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ECOFIBRE

APPENDIX 4E
PRELIMINARY
FINANCIAL REPORT
2021



1. Company details

Name of entity:	Ecofibre Limited
ACN:	140 245 263
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

This preliminary financial report under ASX listing rule 4.3A covers Ecofibre Limited and its controlled entities ("the Group") and is based on the attached Preliminary Financial Report.

	30 Jun 2021 \$'000	30 Jun 2020 \$'000	Variance
Revenues from ordinary activities	28,793	50,717	-43%
(Loss) / profit from ordinary activities after tax attributable to the owners of Ecofibre Limited	(6,986)	13,156	-153%
(Loss) / profit for the year attributable to the owners of Ecofibre Limited	(6,986)	13,156	-153%
Basic (loss) / earnings per share (cents)	(2.16)		
Diluted (loss) / earnings per share (cents)	(2.16)		

Dividends

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

Comments

The loss from ordinary activities for the Group after providing for income tax amounted to \$7.0m (30 June 2020: profit of \$13.2m).

The financial position of the consolidated entity is strong with net assets of \$111.8m (FY20: \$63.0m).

Further commentary on the result is included in the ASX market announcement accompanying this Appendix 4E report.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	17.64	19.24

4. Control gained over entities

Hemp Black Biomedical, LLC was formed by Hemp Black Inc. on 31 July 2020.

Hemp Black Polymer, LLC was formed by Hemp Black Inc. on 31 July 2020.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

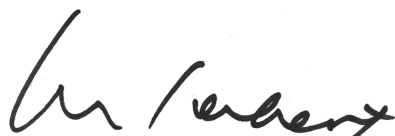
The Annual Report is currently in the process of being audited and an unqualified opinion is expected to be issued.

8. Attachments

Details of attachments (if any):

The Preliminary Financial Report of Ecofibre Limited for the year ended 30 June 2021 is attached.

9. Signed



Signed _____

Date: 3 August 2021

Barry Lambert
Chairman
Sydney

Ecofibre Limited

ACN 140 245 263

Preliminary Financial Report – 30 June 2021

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ECOFIBRE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 \$'000	2020 \$'000
Revenue	3(a)	28,793	50,717
Direct costs	4(a)	(11,169)	(12,255)
Gross profit		<hr/> 17,624	38,462
Other income	3(b)	4,951	6,482
Other operating expenses	4(b)	(31,417)	(27,549)
Interest expense		(1,201)	(144)
(Loss) / profit before income tax		<hr/> (10,043)	17,251
Income tax benefit / (expense)		3,057	(4,095)
(Loss) / profit after income tax attributable to the members of the company		<hr/> (6,986)	13,156
Earnings per share:			
Basic (loss) / earnings per share - cents		(2.16)	4.43
Diluted (loss) / earnings per share - cents		(2.16)	4.34

The above consolidated statement of profit and loss should be read in conjunction with the accompanying notes

ECOFIBRE LIMITED

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

		2021 \$'000	2020 \$'000
(Loss) / profit after income tax attributable to the members of the company		(6,986)	13,156
Other comprehensive loss for the year:			
Exchange differences on translating foreign controlled entities	11	(4,922)	(425)
Total comprehensive (loss) / income for the year attributable to the members of the company		<u>(11,908)</u>	<u>12,731</u>

