Fiji Kava Limited
and its controlled entities
ACN 169 441 874

Appendix 4D
Interim Financial Report

FOR THE HALF-YEAR ENDED
31 December 2018

FINANCIAL REPORT
for the half-year ended 30 June 2018

Results for Announcement to the Market

for the half-year ended 31 December 2018

1 REPORTING PERIOD (item 1)

- Report for the period ended: 31 December 2018
- Previous corresponding period is half-year ended: 31 December 2017

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET	Movement	Percentage %		Amount $
■ Revenues from ordinary activities (item 2.1)	↑	5,557%	to	$87,402
■ Loss from ordinary activities after tax attributable to members (item 2.2)	↑	1,801%	to	$3,395,311
■ Loss for the period attributable to members (item 2.3)	↑	1,801%	to	$3,395,311

a. Dividends (items 2.4 and 5)	Amount per Security ¢	Franked amount per security %
■ Interim dividend	nil	n/a
■ Final dividend	nil	n/a

- Record date for determining entitlements to the dividend (item 2.5): n/a

b. Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6):

The Loss from ordinary activities consists of a non-cash item related to the transaction to acquire South Pacific Elixirs which is a Corporate Transaction Accounting Expense of $2,960,295.

Refer to the Consolidated Profit and Loss and Comprehensive Income for other items.

3 DIVIDENDS (item 6) **AND RETURNS TO SHAREHOLDERS INCLUDING DISTRIBUTIONS AND BUY BACKS**

Nil.

a. Details of dividend or distribution reinvestment plans in operation are described below (item 6):

Not applicable

4 RATIOS	Current period	Previous corresponding period
a. Financial Information relating to 4b:	$	$
Loss for the period attributable to owners of the parent	3,395,311	178,588
Net assets	4,470,264	(375,399)
Less: Intangible assets	(49,470)	-
Net tangible (liabilities)/assets	4,420,794	(375,399)
	No.	No.
Fully paid ordinary shares	69,720,000	1,480,088
	¢	¢
b. Net tangible (liability)/assets backing per share (cents) (item 3):	6.34	(25.36)

5 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD: (item 4)

a. Control gained over entities

■ Name of entities (item 4.1)	Reverse acquisition occurred, refer to Note 2 of the Half Year Report
■ Date(s) of gain of control (item 4.2)	n/a

b. Loss of control of entities

■ Name of entities (item 4.1)	Nil
■ Date(s) of gain of control (item 4.2)	n/a

c. Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was gained / lost (item 4.3).	n/a
d. Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	n/a

6 DETAILS OF ASSOCIATES AND JOINT VENTURES: (item 7)

■ Name of entities (item 7)	Nil
■ Percentage holding in each of these entities (item 7)	N/A

	Current period	Previous corresponding period
■ Aggregate share of profits (losses) of these entities (item 7)	N/A	N/A

7 The financial information provided in the Appendix 4D is based on the interim final report (attached), which has been prepared in accordance with Australian Accounting Standards.

8 The report is based on accounts which have been reviewed by the Company's independent auditor (item 9) and an unqualified review conclusion is issued.

DIRECTORS

Andrew Kelly (Non-Executive Chairman) – appointed 20 December 2018
Zane Yoshida (Managing Director) – appointed 20 December 2018
Stephen Copplin (Executive Director) – appointed 20 December 2018
Jay Stephenson (Non-Executive Director) – appointed on 1 February 2018
Loren King (Non-Executive Director) – resigned 20 December 2018
Josh Puckridge (Non-Executive Director) - resigned 20 December 2018
Ian Leete (Non-Executive Director) - resigned 20 December 2018

COMPANY SECRETARY

Jay Stephenson

REGISTERED OFFICE

C/- Cicero Corporate Services Pty Ltd
Suite 9, 330 Churchill Avenue
Subiaco WA 6008

