-	-	-
Exercise of Warrants	3	3,160,346	-	3,160,346	-	3,160,346
Share Issue Costs	3	(21,728)	-	(21,728)	-	(21,728)
Treasury Shares		-	-	-	-	-
Total transactions with owners		3,138,618	-	3,138,618	-	3,138,618
Balance as at 30 September 2016 (unaudited)		**28,679,453**	**(24,296,325)**	**4,383,128**	**1,087,425**	**5,470,553**
Balance as at 1 April 2016		**25,540,835**	**(23,810,181)**	**1,730,654**	**1,151,151**	**2,881,805**
Comprehensive income						
Net profit for the financial year		-	(896,704)	(896,704)	(427,080)	(1,323,784)
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	(896,704)	(896,704)	(427,080)	(1,323,784)
Transactions with owners						
Ordinary Shares Issued		-	-	-	290,000	290,000
Exercise of Warrants	3	3,160,396	-	3,160,396	-	3,160,396
Share Issue Costs	3	(21,728)	-	(21,728)	-	(21,728)
Total transactions with owners		3,138,668	-	3,138,668	290,000	3,428,668
Balance as at 31 March 2017 (audited)		**28,679,503**	**(24,706,885)**	**3,972,618**	**1,014,071**	**4,986,689**
Comprehensive income						
Net loss for the period		-	(230,027)	(230,027)	(19,380)	(249,407)
Other comprehensive income		-	-	-	-	-
Total comprehensive income/(loss)		-	(230,027)	(230,027)	(19,380)	(249,407)
Transactions with owners						
Ordinary shares issued	3	-	-	-	200,000	200,000
Exercise of Warrants		-	-	-	-	-
Share Issue Costs		-	-	-	-	-
Total transactions with owners		-	-	-	200,000	200,000
Balance as at 30 September 2017 (unaudited)		**28,679,503**	**(24,936,912)**	**3,742,591**	**1,194,691**	**4,937,282**

The interim financial statements are to be read in conjunction with the notes to the financial statements set out on pages 8 to 21.

AFC GROUP HOLDINGS LIMITED
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	Note	Unaudited At 30 September 2017 $	Audited At 31 March 2017 $
SHAREHOLDERS EQUITY			
Issued share capital	3	28,679,503	28,679,503
Accumulated losses		(24,936,912)	(24,706,885)
Total Equity attributable to shareholders of the company		**3,742,591**	**3,972,618**
Non-controlling Interest		1,194,691	1,014,071
Total shareholders funds		**4,937,282**	**4,986,689**
Represented by:			
CURRENT ASSETS			
Cash and cash equivalents	4	360,029	777,841
Trade and other receivables		432,353	744,119
Inventories	5	1,410,159	1,429,472
Related party receivables	10	1,474,620	1,017,353
Prepayments and other current assets		319,660	574,865
Total current assets		**3,996,821**	**4,543,650**
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,957,150	1,991,244
Biological assets		-	-
Intangible assets and goodwill	8	2,376	169,157
Deferred tax assets	2	-	-
Total non-current assets		**1,959,526**	**2,160,401**
Total assets		**5,956,347**	**6,704,051**
CURRENT LIABILITIES			
Trade and other payables		397,302	1,306,751
Related party payables	10	621,763	410,611
Total current liabilities		**1,019,065**	**1,717,362**
NON-CURRENT LIABILITIES			
Related party payables		-	-
Total non-current liabilities		-	-
Total liabilities		**1,019,065**	**1,717,362**
Net assets		**4,937,282**	**4,986,689**

For and on behalf of the Board,

The interim financial statements are to be read in conjunction with the notes to the financial statements set out on pages 8 to 21.

AFC GROUP HOLDINGS LIMITED
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2017