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes

ECOFIBRE LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2021 \$'000	2020 \$'000
CURRENT ASSETS			
Cash and cash equivalents		8,620	18,252
Trade and other receivables		4,480	9,442
Inventories		16,413	10,014
Biological assets		1,350	2,321
Other current assets		4,986	5,434
Tax recoverable		3,357	-
TOTAL CURRENT ASSETS		39,206	45,463
NON-CURRENT ASSETS			
Intangible assets	5	50,642	659
Right-of-use assets		911	1,047
Property, plant and equipment	6	47,080	34,634
Deferred tax assets		3,906	2,492
TOTAL NON-CURRENT ASSETS		102,539	38,832
TOTAL ASSETS		141,745	84,295
CURRENT LIABILITIES			
Trade and other payables		5,162	9,381
Lease liabilities		491	491
Tax payable		65	829
TOTAL CURRENT LIABILITIES		5,718	10,701
NON-CURRENT LIABILITIES			
Lease liabilities		474	593
Related party loans		10,000	10,000
Contingent consideration	10	12,414	-
Deferred tax liabilities		1,278	-
Borrowing		64	-
TOTAL NON-CURRENT LIABILITIES		24,230	10,593
TOTAL LIABILITIES		29,948	21,294
NET ASSETS		111,797	63,001
EQUITY			
Issued capital	7	108,132	62,376
Foreign currency translation reserve	11	(5,097)	(175)
Accumulated losses		(11,334)	(4,348)
Share capital reserve	10	14,300	-
Share-based payment reserve		5,796	5,148
TOTAL EQUITY		111,797	63,001

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

ECOFIBRE LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

Consolidated	Note	Issued capital \$'000	Share-based payment reserve \$'000	Convertible loan reserve \$'000	Share capital reserve \$'000	Foreign currency translation reserve \$'000	Accumulated gains/ (losses) \$'000	Total \$'000
Balance 30 June 2019		56,189	3,229	139	-	250	(17,504)	42,303
Total comprehensive income for the year		-	-	-	-	(425)	13,156	12,731
Shares issued	7	3,836	-	-	-	-	-	3,836
Share-based payments	7	918	1,919	-	-	-	-	2,837
Convertible loan conversion to shares	7	1,433	-	(139)	-	-	-	1,294
Balance 30 June 2020		62,376	5,148	-	-	(175)	(4,348)	63,001
Total comprehensive income for the year		-	-	-	-	(4,922)	(6,986)	(11,908)
Shares issued	7	44,975	-	-	-	-	-	44,975
Share-based payments	7	1,125	648	-	-	-	-	1,773
Contingent consideration to TexInnovate	10	-	-	-	14,300	-	-	14,300
Share issue cost	7	(344)	-	-	-	-	-	(344)
Balance 30 June 2021		108,132	5,796	-	14,300	(5,097)	(11,334)	111,797

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

ECOFIBRE LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from customers		32,866	42,954
Government grants		3,126	1,691
Payments to suppliers and employees		(42,161)	(34,917)
Interest received		24	274
Interest paid		(874)	(189)
Income tax paid		(1,339)	(4,004)
Net cash flows (used in) / generated from operating activities		(8,358)	5,809
Cash flows from investing activities			
Payments for property, plant and equipment		(5,780)	(22,605)
Payments for business acquisition	10	(22,729)	-
Payments for other intangible assets		(325)	-
Receipt from sale of property, plant and equipment		33	203
Other		63	(126)
Net cash flows used in investing activities		(28,738)	(22,528)
Cash flows from financing activities			
Proceeds from borrowings		-	10,000
Repayment of lease liabilities		(534)	(598)
Proceeds from issue of shares		29,500	-
Transaction costs related to issues of shares		(392)	-
Net cash flows generated from financing activities		28,574	9,402
Net decrease in cash and cash equivalents held		(8,522)	(7,317)
Cash and cash equivalents at the beginning of the financial year		18,252	25,740
Effect of movement in exchange rates on cash held		(1,110)	(171)
Cash and cash equivalents at the end of the financial year		8,620	18,252

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

1. Changes in accounting policies

The consolidated entity 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.

2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into three operating segments based on differences in products and services provided: nutraceuticals, food and fibre.

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (BOD) in assessing performance and in determining the allocation of resources.

Other segments represent the research and development and corporate headquarter activities of the consolidated entity.

The BOD reviews the profit or loss before income tax for each segment. The accounting policies adopted for internal reporting to the BOD are consistent with those adopted in the financial statements.