CONTACT INFORMATION

Tel: +61 8 6489 1600
Fax: +61 8 6489 1601

AUDITORS

Hall Chadwick Audit (WA) Pty Ltd
(formerly known as PKF Lawler Audit (WA) Pty Ltd)
283 Rokeby Road
Subiaco WA 6008

SHARE REGISTRY

Automic Share Registry
Level 2, 267 St Georges Terrace
Perth WA 6000

1300 288 664 (Local)
+61 2 9698 5414 (International)

BANKER

National Australia Bank
Level 1 / 1238 Hay Street
West Perth WA 6005

PRINCIPAL PLACE OF BUSINESS

Suite 9, 330 Churchill Avenue
Subiaco WA 6008

POSTAL ADDRESS

PO Box 866
Subiaco WA 6904

DIRECTORS' REPORT

Your directors present their report on the consolidated entity, consisting of Fiji Kava Limited (the **Company** or **Fiji Kava**) and its controlled entities (collectively the Group) for the half-year ended 31 December 2018. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

The names, appointment periods and particulars of the Company directors who held office during the half-year and, or, since incorporation are:

Director	Position	Date Appointed	Date Resigned
Mr Andrew Kelly	Non-Executive Chairman	20 December 2018	-
Mr Zane Yoshida	Managing Director	20 December 2018	-
Mr Stephen Copplin	Executive Director	20 December 2018	-
Mr Jay Stephenson	Non-Executive Director	1 February 2018	-
Mr Ian Leete	Non-Executive Director	8 May 2014	20 December 2018
Mrs Loren King	Non-Executive Director	3 October 2014	20 December 2018
Mr Josh Puckridge	Non-Executive Director	5 June 2017	20 December 2018

The names of the secretaries in office at any time during the half-year are:

Company Secretary	Position	Date Appointed	Date Resigned
Mr Jay Stephenson	Company Secretary	1 July 2018	-
Mrs Loren King	Company Secretary	5 June 2017	21 July 2018

OPERATING REVIEW

During the half year ended 31 December 2018, the Group undertook lodged a Prospectus to raise up to $5,200,000 though the issue of 26,000,000 Shares at an issue price of $0.20 through an Initial Public Offering (IPO).

The IPO received strong support from shareholders both here in Australia and in Fiji, and closed well oversubscribed, raising $5.2 million before costs. The Group is well-funded to execute its business and commercialisation strategy, with $4.4 million in cash at the end of the December 2018 quarter.

Since listing, we have been extremely busy pushing forward with our operational plans and have made strong progress across a number of fronts including the following:

Additional kava supplies secured and production to more than double at Fiji manufacturing facility

In preparation for our Australian launch, we have secured additional kava supplies, bolstering our existing supply chain to meet the expected increase in demand for our products. Already, we have had numerous approaches from Fijian kava farmers, both large and small, to contribute to our supply, and we've appointed two buying representatives in two additional Fijian provinces to bring these areas into our full traceable supply chain.

Furthermore, we have ordered additional processing equipment to more than double the production in our Fiji facility from 2 tons of fresh kava to 5 tons per week with delivery and installation expected to be complete in April. Fiji Kava only processes fresh green kava and only uses water extraction, unlike most other kava companies. We see this as important to keep our products pure and safe.

Fiji operations bolstered with key hires

To support our Fijian operations, we made a number of local appointments to manage operations on the ground. Mr Sanfred Smith was appointed Fiji Kava's General Manager and will take care of our operations in Fiji. Sanfred brings extensive experience gained over 20 years in agriculture and business, having previously provided consulting services to 45 agribusinesses in the Pacific. Former roles included consulting work with the Asian Development Bank, AusAID and the European Union. Sanfred's extensive experience extends to kava growing and processing and he brings with him a deep network of contacts in the agribusiness and kava industries. We also hired a Farm Manager and Finance Manager to support the Group's Fijian operations.

We have also begun actively engaging with various Fijian government officials to discuss support schemes that could help us expand operations more quickly.