	Note	Unaudited 6 Months September 2017 NZ$	Unaudited 6 Months September 2016 NZ$
Cash flows from operating activities			
Cash was received from:			
Receipts from customers		6,119,602	6,526,803
Interest received		579	1,507
Other receipts		32,717	5,970
Cash was applied to:			
Payments to suppliers and employees		(6,164,808)	(6,041,772)
Interest paid		(6,160)	(48)
Net cash outflow from operating activities		(18,070)	492,460
Cash flows from investing activities			
Cash was applied to:			
Purchase of property, plant and equipment	7	(24,962)	(116,547)
Purchase of intangible assets	8	(1,500)	-
Net cash outflow from investing activities		(26,462)	(116,547)
Cash flows from financing activities			
Cash was received from:			
Proceeds from exercise of warrants		-	3,160,346
Proceeds from Non-controlling interests for unpaid share capital		200,000	-
Proceeds from Related party payables	10	898,754	-
Cash was applied to:			
Payments to related parties	10	(1,475,029)	(2,822,274)
Payment of share issue costs		-	(21,728)
Net cash inflow from financing activities		(376,275)	316,344
Net increase in cash and cash equivalents		(420,807)	692,257
Foreign currency translation adjustment		2,995	-
Cash and cash equivalents at the beginning of the period		777,841	688,988
Cash and cash equivalents at the end of the period		360,029	1,381,245

The interim financial statements are to be read in conjunction with the notes to the financial statements set out on pages 8 to 21.

AFC GROUP HOLDINGS LIMITED
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2017

1. ACCOUNTING POLICIES

REPORTING ENTITY

AFC Group Holdings Limited (the “Company”) is a company incorporated and domiciled in New Zealand and registered under the Companies Act 1993. The Company is listed on the Alternative Market of the New Zealand Stock Exchange (“NZAX”) and the addresses of its registered office and principal place of business are disclosed in the Corporate Information section of this report. The Company is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 and its financial statements comply with the Companies Act 1993 and the Financial Markets Conduct Act 2013.

The interim consolidated financial statements of AFC Group Holdings Limited for the six month period ended 30 September 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). For the purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP"), the Group is a for-profit entity. The principal activity of the Company and the Group is to produce, manufacture and purchase food, health, and cosmetic products for distribution in the New Zealand and the Chinese markets. The Group is also operates in the winery and vineyard industry and has also started manufacturing operations during the year.

1.1 Statement of compliance

These interim financial statements have been prepared in accordance with NZ GAAP. These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with AFC Group Holdings Limited's Annual Report for the year ended 31 March 2017.

The condensed interim consolidated financial statements were approved and authorised for issue by the directors on ____________. The directors are not able to amend the financial statements after issue.

1.2 Basis of preparation

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

1.3 Significant accounting policies

The preparation of the interim financial statements in compliance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1.4.

AFC Group Holdings Limited has applied the same accounting policies and methods of computation in its interim consolidated financial statements as were applied in the annual financial statements for the year ended 31 March 2017, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 April 2017 and will be adopted in the 2018 annual financial statements.

None of the new standards and amendments that are effective for the first time for periods beginning on (or after) 1 April 2017 have a material effect on AFC Group.

1.4 Critical accounting judgments and key sources of estimation uncertainty

The same significant judgments, estimates and assumptions included in the notes to the financial statements in the Group's financial statements for the year ended 31 March 2017 have been applied to these Interim Consolidated Financial Statements.

2. INCOME TAX

The Group calculates the period's income tax expense using 28% which is the tax rate that would be applicable to the expected total annual earnings (September 2016: 28%)

The Group has tax losses of $612,500 bought forward from 31 March 2017. Losses can be carried forward indefinitely under New Zealand tax law (assuming shareholder continuity requirements are met and approval of the Inland Revenue Department is obtained).

AFC Group Holdings Limited, AFC International Trading Group Limited, National Dairy Group Limited, AFC Longview Limited and AFC Biotechnology Manufacture Co. Limited are considered a 'group' for income tax purposes. AFC Group Holdings Limited has 100% shareholding in AFC International Trading Group Limited and National Dairy Group Limited. AFC Longview Limited and AFC Biotechnology Manufacture Co. Limited are also considered as part of the 'group' as AFC Longview Limited and AFC Biotechnology Manufacture Co. have shareholder commonality with AFC Group Holdings Limited of more than 66%. Companies that are considered to be part of the same 'group' and the same taxation authority are able to make subventions and offset losses with one another.

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

3. AUTHORISED AND ISSUED SHARE CAPITAL

Balance as at 31 March 2017	**Shares Issued No.**	**$**
Ordinary shares		
Balance at 1 April 2016	2,084,043,091	25,540,835
Ordinary shares authorised and issued:		
Shares issued at 0.2 cents per share	1,580,173,021	3,160,396
Share issue expenses	-	(21,728)
Balance as at 31 March 2017	3,664,216,112	28,679,503
Movement to 30 September 2017		
Ordinary shares authorised and issued:		
Shares issued	-	-
Share issue expenses	-	-
Balance at 30 September 2017	3,664,216,112	28,679,503

The company has not issued any new shares during the period.