Types of products and services

The principal products and services of each of the operating segments are as follows:

Ananda Health	Production and sale of hemp related nutraceutical products focused on the United States
Ananda Food	Production and sale of hemp related food products primarily in Australia
Hemp Black	Production and sale of innovative textile and hemp products primarily in United States
Ecofibre Corporate	Research and development and group corporate functions

Intersegment transactions

Intersegment transactions were made at arms-length market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables and payables

Intersegment transactions are initially recognised at the consideration received. Intersegment receivables and payables that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment receivables and payables are eliminated on consolidation.

2. Operating segments (continued)

Operating segment information

a) Segment performance

	Ananda Health \$'000	Hemp Black \$'000	Ananda Food \$'000	Ecofibre Corporate \$'000	Total \$'000
Consolidated - 2021					
Revenue					
Sales to external customers	14,276	11,900	2,617	-	28,793
Intersegment sales	-	-	177	-	177
Total sales revenue	14,276	11,900	2,794	-	28,970
Government grant	3,688	1,116	133	323	5,260
Foreign exchange gain / (loss)	22	(4)	(3)	(493)	(478)
Interest income	1	-	-	27	28
Other income	(18)	94	15	50	141
Total revenue and other income	17,969	13,106	2,939	(93)	33,921
Total expenses	(17,680)	(14,116)	(4,355)	(7,636)	(43,787)
Intersegment purchases	-	-	(80)	-	(80)
Segment profit/ (loss) before income tax	289	(1,010)	(1,496)	(7,729)	(9,946)
Intersegment eliminations					(97)
Loss before income tax					(10,043)
Consolidated - 2020					
Revenue					
Sales to external customers	46,819	2,429	1,469	-	50,717
Intersegment sales	213	-	327	-	540
Total sales revenue	47,032	2,429	1,796	-	51,257
Interest income	22	-	-	235	257
Other income	1,824	-	371	4,030	6,225
Total revenue and other income	48,878	2,429	2,167	4,265	57,739
Total expenses	(27,950)	(2,420)	(4,225)	(5,353)	(39,948)
Intersegment purchases	(100)	-	(141)	-	(241)
Segment profit/ (loss) before income tax	20,828	9	(2,199)	(1,088)	17,550
Intersegment eliminations					(299)
Profit before income tax					17,251

2. Operating segments (continued)

b) Segment assets and liabilities

	Ananda Health \$'000	Hemp Black \$'000	Ananda Food \$'000	Ecofibre Corporate \$'000	Total \$'000
Consolidated - 2021					
Assets					
Segment assets	20,411	70,319	6,583	35,812	133,125
Unallocated assets:					
Cash and cash equivalents					8,620
Total assets					141,745
Liabilities					
Segment liabilities	3,019	1,281	1,833	13,815	19,948
Unallocated liabilities:					
Related party loans and borrowings					10,000
Total liabilities					29,948
Consolidated - 2020					
Assets					
Segment assets	25,205	6,229	7,767	26,842	66,043
Unallocated assets:					
Cash and cash equivalents					18,252
Total assets					84,295
Liabilities					
Segment liabilities	6,949	311	2,600	1,434	11,294
Unallocated liabilities:					
Related party loans and borrowings					10,000
Total liabilities					21,294
				2021	2020
				\$'000	\$'000

3. Revenue and other income

a) Revenue

Sales	28,793	50,717
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b) Other income

Government grant and tax incentives ^	5,260	1,876
Foreign exchange (loss) / gain *	(478)	3,925
Interest	28	257
Other income	141	424
	4,951	6,482

^ Current year income includes receipt of a US Paycheck Protection Program (PPP) forgivable loan of \$2.4m (2020: \$1.6m), accrued Employment Retention Credit \$2.4m (2020: nil) and other government grants due to COVID-19.

* (Loss) / gain from revaluation of financial assets held in currencies other than Australian dollars.