Australian product launch on track for Q2 2019

The Group has commenced pilot marketing activities to test our online Australian sales channel and has implemented a new farm-to-shelf data management system in preparation for our launch in Australia. Our first product launch, kava capsules, remains on track for launch in Q2 2019.

To support the launch with targeted marketing initiatives, we have commenced recruitment for a Chief Marketing Officer, to lead our marketing and promotional efforts internally.

Furthermore, we have appointed Publicis, one of the world's leading brand development agencies, to advise the Company in the lead up to launch. Early findings by Publicis have already provided the Group with very clear target demographics and messaging which we will utilise in our Australian campaign.

Sales of kava extract to distributors

In addition to online sales of our Fiji Kava range of products, the Group plans to sell our proprietary kava extracts as a raw ingredient to other supplement producers. The additional supply channel will underpin higher volume sales and cash flow for the Group, and management is already in late stage commercial discussions with a large-scale Australian distributor.

Prime Minister announces easing of kava importation restrictions in Australia

On 16 January 2019, Australia's Prime Minister, The Hon Scott Morrison, announced a pilot program would be put in place to ease some of the limitations for the import of kava into Australia, providing perfect alignment with Fiji Kava's commercial intentions and Australian launch plans.

The announcement is a significant breakthrough for the kava industry and the work we have been doing behind the scenes for Fiji Kava's business strategy. It represents a growing acceptance of kava as a natural and safe alternative for managing stress and anxiety.

Our new home

And finally, after years of operating out of dispersed office locations, we have secured new office and warehouse space at 96 Victoria Street, West End in suburban Brisbane; the new home of our Australian operations.

Since listing, it has been an incredibly busy period for the entire Fiji Kava team, during which we have made strong progress across a number of fronts, including building our Fiji-based operations and increasing our manufacturing capacity in preparation for our Australian launch.

We're excited for this next phase in operations for the Group and on behalf of the Board, we would once again like to express our thanks for your continued support.

FINANCIAL REVIEW

During the half-year the Company made a loss for the period after providing for income tax amounted to $3,395,311 (2017: $178,588). The Loss from ordinary activities consists of a non-cash item related to the transaction to acquire South Pacific Elixirs which is a Corporate Transaction Accounting Expense of $2,960,295.

In August 2017, the Company entered into a conditional Heads of Agreement (HOA) to acquire 100% equity interest in South Pacific Elixirs Pte Ltd and South Pacific Elixirs Ltd (SPE) at a consideration of $5.8 million, by way of an issuance of 29 million fully paid ordinary shares of the Company at a deemed price of $0.20 per share.

This has been considered as a reverse acquisition of which corporate transaction accounting expenses of $2.9m has been recognised.

SIGNIFICANT CHANGE IN THE STATE OF AFFAIRS

The Company issued the following shares as part of its IPO.

29,000,000 Shares at $0.20 per Share to the vendors of SPE.
26,000,000 Shares at $0.20 per Share under the Prospectus Offer to raise $5,200,000.

The Company issued the following shares as part of its pre-IPO funding.

1,500,000 Shares at $0.20 per Share to seed investors.

PRINCIPAL ACTIVITIES

Upon the successful completion of the Transaction, the principal activities of the Group is the research, development and sales of kava and kava related products.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 27 February 2019, The Group announced that it had signed an exclusive three-year distribution agreement with Pathway international Pty Ltd. There are no other subsequent events to report after 31 December 2018.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Further information, other than as disclosed in the Directors' Report, about likely developments in the operations of the Group and the expected results of those operations in future years has not been included in this report as disclosure of this information would be likely to result in unreasonable prejudice to the Group.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2018 has been received and can be found on page 5.

This Directors' report is signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

For, and on behalf of, the Board of the Company,

Dr Andrew Kelly
Chairman
Dated this 28 February 2019

AUDITOR'S INDEPENDENCE DECLARATION
FIJI KAVA LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Fiji Kava Limited.

