# Neutrog Limited

**ABN 84 654 924 919**

## Financial Statements - 30 June 2022

**Neutrog Limited**
**Contents**
**30 June 2022**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of Neutrog Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 30 June 2022.

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

**Review of operations**
The profit for the group after providing for income tax amounted to $1,721,730, for the period between 17 November 2021 and 30 June 2022.

**Significant changes in the state of affairs**
Neutrog Limited was incorporated on 29 October 2021. Subsequent to that the company acquired 100% of the shares of Neutrog Holdings Pty Ltd on 17 November 2021. The company also owns 100% shares of Neutrog Trading Pty Ltd which was incorporated on 5 November 2021. Neutrog Trading Pty Ltd commenced trading 1 March 2022 when all the assets and liabilities were transferred from Neutrog Australia Settement.

There were no other significant changes in the state of affairs of the group during the financial year.

**Matters subsequent to the end of the financial year**
On 20 July 2022, the company completed a $3.2m capital raise through the issuance of 5,120,000 $0.63 nominal ordinary shares.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

**Likely developments and expected results of operations**
Information on likely developments in the operations of the group 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 group.

**Information on directors**

| | |
|---|---|
| Name: | Marc Makrid |
| Title: | Director |
| Experience and expertise: | Marc is currently Chairman of the Board. Marc is the Principal of Marc Makrid & Associates, a leading strategic consultancy company established in 1993 to provide professional advice with a particular focus on Marketing and Human Resource Strategies. |
| | |
| Name: | Angus Irwin |
| Title: | Director |
| Experience and expertise: | Angus is currently Managing Director of Neutrog, having been appointed to that role in 2004. At the age of 24, Angus was one of the original Founders of Neutrog, having been raised on the family farm in the South East of South Australia. |
| | |
| Name: | David Rasheed |
| Title: | Director |
| Experience and expertise: | David is a Partner of Tilbrook Rasheed Chartered Accountants and was one of its Founders in 1994. David specialises in the provision of professional business and taxation consulting services to the Wine & Grape Growing, Primary Production, Thoroughbred Racing & Hospitality Industries. |
| | |
| Name: | Paul Proctor |
| Title: | Director |
| Experience and expertise: | Paul's career has included 25 years experience as a CEO of large multinational companies and a large family-owned business. Paul's major career highlights have involved restructuring and development of businesses to achieve sustainable, growth driven by high performance cultures. Paul's success has always been driven by a focus on execution and outcomes through people. |

**Neutrog Limited**
**Directors' report**
**30 June 2022**

**Meetings of directors**
The number of meetings of the company's Board of Directors ('the Board') held during the period ended 30 June 2022, and the number of meetings attended by each director were:

| | Full Board | |
|---|---|---|
| | Attended | Held |
| Angus Irwin | 8 | 8 |
| Marc Makrid | 8 | 8 |
| David Rasheed | 8 | 8 |
| Paul Proctor | 8 | 8 |

Held: represents the number of meetings held during the time the director held office.

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

**Shares issued on the exercise of options**
There were no ordinary shares of Neutrog Limited issued on the exercise of options during the period 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.

**Auditor**
continues in office in accordance with section 327 of the Corporations Act 2001.

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:

MARC MAKRID (CHAIRMAN) ______________________

ANGUS IRWIN ______________________ 8 December 2022

William Buck
ACCOUNTANTS & ADVISORS

# AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF NEUTROG LIMITED

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2022 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

**William Buck (SA)**
ABN 38 280 203 274

**G.W. Martinella**
Partner

Adelaide, 8th December 2022

Level 6, 211 Victoria Square, Adelaide SA 5000
GPO Box 11050, Adelaide SA 5001
+61 8 8409 4333
sa.info@williambuck.com
williambuck.com