	2021 \$'000	2020 \$'000
4. Expenses		
a) Direct costs		
Costs of goods sold	10,844	12,009
Write down of inventory	325	368
Reversal of inventory provision	-	(122)
	<u>11,169</u>	<u>12,255</u>
b) Other operating expenses		
Employees and contractors	14,445	12,008
Share based payments	1,772	2,705
Sales and marketing	1,896	2,874
Travel and accommodation	360	676
Equipment modification and maintenance	890	360
Rent	217	266
Legal fees and compliance	1,437	959
Accounting and audit	394	391
Depreciation and amortisation	4,290	2,049
Research and trials	2,648	2,296
Bad and doubtful debts	27	1,049
Other	3,041	1,916
	<u>31,417</u>	<u>27,549</u>
5. Intangible assets		
Goodwill – at cost (Note 10)	<u>46,766</u>	-
Patents and trademarks – at cost	3,253	501
Less: Accumulated amortisation	(6)	(2)
	<u>3,247</u>	<u>499</u>
Software – at cost	282	209
Less: Accumulated amortisation	(148)	(57)
	<u>134</u>	<u>152</u>
Website development – at cost	557	-
Less: Accumulated amortisation	(92)	-
	<u>465</u>	<u>-</u>
Work in progress – at cost	<u>30</u>	<u>8</u>
Total intangible assets	50,888	718
Less: accumulated amortisation	(246)	(59)
	<u>50,642</u>	<u>659</u>

5. Intangible assets (continued)

Reconciliations

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

	Work in progress \$'000	Goodwill \$'000	Patents and trademarks \$'000	Software \$'000	Website development \$'000	Total \$'000
Balance at 1 July 2019	-	-	340	-	-	340
Additions	8	-	161	209	-	378
Amortisation	-	-	(2)	(57)	-	(59)
Balance at 1 July 2020	8	-	499	152	-	659
Transfer	(8)	-	-	8	-	-
Additions	30	48,814	2,794	65	557	52,260
Amortisation	-	-	(4)	(91)	(92)	(187)
Write off	-	-	(42)	-	-	(42)
Exchange difference	-	(2,048)	-	-	-	(2,048)
Balance at 30 June 2021	30	46,766	3,247	134	465	50,642

6. Property, plant and equipment

	2021 \$'000	2020 \$'000
Capital work in progress	4,904	3,729
Land	2,680	297
Buildings	31,226	24,318
Less: accumulated depreciation	(814)	(51)
	30,412	24,267
Motor vehicles	498	514
Less: accumulated depreciation	(133)	(87)
	365	427
Office equipment	1,369	1,293
Less: accumulated depreciation	(649)	(217)
	720	1,076

6. Property, plant and equipment (continued)

	2021 \$'000	2020 \$'000
Plant and machinery	12,461	7,141
Less: accumulated depreciation	(4,462)	(2,303)
	<u>7,999</u>	<u>4,838</u>
 Total property, plant and equipment	 53,138	 37,292
Less: accumulated depreciation	(6,058)	(2,658)
	<u>47,080</u>	<u>34,634</u>

	Capital WIP \$'000	Land \$'000	Building \$'000	Motor vehicles \$'000	Office equipment \$'000	Plant and machinery \$'000	Total \$'000
2021 Movement Schedule							
Carrying value 1 July 2020	3,729	297	24,267	427	1,076	4,838	34,634
Additions	2,549	2,383	6,907	59	171	4,618	16,687
Transfer	(1,138)	-	-	-	-	1,138	-
Disposals	-	-	-	(21)	-	(36)	(57)
Depreciation	-	-	(763)	(65)	(432)	(2,252)	(3,512)
Exchange difference	(236)	-	1	(35)	(95)	(307)	(672)
Carrying value 30 June 2021	<u>4,904</u>	<u>2,680</u>	<u>30,412</u>	<u>365</u>	<u>720</u>	<u>7,999</u>	<u>47,080</u>

2020 Movement Schedule							
Carrying value 1 July 2019	2,795	-	-	80	20	3,760	6,655
Additions	1,844	297	23,715	370	1,172	1,996	29,394
Transfer	(903)	-	603	31	-	269	-
Disposals	-	-	-	(19)	-	(97)	(116)
Depreciation	-	-	(51)	(39)	(113)	(1,147)	(1,350)
Exchange difference	(7)	-	-	4	(3)	57	51
Carrying value 30 June 2020	<u>3,729</u>	<u>297</u>	<u>24,267</u>	<u>427</u>	<u>1,076</u>	<u>4,838</u>	<u>34,634</u>