As lead audit partner for the review of the financial report of Fiji Kava Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Hall Chadwick

Hall Chadwick Audit (WA) Pty Ltd
ABN 42 163 529 682

Nikki Shen
Director

Dated 28 February 2019

DIRECTORS' DECLARATION

The directors declare that:

a) In the directors' opinion there are reasonable grounds to believe that Fiji Kava Limited will be able to pay its debts as and when they become due and payable; and
b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the group.

Signed in accordance with a resolution of the directors and pursuant to s303(5) of the *Corporations Act 2001*.

For, and on behalf of, the Board of the Company,

Dr Andrew Kelly
Chairman
Dated this 28 February 2019

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF FIJI KAVA LIMITED

Report on the half-year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Fiji Kava Limited (the Company) and its controlled entities (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and
b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' responsibility for the half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Hall Chadwick Audit (WA) Pty Ltd
ABN 42 163 529 682

Nikki Shen
Director

Dated 28 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 December 2018

	Note	6 months to 31 December 2018 $	6 months to 31 December 2017 $
Sales Revenue	3	87,402	1,545
Cost of Sales		(72,249)	3,434
Gross (Loss)/Profit		15,153	4,979
Other Income – Debt forgiveness		-	16,823
Consulting and Professional fees		(265,682)	(50,566)
Accounting fees		(17,000)	-
Director Fees		(15,677)	-
Depreciation		(6,469)	(607)
Marketing		(23,641)	(54)
Insurance		(391)	(122)
Research and Development		-	(79)
Debts written off		-	(15,800)
Inventory written off		-	(17,625)
Corporate transaction accounting expense	2	(2,960,295)	-
ASX Fees		(1,598)	-
Provision for Impairment of intangibles		-	(7,154)
Provision for impairment of receivables		-	(31,766)
Other expenses		(106,310)	(58,010)
Finance expenses		(13,401)	(18,607)
Loss before income tax expense		**(3,395,311)**	**(178,588)**
Income tax (benefit)/expense		-	-
Loss after tax from continuing operations			
Other comprehensive income/(expense)			
Foreign exchange translation differences		82,528	6,048
Total comprehensive loss for the year		**(3,312,783)**	**(172,540)**
Earnings per share Basic and diluted loss per share (cents per share)	5	**(19.10)**	**(12.07)**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Note	31 December 2018 $	30 June 2018 $
Current assets			
Cash and cash equivalents	7	4,406,575	12,025
Trade and other receivables	8	119,802	343,403
Inventories		44,772	-
Total current assets		**4,571,149**	**355,428**
Non-current assets			
Property, plant and equipment	9	359,016	2,017
Intangible assets		49,470	-
Total Non-current assets		**408,486**	**2,017**
Total assets		**4,979,635**	**357,445**
Current liabilities			
Trade and other payables	10	441,920	732,844
Deferred revenue		66,131	-
Borrowings		1,320	-
Total current liabilities		**509,371**	**732,844**
Total liabilities		**509,371**	**732,844**
Net assets / (liabilities)		**4,470,264**	**(375,399)**
Equity			
Contributed equity	4	10,140,626	1,982,180
Reserves		136,095	53,567
Accumulated losses		(5,806,457)	(2,411,146)
Total equity		**4,470,264**	**(375,399)**

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2018

	Contributed Equity	Accumulated Loss	Foreign Exchange Reserve	Business Combination Reserve	Total Equity
Balance at 1 July 2017	**1,982,180**	**(1,970,297)**	**32,052**	**64,179**	**108,114**
Foreign exchange translation differences	**-**	**-**	6,048	**-**	6,048
Total profit items recognised directly in other Comprehensive income for the period	-	-	6,048	-	6,048
Loss for the period	-	(178,588)	-	-	(178,588)
Total comprehensive income for the period	**-**	**(178,588)**	**6,048**	**-**	**(172,540)**
Balance as at 31 December 2017	**1,982,180**	**(2,148,885)**	**38,100**	**64,179**	**(64,426)**
Balance as at 1 July 2018	**1,982,180**	**(2,411,146)**	**(10,612)**	**64,179**	**(375,399)**
Shares issued during the period	8,158,446			-	8,158,446
Loss for the period		(3,395,311)	-	-	(3,395,311)
Foreign exchange translation differences			82,528	-	82,528
Total comprehensive income for the period	**-**	**(3,395,311)**	**82,528**	**-**	**(3,312,783)**
Balance as at 31 December 2018	**10,140,626**	**(5,806,457)**	**71,916**	**64,179**	**4,470,264**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ended 31 December 2018