All ordinary shares issued are fully paid. All ordinary shares rank equally with one vote attached to each fully paid ordinary share and have equal dividend rights and no par value. The Group has not declared or proposed to pay any dividends for the period ended 30 September 2017 (September 2016: Nil).

The Group has received $200,000 during the period from non-controlling interests for share capital that was unpaid as at 31 March 2017.

4. CASH AND CASH EQUIVALENTS

	September 2017 $	March 2017 $
Cash at bank and on hand	360,029	777,841
Total cash and cash equivalents	360,029	777,841

The carrying amount of cash and cash equivalents approximates their fair value. Cash at bank earns interest at floating rates on daily deposit balances.

5. INVENTORIES

	September 2017 $	March 2017 $
Work in progress	187,894	237,071
Finished goods	1,047,065	1,433,775
Raw materials	264,853	-
Write down of closing stock	(89,652)	(241,374)
Total Inventories	1,410,159	1,429,472

Write down of closing stock		
Opening write down of closing stock	(241,374)	-
Reversal of prior year's write down of closing stock to profit and loss	241,374	-
Current period's write down of closing stock charged to profit and loss	89,652	241,374
Closing provision for closing stock	89,652	241,374

Inventory of $89,652 has been expensed and written down to net realisable value (March 2017: $241,374). Assessing write downs for inventory obsolescence and net realisable value involves making estimates and judgements in relation to future selling prices between the most recent store stock counts and reporting date.

6. SEGMENT REPORTING

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

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

6. SEGMENT REPORTING (continued)

International marketing and distribution

AFC International Trading Group Limited, which sources packaged food products, cosmetics and health products. National Dairy Group Limited, which sources food products for distribution for China.

Vineyard and winery

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

Manufacturing

AFC Biotechnology Manufacture Co Limited which has introduced an advanced face-mask production line.

Corporate

The operations of this segment include providing accounting, management and administration services to other segments of the Group.

No operating segments have been aggregated to form the above reportable operating segments. The Group's taxation has not been allocated to segments and is included centrally. Financing has been allocated to segments. Sales between the segments of the Group are carried out at an arm's length basis in a similar manner to transactions with third parties.

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 September 2017 and 2016, respectively:

For the six months ended 30 September 2017

	International Marketing	Vineyard and winery	Corporate	Manufacturing	Eliminations and adjustments	Period ended 30 September 2017
	$	$	$	$	$	$
Operating Income						
Revenue from external customers	4,010,349	338,805	-	540,920	-	4,890,074
Inter-segment Revenue	17,076	9,087	-	375,360	(401,523)	-
Other Revenue	42,606	5,830	89,829	5,970	(108,523)	35,712
Interest Income	122	19	32	406	-	579
Total Revenue	**4,070,153**	**353,741**	**89,861**	**922,656**	**(510,046)**	**4,926,365**
Operating Expenses						
Interest	54,345	14,248	6,151	8,871	(77,455)	6,160
Depreciation and Amortisation	171,405	17,843	9,830	28,259	-	227,337
Segment profit (loss) before tax	(314,947)	(143,972)	128,522	104,421	(23,431)	(249,407)

6. SEGMENT REPORTING (continued)

For the six months ended 30 September 2016

	International Marketing	Vineyard and winery	Corporate	Manufacturing	Eliminations and adjustments	Period ended 30 September 2016
	$	$	$	$	$	$
Operating Income						
Revenue from external customers	6,427,777	44,552	-	-	-	6,472,329
Inter-segment Revenue	-	36,607	-	-	(36,607)	-
Other Revenue	-	16,605	-	-	-	16,605
Interest Income	359	-	1,148	-	-	1,507
Total Revenue	**6,428,136**	**97,764**	**1,148**	**-**	**(36,607)**	**6,490,441**
Operating Expenses						
Interest	-	48	28,381	-	-	28,429
Depreciation and Amortisation	3979	22,115	80,646	-	-	106,740
Segment profit (loss) before tax	(325,369)	(129,965)	(81,716)	-	(12,820)	(549,870)

The following tables present assets and liabilities information for the Group's operating segments as at 30 September 2017 and 31 March 2017, respectively:

As at 30 September 2017

	International Marketing	Vineyard and winery	Corporate	Manufacturing	Eliminations and adjustments	Period ended 30 September 2017
	$	$	$	$	$	$
Assets						
Segment assets	1,745,145	2,729,456	5,089,042	1,857,609	(5,464,905)	5,956,347
Capital Expenditure	1,764	5,004	1,119	17,075	-	24,962
Segment Liabilities	1,312,217	1,105,663	219,522	1,089,136	(2,707,473)	1,019,065

As at 31 March 2017

	International Marketing	Vineyard and winery	Corporate	Manufacturing	Eliminations and adjustments	Year ended 31 March 2017
	$	$	$	$	$	$
Assets						
Segment assets	2,693,781	2,581,451	5,421,602	614,672	(4,607,455)	6,704,051
Capital Expenditure	32,598	82,016	55,101	355,035	-	524,750
Segment Liabilities	1,945,906	813,686	680,603	310,621	(2,033,454)	1,717,362

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

7. PROPERTY, PLANT AND EQUIPMENT

	Land $	Buildings $	Land Improvements $	Plant & Equipment $	Motor Vehicles $	Computer Equipment $	Fixture & Fittings, Office Equipment $	Bearer Plants - Grape Vines $	**Total** **$**
As at 31 March 2017									
Cost									
Cost as at 1 April 2016	320,000	855,000	50,000	146,169	72,181	1,027	21,299	80,000	**1,545,676**
Additions	-	46,166	-	280,627	22,609	12,676	162,672	-	**524,750**
Cost as at 31 March 2017	320,000	901,166	50,000	426,796	94,790	13,703	183,971	80,000	**2,070,426**
Accumulated Depreciation									
Accumulated Depreciation at 1 April 2016	-	-	-	(1,485)	(3,037)	(43)	(207)	-	**(4,772)**
Depreciation charge for the	-	(231)	-	(26,662)	(18,908)	(4,525)	(18,084)	(6,000)	**(74,410)**
Accumulated Depreciation at 31 March 2017	-	(231)		(28,147)	(21,945)	(4,568)	(18,291)	(6,000)	**(79,182)**
Carrying Amount									
Cost	320,000	901,166	50,000	426,796	94,790	13,703	183,971	80,000	**2,070,426**
Accumulated Depreciation	-	(231)	-	(28,147)	(21,945)	(4,568)	(18,291)	(6,000)	**(79,182)**
Carrying Amount 31 March 2017	320,000	900,935	50,000	398,649	72,845	9,135	165,680	74,000	**1,991,244**
As at 30 September 2017									
Cost									
Cost as at 1 April 2017	320,000	901,166	50,000	426,796	94,790	13,703	183,971	80,000	**2,070,426**
Additions	-	-	-	5,241	3,954	3,450	12,317	-	**24,962**
Cost as at 30 September 2017	320,000	901,166	50,000	432,037	98,744	17,153	196,288	80,000	**2,095,388**
Accumulated Depreciation									
Accumulated Depreciation at 1 April 2017	-	(231)	-	(28,147)	(21,945)	(4,568)	(18,291)	(6,000)	**(79,182)**
Depreciation charge for the period	-	(1,378)	-	(30,996)	(8,704)	(2,521)	(12,682)	(2,775)	**(59,056)**
Accumulated Depreciation at 30 September 2017	-	(1,609)	-	(59,143)	(30,649)	(7,089)	(30,973)	(8,775)	**(138,238)**
Carrying Amount									
Cost	320,000	901,166	50,000	432,037	98,744	17,153	196,288	80,000	**2,095,388**
Accumulated Depreciation	-	(1,609)	-	(59,143)	(30,649)	(7,089)	(30,973)	(8,775)	**(138,238)**
Carrying Amount 30 September 2017	**320,000**	**899,557**	**50,000**	**372,894**	**68,095**	**10,064**	**165,315**	**71,225**	**1,957,150**