**Neutrog Limited**
**Statement of profit or loss and other comprehensive income**
**For the period ended 30 June 2022**

| | Note | Consolidated 17 November 2021 to 30 June 2022 $ |
|---|---|---|
| **Revenue** | | |
| Sales revenue | | 4,954,377 |
| | | |
| Other income | 4 | 4,133,264 |
| Total revenue | | 9,087,641 |
| | | |
| **Expenses** | | |
| Depreciation and amortisation expense | | (247,132) |
| Cost of sales | | (3,514,028) |
| Employee benefits expense | | (690,568) |
| Industrial property licencing fee | | (186,317) |
| Rebates, retail commissions and returns | | (198,712) |
| Insurance | | (118,945) |
| Research and development costs | | (1,757,871) |
| Other expenses | | (467,054) |
| Finance costs | | (90,808) |
| Total expenses | | (7,271,435) |
| | | |
| **Profit before income tax expense** | | 1,816,206 |
| | | |
| Income tax expense | 5 | (94,476) |
| | | |
| **Profit after income tax expense for the year** | | 1,721,730 |
| | | |
| Other comprehensive income for the year, net of tax | | - |
| | | |
| **Total comprehensive income for the year** | | 1,721,730 |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Neutrog Limited**
**Statement of financial position**
**As at 30 June 2022**

| | Note | Consolidated 2022 $ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 6 | 680 |
| Trade and other receivables | 7 | 2,360,565 |
| Inventories | 8 | 3,060,055 |
| Income tax refund due | 5 | 853,361 |
| Other | 9 | 461,871 |
| Total current assets | | 6,736,532 |
| **Non-current assets** | | |
| Property, plant and equipment | 10 | 14,247,244 |
| Intangibles | 11 | 2,067,703 |
| Total non-current assets | | 16,314,947 |
| **Total assets** | | 23,051,479 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade and other payables | 12 | 3,072,709 |
| Borrowings | 13 | 1,994,174 |
| Employee benefits | 14 | 312,752 |
| Total current liabilities | | 5,379,635 |
| **Non-current liabilities** | | |
| Borrowings | 13 | 5,247,619 |
| Employee benefits | 14 | 51,289 |
| Total non-current liabilities | | 5,298,908 |
| **Total liabilities** | | 10,678,543 |
| **Net assets** | | 12,372,936 |
| **Equity** | | |
| Issued capital | 15 | 500 |
| Reserves | 16 | 950,000 |
| Retained profits | | 11,422,436 |
| **Total equity** | | 12,372,936 |

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

**Neutrog Limited**
**Statement of changes in equity**
**For the period ended 30 June 2022**

| Consolidated | Issued capital $ | Reserves $ | Retained profits $ | Total equity $ |
|---|---|---|---|---|
| Balance at 17 November 2021 | - | - | - | - |
| Profit after income tax expense for the year | - | - | 1,721,730 | 1,721,730 |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | 1,721,730 | 1,721,730 |
| Assumed through business combination (note 22) | - | - | 9,700,706 | 9,700,706 |
| Revaluation increment | - | 950,000 | - | 950,000 |
| *Transactions with owners in their capacity as owners:* | | | | |
| Contributions of equity, net of transaction costs (note 15) | 500 | - | - | 500 |
| Balance at 30 June 2022 | 500 | 950,000 | 11,422,436 | 12,372,936 |

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

**Neutrog Limited**
**Statement of cash flows**
**For the period ended 30 June 2022**

| | Note | Consolidated 17 November 2021 to 30 June 2022 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers (inclusive of GST) | | 7,729,564 |
| Payments to suppliers (inclusive of GST) | | (8,221,314) |
| | | (491,750) |
| Interest and other finance costs paid | | (90,808) |
| Net cash used in operating activities | | (582,558) |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | 10 | (774,097) |
| Payments for intangibles | 11 | (15,248) |
| Proceeds from disposal of property, plant and equipment | | 72,832 |
| Net cash used in investing activities | | (716,513) |
| **Cash flows from financing activities** | | |
| Proceeds from issue of shares | 15 | 500 |
| Proceeds from borrowings | | 1,628,834 |
| Repayment of borrowings | | (587,645) |
| Net cash from financing activities | | 1,041,689 |
| Net decrease in cash and cash equivalents | | (257,382) |
| Cash and cash equivalents at the beginning of the financial year | | - |
| Cash and cash equivalents at the end of the financial year | 6 | (257,382) |

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

## Note 1. General information

The financial statements cover Neutrog Limited as a group consisting of Neutrog Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Neutrog Limited's functional and presentation currency.