	Note	6 months to 31 December 2018 $	6 months to 31 December 2017 $
Cash flows from operating activities			
Cash receipts from customers		85,418	3,735
Payments to suppliers and employees		(572,677)	(97,612)
Net cash used by operating activities		**(487,259)**	**(93,877)**
Cash flows from investing activities			
Net cash acquired on acquisition of subsidiary net of cash consideration paid	2	4,881,809	-
Net cash generated by investing activities		**4,881,809**	-
Cash flows from financing activities			
Advances to a related party		-	(53,979)
Advances from a related party		-	164,880
Net cash generated by financing activities		**-**	**110,901**
Net increase in cash and cash equivalents		**4,394,550**	**17,024**
Cash and cash equivalents at the beginning of the period		12,025	390
Foreign currency variance		-	(23)
Cash and cash equivalents at the end of the period	**7**	**4,406,575**	**17,391**

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements.

GENERAL INFORMATION

Fiji Kava Limited (**Fiji Kava** or the "**Company"**) is a for-profit company limited by shares, domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The financial statements are presented in the Australian currency.

The nature of operations and principal activities of the Company are described in the Directors' Report.

1. BASIS OF PREPARATION

The interim consolidated financial statements of Fiji Kava Limited (the "Company") and its controlled entities ("Fiji Kava" or the "Group") for the half year ended 31 December 2018, represent a general purpose financial report prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's and acquired entities' annual and half year financial statements for the year/period ended 31 December 2017 and 30 June 2018 respectively, together with any public announcements made by Fiji Kava upon ASX listing during the interim reporting period in accordance with the continuous disclosure requirements of the ASX listing rules.

1.1. ADOPTION OF NEW AND REVISED STANDARDS

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Company's and acquired entities' annual financial statements for the period/year ended 30 June 2018 and 31 December 2017 respectively.

The Group has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2018. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

1.2. REVERSE ACQUISITION

Fiji Kava Limited is listed on the Australian Securities Exchange. The Company completed the legal acquisition of South Pacific Elixirs Pte Ltd and its controlled entities (**SPE Group**) on 20 December 2018.

SPE Group (the legal subsidiaries) was deemed to be the acquirer for accounting purposes as it has obtained control over the operations of the legal acquirer Fiji Kava Limited (accounting subsidiary). Accordingly, the consolidated financial statements of Fiji Kava Limited have been prepared as a continuation of the financial statements of SPE Group. SPE Group (as the deemed acquirer) has accounted for the acquisition of Fiji Kava Limited from 20 December 2018. The comparative information presented in the consolidated financial statements is that of SPE Group.

The impact of the reverse acquisition on each of the primary statements is as follows:

- The consolidated statement of profit or loss and other comprehensive income:
  - For the half-year to 31 December 2018 comprises six months of SPE Group and 11 days of Fiji Kava Limited; and
  - for the comparative period comprises 1 July 2017 to 31 December 2017 of SPE Group.
- The consolidated statement of financial position:
  - as at 31 December 2018 represents both SPE Group and Fiji Kava Limited as at that date; and
  - as at 30 June 2018 represents SPE Group as at that date.
- The consolidated statement of changes in equity:
  - for the half-year ended 31 December 2018 comprises SPE Group's balance at 1 July 2018, its loss for the half-year and transactions with equity holders for 6 months. It also comprises Fiji Kava Limited transactions within equity for the 11 days ended 31 December 2018 and the equity value of SPE Group and Fiji Kava Limited as at 31 December 2018. The number of shares on issue at the end of the half year represent those of Fiji Kava Limited only.
  - for the comparative period comprises 1 July 2017 to 31 December 2017 of SPE Group's changes in equity.
- The consolidation statement of cash flows:
  - for the half-year ended 31 December 2018 comprises:
    - the cash balance of SPE Group as at 1 July 2018; the cash transactions for the six months of SPE Group and the period from 20 December 2018 to 31 December 2018 of Fiji Kava Limited; and the cash balances of SPE Group and Fiji Kava Limited at 31 December 2018;
    - for the comparative period comprises 1 July 2017 to 31 December 2017 of SPE Group's cash transactions.