8. INTANGIBLE ASSETS

	Goodwill $	Brands $	Trademarks $	Distribution Right Asset $	Total $
Year ended 31 March 2017					
Cost					
Cost as at 1 April 2016	495,785	31,161	-	454,467	981,413
Additions by	-	-	-	-	-
Additions other	-	-	1,100	-	1,100
Cost as at 31 March 2017	**495,785**	**31,161**	**1,100**	**454,467**	**982,513**
					-
Accumulated Amortisation and Impairment					-
Accumulated amortisation and	-	-	-	(113,594)	(113,594)
Amortisation and impairment for the year	(495,785)	(31,161)	(109)	(172,707)	(699,762)
Accumulated amortisation and impairment as at 31 March 2017	**(495,785)**	**(31,161)**	**(109)**	**(286,301)**	**(813,356)**
Carrying Amount					
Cost	495,785	31,161	1,100	454,467	982,513
Accumulated amortisation and impairment	(495,785)	(31,161)	(109)	(286,301)	(813,356)
Carrying Amount 31 March 2017	**-**	**-**	**991**	**168,166**	**169,157**
At 30 September 2017					
Cost					
Cost as at 1 April 2017	495,785	31,161	1,100	454,467	982,513
Additions by acquisition	-	-	-	-	-
Additions other	-	-	1,500	-	1,500
Cost as at 30 September 2017	**495,785**	**31,161**	**2,600**	**454,467**	**984,013**
Accumulated Amortisation and Impairment					
Accumulated amortisation and Impairment 1 April 2017	(495,785)	(31,161)	(109)	(286,301)	(813,356)
Amortisation and impairment for the period	-	-	(115)	(168,166)	(168,281)
Accumulated amortisation and impairment as at 30 September 2017	**(495,785)**	**(31,161)**	**(224)**	**(454,467)**	**(981,637)**
Carrying Amount					
Cost	495,785	31,161	2,600	454,467	984,013
Accumulated amortisation and Impairment	(495,785)	(31,161)	(224)	(454,467)	(981,637)
Carrying Amount 30 September 2017	**-**	**-**	**2,376**	**-**	**2,376**

8. INTANGIBLE ASSETS (continued)

The goodwill and brands were allocated to the Longview Estate winery and vineyard. The distribution right asset is allocated to National Dairy Group Limited.

Amortisation and impairment charges of $168,281 are recognised under administration expenses in the Statement of Comprehensive Income.

The Group has not achieved the minimum sales target under the Distribution Right Agreement and as a result of the sales targets not being met, the distribution right income has ceased. The Distribution Right Asset has therefore been fully impaired during the period. The amount payable to NZ Silveray Limited for the acquisition of the Distribution Right has also been extinguished.

9. INVESTMENT IN SUBSIDIARIES

Name of subsidiary	Principal activity	Ownership interest and voting rights	
		September 2017	March 2017
AFC Longview Limited	Vineyard and winery	51%	51%
AFC International Trading Group Limited	Commodity trading	100%	100%
National Dairy Group Limited	Royalty income	100%	100%
AFC Biotechnology Manufacture Co Limited	Manufacturing	51%	51%
AFC GoGlobal Education Limited	Non-Trading	100%	100%
AFC Education Investment Limited	Non-Trading	100%	100%

All the subsidiaries are incorporated in New Zealand and have 31 March balance dates. They also apply uniform accounting policies with the parent company.

10. RELATED PARTIES

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

Related Parties:

Almond Draw Limited	Company associated with Garth Ward, CFO of Investment Research Group Limited and associated with management of AFC.
Australasian International Group Limited	Company associated to company's major shareholder
Bo Xian Cao	Director of company and subsidiary
E Way Holdings Group Limited	Company associated with director, Mr Bo Xian Cao
E Way Trading Limited	Company associated with director, Mr Bo Xian Cao
Federation of New Zealand Shenzhen Societies Inc.	Company associated to company's major shareholder
Guangdong Farmside Dairy Development Limited	Company associated to company's major shareholder

10. RELATED PARTIES (continued)

Related Parties (continued):

Guangdong Farmside International Trading Co. Limited	Company associated to company's major shareholder
Guangdong Sanjiang Industry Development Limited	Company associated to company's major shareholder
Guangdong Silver Fern Network Technology Co. Limited	Company associated to company's major shareholder
Guangdong Sunshine	Company associated to company's major shareholder
Guangdong Yinrui Investment & Management Company	Company associated to company's major shareholder
Guangzhou Miaoguang Trading Co. Limited	Company associated to company's major shareholder
Hao Long	Director of company and subsidiary, senior employee of AFC, director of NZ Silveray Group Limited
Howard & Co Chartered Accountants Limited	Company associated with director Mr Howard Long
Investment Research Group Limited	Company associated with previous director Mr Brent King
Lin Fang	Shareholder of subsidiary
May Sun Trading Limited	Company associated with Lin Fang, director of subsidiary
New Zealand Asia-Pacific Cultural Exchange Centre Limited	Company associated to company's major shareholder
NZ Guangdong Business Development Corporation Limited	Company associated with director, Mr Bo Xian Cao
NZ Silveray Group Limited	Company's major shareholder
Precision NZ Limited	Company associated with Alex Zhang, previous director
Qiang Li	Director of subsidiary and shareholder
Super Life NZ Ltd	Company associated to company's major shareholder
T & S International Limited	Company associated with Huaiji Zhou, director
Yang Xia	Director of company and subsidiary
Ying Ying Trading Limited	Company associated to Lin Fang, a shareholder
Yinrui Shen	Director of subsidiary and shareholder