7. Issued Capital

	2021 \$'000	2020 \$'000	2021 Quantity	2020 Quantity
Ordinary shares	108,132	62,376	326,696,691	305,619,401
Movement in ordinary shares				
Opening balance 1 July	62,376	56,189	305,619,401	291,951,478
Shares issued at \$0.537 per share	883	3,836	1,646,116	7,147,561
Shares issued at \$2.50 per share	29,500	-	11,800,000	-
TexInnovate acquisition shares (Note 10)	14,592	-	5,924,926	-
Conversion of convertible loan	-	1,433	-	5,148,223
Shares issued by the EST	1,125	918	1,706,248	1,372,139
Share issue cost	(344)	-	-	-
Closing balance 30 June	108,132	62,376	326,696,691	305,619,401

341,015,977 total shares are on issue by the parent entity, which includes 326,696,691 consolidated shares on issue plus shares held by the EST (14,319,286) which have been issued by the parent entity and are eliminated on consolidation.

Reconciliation to the Consolidated Statement of Changes in Equity:

	\$'000
Balance at 30 June 2019	56,189
Shares issued	3,836
Share based payment: shares issued as part of the ESS	918
Convertible loan conversion to shares	1,433
Balance at 30 June 2020	62,376
Shares issued	44,975
Share based payment: shares issued as part of the ESS	1,125
Share issue cost	(344)
Balance at 30 June 2021	108,132

8. Interests in subsidiaries

The financial statements of the subsidiaries have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries:

Name	Principal place of business / Country of Incorporation	Ownership Interests	
		2021 %	2020 %
Ecofibre Services Pty Ltd (ES)	Australia	100%	100%
Ananda Food Pty Ltd (AF)	Australia	100%	100%
Ecofibre Asia Pacific Pty Ltd (EAP) (formerly Ecofibre Holdings Pty Ltd)	Australia	100%	100%
Ecofibre USA Inc. (EUSA)	United States of America	100%	100%
Ananda Hemp Inc. (AH)	United States of America	100%	100%
Ecofibre Kentucky LLC (EK)	United States of America	100%	100%
Hemp Black Inc. (HB)	United States of America	100%	100%
Hemp Black Biomedical, LLC (HBB)	United States of America	100%	-
Hemp Black Polymer, LLC (HBP)	United States of America	100%	-
EOF Distribution Inc. (EOFD)	United States of America	100%	100%
Ecofibre Uruguay SA (EU)	Uruguay	100%	100%

ES's principal activity is the provision of group corporate functions and research and development services.

AF's principal activity is the growing, processing and distribution of hemp food products.

EAPs principal activity is sales and distribution of hemp products.

EUSA's principal activity is an investment holding company.

AH's principal activity is the marketing and distribution of hemp nutraceutical products.

EK's principal activity is to support the manufacture of hemp nutraceutical products.

HB's principal activity is to develop and commercialise hemp fibre products.

HBB's principal activity is manufacturing and sale of customised polymer-based yarns used for internal medical implants and applications. HBB was formed on 31 July 2020.

HBP's principal activity is to provide performance masterbatch and custom compounding to the plastics industry for technical textiles. HBP was formed on 31 July 2020.

EOFD is a special purpose sales and marketing entity for the Ananda Health business in the United States.

EU is a dormant entity.

9. Earnings per share (EPS)

	2021 \$'000	2020 \$'000
(Loss) / earnings used in the calculation of basic and diluted EPS (\$'000)	(6,986)	13,156
	No. 2021	No. 2020
Weighted average number of shares* outstanding during the period used in the calculation of basic and diluted EPS:		
Basic	322,746,559	296,929,432
Diluted	322,746,559	303,165,688

* Weighted average number of shares exclude Treasury shares held in the EST.