Neutrog Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

288 Mine Road
Kanmantoo SA 5252

A description of the nature of the group'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, on 6 December 2022. The directors have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

### New or amended Accounting Standards and Interpretations adopted

The group 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 the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

*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 group'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 3.

### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the group only. Supplementary information about the parent entity is disclosed in note 21.

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Neutrog Limited ('company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Neutrog Limited and its subsidiaries together are referred to in these financial statements as the 'group'.

Subsidiaries are all those entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

**Note 2. Significant accounting policies (continued)**

Intercompany transactions, balances and unrealised gains on transactions between entities in the group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Revenue recognition**
The group recognises revenue as follows:

*Revenue from contracts with customers*
Revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the group: 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 using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*
Other revenue is recognised when it is received or when the right to receive payment is established.

**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.

**Note 2. Significant accounting policies (continued)**

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 group'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 group'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 group 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 2. Significant accounting policies (continued)

### Inventories
Raw materials, work in progress and 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 on hand 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 group 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 amortised cost*
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

*Impairment of financial assets*
The group 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 group'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 fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

**Note 2. 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 diminishing value or 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 | 40 years |
| Plant and equipment | 3-7 years |

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the group. 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.

**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.

*Goodwill*
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

*Patents and trademarks*
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 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 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 group 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.

**Note 2. Significant accounting policies (continued)**

**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.

*Other long-term employee benefits*
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**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 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.

**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.

**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 group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the group 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.

**Note 2. Significant accounting policies (continued)**

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.

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.

**Note 3. 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.

*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 and historical collection rates.

*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.

*Estimation of useful lives of assets*
The group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

## Note 3. Critical accounting judgements, estimates and assumptions (continued)

*Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*
The group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*Employee benefits provision*
As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

## Note 4. Other income

| | Consolidated 17 November 2021 to 30 June 2022 $ |
|---|---|
| Net gain on disposal of property, plant and equipment | 13,341 |
| Interest income | 3,598 |
| Research and development costs recovered | 1,957,730 |
| Export Marketing Development Grant | 24,600 |
| Sundry income | 204,720 |
| Distribution received from related entity | 1,587,063 |
| Hire of plant and equipment | 342,212 |
| Other income | 4,133,264 |

## Note 5. Income tax

| | Consolidated 17 November 2021 to 30 June 2022 $ |
|---|---|
| *Income tax expense* | |
| Current tax | 94,476 |
| Aggregate income tax expense | 94,476 |
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | |
| Profit before income tax expense | 1,816,206 |
| Tax at the statutory tax rate of 25% | 454,052 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | |
| Amortisation of intangibles | 195 |
| Depreciation of property, plant and equipment | (55,170) |
| Temporary differences | 25,903 |
| Distributions | (14,803) |
| R&D costs | 335,634 |
| Sundry items | (67,324) |
| | 678,487 |
| Tax credit on net R&D costs | (584,011) |
| Income tax expense | 94,476 |

| | Consolidated 2022 $ |
|---|---|
| *Income tax refund due* | |
| Income tax refund due | 853,361 |

## Note 6. Cash and cash equivalents

| | Consolidated 2022 $ |
|---|---|
| *Current assets* | |
| Cash on hand | 680 |

*Reconciliation to cash and cash equivalents at the end of the financial year*
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

| | |
|---|---|
| Balances as above | 680 |
| Bank overdraft (note 13) | (258,062) |
| Balance as per statement of cash flows | (257,382) |

## Note 7. Trade and other receivables

| | Consolidated 2022 $ |
|---|---|
| *Current assets* | |
| Trade receivables | 2,141,002 |
| Less: Allowance for expected credit losses | (150,000) |
| | 1,991,002 |
| | |
| Other receivables | 58,259 |
| Loans receivable from director on commercial terms | 311,304 |
| | |
| | 2,360,565 |

## Note 8. Inventories

| | Consolidated 2022 $ |
|---|---|
| *Current assets* | |
| Stock on hand - at cost | 2,799,627 |
| Consumables - at cost | 260,428 |
| | |
| | 3,060,055 |

## Note 9. Other

| | Consolidated 2022 $ |
|---|---|
| *Current assets* | |
| Prepayments | 461,871 |