Related party balances

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

Related Party Receivables	Nature of Transactions	September 2017 $	March 2017 $
Australasian International Group Limited	Sale of products	613,629	536,501
Federation of New Zealand Shenzhen Societies Inc.	Sale of products	504	-
Guangdong Farmside Dairy Development Limited	Sale of products and Distribution Fees	-	456,434
Guangdong Farmside International Trading Co. Limited	Sale of products	399,510	-
Guangdong Sunshine	Sale of products	1,068	-
Guangdong Yinrui Investment	Sale of products	6,268	-
Maysun Trading Limited	Sale of products	616	-
NZ Silveray Group Limited	Sale of products	-	24,055
Other related parties	Advances	-	363
Super Life NZ Limited	Sale of products	453,025	-
		1,474,620	**1,017,353**

10. RELATED PARTIES (continued)

Related Party Payables	Nature of Transactions	September 2017 $	March 2017 $
Almond Draw Limited	Services	-	8,937
Australasian International Group Limited	Expenses	99,397	-
Guangdong Farmside Dairy Development Limited	Purchase of goods and services and credit note for distribution fee	32,609	-
Guangdong Farmside International Trading Co Limited	Purchase of goods and services	263,947	-
Guangdong Miaoguang Trading Co Limited	Purchase of goods and services	3,819	-
Guangdong Sanjiang Industry Development Limited	Purchase of goods and services	69,878	-
Guangdong Silver Fern Network Technology Co. Limited	Purchase of goods and services	1,063	-
Guangdong Yinrui Investment	Purchase of goods and services	18,647	-
New Zealand Asia-Pacific Cultural Exchange Centre Limited	Purchase of goods and services	1,569	-
NZ Silveray Group Limited	Advances, Interest	130,834	127,693
NZ Silveray Group Limited	Deferred consideration for Distribution Right Asset	-	273,981
		621,763	**410,611**

The related parties receivables and payables are unsecured advances and repayable on demand. There is no collateral or guarantees for related parties payables.

Balances receivable from or payable to NZ Silveray Group are unsecured and repayable on demand. Interest is charged at 7.04% per annum for amounts below $600,000 and 8.32% per annum for amounts above $600,000.

Related party transactions	September 2017 $	March 2017 $
Expenses repaid/recharged on behalf of the Group:		
Other related parties	53,477	163,050
	53,477	**163,050**
Sales of products or services provided to the following:		
Australasian International Group Limited	186,826	744,773
E Way Holdings Group Limited	18,333	2,956
Federation of New Zealand Shenzhen Societies Inc.	302	-
Guangdong Farmside Dairy Development Limited	-	468,653
Guangdong Farmside International Trading Co., Ltd	276,829	-
May Sun Trading Limited	-	1,467
Mr Bo Xian Cao	1,176	-
NZ Silveray Group Limited	69	24,203
Super Life NZ Limited	393,935	-
	877,470	**1,242,052**