10. Business combinations

On 21 August 2020, the Group completed the acquisition of TexInnovate, a portfolio of five businesses with deep technical expertise and capabilities across a broad range of high-performance textile disciplines. TexInnovate was acquired to complete a key part of its supply chain for Hemp Black, accelerate commercialisation of the business and underpin the future growth and success of Hemp Black.

Total potential consideration for the businesses and operating assets is USD42.0m:

- at completion Ecofibre settled 50% of the business acquisition (USD21.0m), comprising USD10.5m cash and the issue of 5,924,926 shares at a value of USD10.5m; and
- contingent consideration with a value up to USD21.0m is also payable subject to the acquired businesses delivering USD6.0m earnings before interest and tax (EBIT) for two consecutive annual periods within five years of completion. The earliest that any such consideration may become due is in 3 equal tranches of USD7.0m on the 3rd, 4th and 5th anniversaries after completion, payable in equal proportions of cash and shares.

Consideration for real estate assets used by the businesses totalled USD6.7m, as determined by independent market appraisal. Acquisition of the real estate assets was settled in cash at the completion date.

The value of goodwill recognised on acquisition (AUD \$48.8m) represents the proprietary capability, know-how and highly skilled workforce and expected growth synergies from combining this business with Hemp Black. The acquired business contributed revenues of \$9.7m and profit before tax of \$387,000 to the consolidated entity for the period from 21 August 2020 to 30 June 2021. The values identified in relation to the acquisition of TexInnovate are final as at 30 June 2021 other than impacts of foreign currency translation. It is impracticable to disclose the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for the business combination that occurred during the year had been as of the beginning of the annual reporting period as this is an assets and business acquisition and not an acquisition of a subsidiary.

10. Business combinations (continued)

Details of the acquisition are as follows:

	\$'000
Inventory	1,080
Plant and equipment	6,201
Land and buildings	9,249
Net assets acquired	16,530
Goodwill *	48,814
Acquisition-date fair value of the total consideration transferred	65,344
Representing:	
Cash paid or payable	23,841
Shares issued to TexInnovate	14,592
Contingent consideration payable in cash subject to the acquired business achieving EBIT target ^	12,611
Contingent consideration payable in shares subject to the acquired business achieving EBIT target	14,300
	65,344
Acquisition costs expensed to profit or loss	354
Cash used to acquire business:	
Acquisition-date fair value of the total consideration transferred	22,729
Net cash used	22,729

* Reconciliation of goodwill at acquisition date to the balance at 30 June 2021:

	\$'000
Goodwill at acquisition date	48,814
Foreign currency impact	(2,048)
Balance at 30 June 2021	46,766

^ Reconciliation of acquisition date contingent consideration payable in cash, which is subject to the acquired business achieving the EBIT target, to the balance at 30 June 2021:

	\$'000
Acquisition-date fair value of the contingent consideration payable in cash ^^	12,611
Finance costs on contingent consideration during the period	325
Foreign currency impact	(522)
Balance at 30 June 2021	12,414

^^ The fair value of the contingent consideration is determined based on the probability weighted cash flow projections discounted at the incremental borrowing rate. The inputs used in the valuation falls under level 2 of the fair value hierarchy (inputs other than quoted prices that are observable for the asset of liability, either directly or indirectly)

11. Foreign currency translation reserve

Foreign currency translation reserve consists of exchange differences arising from translation of foreign subsidiary's financial statements, where the subsidiaries reporting currency differs from that of the consolidated entity's currency. The balance sheet is translated either at historical spot rates or the closing rate at the end of the period. Profit and loss is translated at average rates.

The foreign currency translation reserve as at 30 June 2021 consists of the following exchange differences:

Balance sheet component	Rate used for translation	\$'000
Investment in subsidiaries	Historical spot rate	(3,522)
Retained earnings	Average rate	(1,575)
Total		<u>(5,097)</u>

Movement in the foreign currency translation reserve:	\$'000
Balance at 30 June 2020	(175)
Exchange differences on translation of foreign controlled entities	<u>(4,922)</u>
Balance at 30 June 2021	<u>(5,097)</u>