## Note 10. Property, plant and equipment

| | Consolidated 2022 $ |
|---|---|
| *Non-current assets* | |
| Land - at independent valuation | 3,407,765 |
| | |
| Freehold improvements - at cost | 5,146,740 |
| Less: Accumulated depreciation | (1,070,930) |
| | 4,075,810 |
| | |
| Plant and equipment - at cost | 13,081,453 |
| Less: Accumulated depreciation | (6,641,087) |
| | 6,440,366 |
| | |
| Motor vehicles - at cost | 522,934 |
| Less: Accumulated depreciation | (199,631) |
| | 323,303 |
| | |
| | 14,247,244 |

## Note 10. Property, plant and equipment (continued)

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

| **Consolidated** | Land and buildings $ | Freehold improvements $ | Plant and equipment $ | Motor vehicles $ | Total $ |
|---|---|---|---|---|---|
| Balance at 17 November 2021 | - | - | - | - | - |
| Additions through business combinations (note 22) | 2,457,765 | 4,064,868 | 5,986,299 | 318,430 | 12,827,362 |
| Additions | - | 43,300 | 650,805 | 79,992 | 774,097 |
| Disposals | - | - | - | (59,518) | (59,518) |
| Revaluation increments | 950,000 | - | - | - | 950,000 |
| Depreciation expense | - | (32,358) | (196,738) | (15,601) | (244,697) |
| Balance at 30 June 2022 | 3,407,765 | 4,075,810 | 6,440,366 | 323,303 | 14,247,244 |

*Valuations of land and buildings*
The basis of the valuation of land and buildings is fair value. The land and buildings were last revalued on 26 May 2022 based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of land and buildings being valued. The directors do not believe that there has been a material movement in fair value since the revaluation date. Valuations are based on current prices for similar properties in the same location and condition.

## Note 11. Intangibles

| | **Consolidated 2022 $** |
|---|---|
| *Non-current assets* | |
| Goodwill - at cost | 2,006,556 |
| | |
| Patents and trademarks - at cost | 187,082 |
| Less: Accumulated amortisation | (125,935) |
| | 61,147 |
| | |
| | 2,067,703 |

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

| **Consolidated** | Patents and trademarks $ | Goodwill $ | Total $ |
|---|---|---|---|
| Balance at 17 November 2021 | - | - | - |
| Additions | 15,248 | - | 15,248 |
| Additions through business combinations (note 22) | 48,334 | 2,006,556 | 2,054,890 |
| Amortisation expense | (2,435) | - | (2,435) |
| Balance at 30 June 2022 | 61,147 | 2,006,556 | 2,067,703 |

## Note 12. Trade and other payables

| | Consolidated 2022 $ |
|---|---|
| *Current liabilities* | |
| Trade payables | 2,888,662 |
| BAS payable | 31,007 |
| Other payables | 153,040 |
| | 3,072,709 |

## Note 13. Borrowings

| | Consolidated 2022 $ |
|---|---|
| *Current liabilities* | |
| Bank overdraft | 258,062 |
| Bank loans | 769,191 |
| SA Government Financing Authority loan | 141,807 |
| Hire purchase | 825,114 |
| | 1,994,174 |
| *Non-current liabilities* | |
| Bank loans | 3,665,741 |
| SA Government Financing Authority loan | 512,226 |
| Hire purchase | 1,069,652 |
| | 5,247,619 |

*Assets pledged as security*
The bank overdraft and loans are secured by first mortgages over the group's land and buildings.

Angus Irwin has personally guaranteed all borrowings.