10. RELATED PARTIES (continued)

Related party transactions	September 2017 $	March 2017 $
Purchases from the following for services or products provided:		
Almond Draw Limited	-	76,953
Australasian International Group Limited	100,126	-
E Way Holdings Group Limited	2,745	-
E Way Trading Limited	94	-
Guangdong Farmside International Trading Co. Limited	623,890	-
Guangdong Sanjiang Industry Development Limited	18,398	-
Guangdong Yinrui Investment & Management Company	3,789	-
Guangzhou Miaoguang Trading Co. Limited	3,819	-
Howard & Co Charted Accountants Limited	10,000	-
Investment Research Group Limited	-	72,890
May Sun Trading Limited	12,000	197,872
New Zealand Asia-Pacific Cultural Exchange Centre Limited	26,000	-
NZ Guangdong Business Development Corporation Limited	1,696	-
	802,557	**347,715**
Interest paid or credited on related party balances:		
NZ Silveray Group Limited	3,141	61,643
	3,141	**61,643**
Interest paid on deferred consideration for Distribution Right Asset		
NZ Silveray Group Limited	3,010	14,713
	3,010	**14,713**
Related party advances to AFC during the year:		
NZ Silveray Group Limited	-	1,141,011
	-	**1,141,011**
Other transactions:		
NZ Silveray Group Limited - deferred consideration payable for Distribution Right Asset extinguished due to Distribution Rights agreement ceasing.	276,991	-
	276,991	**-**
Share Placements during the year:		
NZ Silveray Group Limited subscribed to 858,636,792 shares in AFC at 0.2 cents per share credited to the related party balance	-	1,717,273
Ms Lin Fang subscribed for 100,000,000 shares in AFC at 0.2 cents per share paid in cash	-	200,000
NZ Silveray Group Limited subscribed to 24 shares in AFC Biotechnology Manufacture Co Limited at $10,000 per share.	-	240,000
Ms Yinrui Shen subscribed for 90,000,000 shares in AFC at 0.2 cents per share paid in cash	-	180,000
Mr Howard Long subscribed for 20,000,000 shares in AFC Group Holdings Limited at 0.2 cents per share	-	40,000
	-	**2,377,273**

The have been no share placement during the period ended 30 September 2017.

10. RELATED PARTIES (continued)

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

	September 2017 $	March 2017 $
Short-term employee benefits	8,196	1,800
Directors' fees	44,333	178,333
Other remuneration	118,866	61,800
Termination benefits	-	-
Share-based payments	-	-
	171,395	241,933

11. COMMITMENTS AND CONTINGENCIES

The group leases offices and warehouse under a non-cancellable operating lease expiring in three years. The lease may be renewed for two further periods of four years with rent reviews every two years. The group has also entered into operating leases for eftpos and printing equipment with lease terms expiring in three years.

	September 2017 $	March 2017 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Less than one year	177,113	177,113
Between one and five years	266,926	387,345
More than five years	-	-
Total operating lease commitments	444,039	564,458

The Group has no capital commitments at 31 March 2017 (2016: Nil)

12. FINANCIAL INSTRUMENTS

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

30 September 2017	Loans and receivables $	Financial liabilities at amortised cost $	Total $
Financial Assets:			
Cash and cash equivalents	360,029	-	360,029
Trade debtors and other receivables	432,353	-	432,353
Related party receivables	1,474,620	-	1,474,620
Total financial assets	2,267,002	-	2,267,002

12. FINANCIAL INSTRUMENTS (continued)

30 September 2017	**Loans and receivables**	**Financial liabilities at amortised cost**	**Total**
	$	**$**	**$**
Financial liabilities:			
Trade creditors and other payables	-	305,614	305,614
Related party payables and loans	-	621,763	621,763
Total financial liabilities	-	927,377	927,377
31 March 2017			
Financial Assets:			
Cash and cash equivalents	777,841	-	777,841
Trade debtors and other receivables	744,119	-	744,119
Related party receivables	1,017,353	-	1,017,353
Total financial assets	2,539,313	-	2,539,313
Financial liabilities:			
Trade creditors and other payables	-	1,306,751	1,306,751
Related party payables and loans	-	410,611	410,611
Total financial liabilities	-	1,717,362	1,717,362

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

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

13. BUSINESS COMBINATION / GROUP RESTRUCTURE

There were no business combinations or Group restructuring during the period.

14. NET TANGIBLE ASSETS PER SHARE

The net tangible assets and number of shares are as follows:

	September 2017	**March 2017**
	$	**$**
Total Assets	5,956,347	6,704,051
Less Intangible assets	2,376	169,157
Tangible assets	5,953,971	6,534,894
Less total liabilities	1,019,065	1,717,362
Net tangible assets	4,934,906	4,817,532
Number of ordinary shares on issue	3,664,253,194	3,664,253,194
Net tangible assets / liabilities per share in cents	0.0013	0.0013

15. CONTINGENT LIABILITIES

The Group has no contingent liabilities at 30 September 2017 (31 March 2017 : Nil)

16. EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

17. SEASONALITY OF INTERIM OPERATIONS

The vineyard and winery segment harvest it's grapes in the second half of the financial year, and processes the grapes into bottles in the interim period. This does not affect the sales for the segment.

There are no other significant seasonality or cyclicality of business affecting the interim operations.

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