## Note 14. Employee benefits

| | Consolidated 2022 $ |
|---|---|
| *Current liabilities* | |
| Annual leave | 179,119 |
| Long service leave | 133,633 |
| | 312,752 |
| *Non-current liabilities* | |
| Long service leave | 51,289 |

**Note 15. Issued capital**

| | Consolidated 2022 Shares | Consolidated 2022 $ |
|---|---|---|
| Ordinary shares - fully paid | 50,000,000 | 500 |

*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 16. Reserves**

| | Consolidated 2022 $ |
|---|---|
| Revaluation surplus reserve | 950,000 |

*Revaluation surplus reserve*
The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

**Note 17. Dividends**

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

**Note 18. Key management personnel disclosures**

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

| | Consolidated 17 November 2021 to 30 June 2022 $ |
|---|---|
| Aggregate compensation | 124,475 |

**Note 19. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by William Buck, the auditor of the company:

| | Consolidated 17 November 2021 to 30 June 2022 $ |
|---|---|
| *Audit services -* | |
| Audit of the financial statements | 25,000 |

## Note 20. Related party transactions

*Parent entity*
Neutrog Limited is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 23.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 18.

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

| | **Consolidated 17 November 2021 to 30 June 2022 $** |
|---|---|
| Payment for goods and services: | |
| Payment for services from director related entity | 107,255 |

*Receivable from and payable to related parties*

| | **Consolidated 2022 $** |
|---|---|
| Current receivables: | |
| Trade receivables from associated entity | 311,633 |

*Loans to/from related parties*
The following balances are outstanding at the reporting date in relation to loans with related parties:

| | **Consolidated 2022 $** |
|---|---|
| Current receivables: | |
| Loan to director on commercial terms | 311,304 |

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

## Note 21. Parent entity information

*Statement of financial position*

| | Parent 2022 $ |
|---|---|
| Total current assets | - |
| Total assets | 9,701,306 |
| Total current liabilities | - |
| Total liabilities | - |
| Equity | |
| Issued capital | 500 |
| Retained profits | 9,700,806 |
| Total equity | 9,701,306 |

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2022.

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022.

## Note 22. Business combinations

On 17 November 2021, Neutrog Limited acquired 100% of the shares of Neutrog Holdings Pty Ltd.

As at the date of acquisition, the fair value of assets and liabilities are as follows:

| | Fair value $ |
|---|---|
| Income tax refund due | 947,844 |
| Other receivables | 279,688 |
| Land and buildings | 2,457,765 |
| Freehold improvements | 4,064,868 |
| Plant and equipment | 5,986,299 |
| Motor vehicles | 318,430 |
| Patents and trademarks | 48,334 |
| Other non-current assets | 14 |
| Other payables | (498,166) |
| Borrowings | (5,910,926) |
| Net assets acquired | 7,694,150 |
| Goodwill | 2,006,556 |
| Acquisition-date fair value of the total net assets transferred | 9,700,706 |

## Note 23. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name | Principal place of business / Country of incorporation | Ownership interest 2022 % |
|---|---|---|
| Neutrog Holdings Pty Ltd | Australia | 100.00% |
| Neutrog Trading Pty Ltd | Australia | 100.00% |
| Positive Selling Pty Ltd | Australia | 100.00% |
| Neutrog (International) Pty Ltd | Australia | 100.00% |
| Neutrog Australia Pty Ltd | Australia | 100.00% |

## Note 24. Events after the reporting period

On 20 July 2022, the company completed a $3.2m capital raise through the issuance of 5,120,000 $0.63 nominal ordinary shares.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

**Neutrog Limited**
**Directors' declaration**
**30 June 2022**

In the directors' opinion:

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

- the attached financial statements and notes give a true and fair view of the group'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

MARC MAKRID (CHAIRMAN) ______________________

ANGUS IRWIN ______________________ 8 December 2022

William Buck
ACCOUNTANTS & ADVISORS

# Neutrog Limited

## Independent auditor's report to members

## Report on the Audit of the Financial Report

### Qualified Opinion

We have audited the financial report of Neutrog Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the period then ended; and
(ii) complying with Australian Accounting Standards – Simplified Disclosures and the *Corporations Regulations 2001*.

### Basis for Qualified Opinion

We were not appointed as auditors of the Group until after 30 June 2022 and thus did not observe the counting of physical inventories at the end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 30 June 2022, which are stated in the statement of financial position at $3,060,055.

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 Group 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 (including Independence Standards)* (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 qualified opinion.

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the period ended 30 June 2022, 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 – Simplified Disclosures 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 Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf or

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

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

William Buck

**William Buck (SA)**
ABN 38 280 203 274

G Martinella

**G.W. Martinella**
Partner

Adelaide, 8th December 2022