1.3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discussed the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Key sources of accounting estimation uncertainty
Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

1.4. CONSOLIDATION

Subsidiaries
Subsidiaries are entities controlled by the Company. The company controls an entity when the company 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. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition less any impairment in the Company' s financial statements.

Transactions eliminated on consolidation
Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Business combinations under common control (BCUCC)
BCUCCs are outside the scope of AASB 3 - Business Combinations when the same group of individuals has, as a result of contractual arrangements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The Group accounts for BCUCC transactions as follows:

- The assets and liabilities of the acquire are recognised at their previous carrying amounts;
- No adjustments are made to reflect the fair values and no new assets and liabilities of the acquire are recognised at the date of the business combination;
- No new goodwill is recognised; and
- Any difference between the acquired net assets and the consideration is recognised directly in equity in the Business combination reserve.

1.5. FOREIGN CURRENCY

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the end of the month of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australia dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australia dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial Statements of foreign operations

The assets and liabilities of foreign operations are translated to Australia dollars at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Australia dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences on translation are recognised as a separate component of equity.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to translation reserve. They are recognised in the Statement of Profit or Loss and Other Comprehensive Income upon disposal.

1.6. PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

Depreciation
Depreciation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment. The deprecation rates used for each class of asset are as follows:

Buildings	1.25%
Greenhouse	1.25%
Plant and equipment	12.0%
Motor vehicles	18.0%
Furniture and fittings	15.0%

Assets are depreciated or amortised from the date of acquisition or, in respect of internally generated assets, from the time an asset is completed and held ready for use. Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

1.7. INTANGIBLE ASSETS

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses. Expenditure on internally generated intangibles and brands is recognised in the Statement of Profit or Loss and Other Comprehensive income as an expense as incurred. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Intangible assets are deemed to have an indefinite useful life are systematically tested for impairment at each reporting date.

Website costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised or amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised.

The Group has capitalised a portion of directly attributable development costs of new products. The costs are capitalised only when technical feasibility of new product is demonstrated, and the Group has an intension and ability to complete and use the products and the costs can be measured reliably. Such costs include purchase of materials and services and payroll related costs of employees directly involved in the product development. Research costs are recognised as an expense when incurred.

1.8. TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently stated at their amortised cost less impairment losses.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

1.9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of nine (9) months or less, and bank overdrafts.

1.10. INVENTORIES

Inventories consist mainly of kava products (capsules and powder) and are measured at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of the landed director cost, insurance, freight, and an allocation of overhead expenditure, the latter being allocated on the basis of labour incurred. Adequate provision has been made for slow moving and obsolete inventories.

1.11. IMPAIRMENT

The carrying amounts of the Group' s assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For assets that have an indefinite useful life the recoverable amount is estimated at each reporting date.

The Group follows the guidance of AASB 139 'Financial Instruments: Recognition and Measurement' to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Calculation of recoverable amount
Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment
Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. In respect of other assets, an impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the date the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.12. PROVISIONS

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.13. TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and subsequently at the amortised cost. Trade payables are non-interest bearing and are normally settled on 30-day terms.

1.14. REVENUE

Revenues are recognised at fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the taxation authority. Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured.

Sale of goods
Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of the licence or other goods passes to the customer.
Interest revenue
Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

1.15. BORROWING COSTS

Borrowing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, dividend income and foreign exchange gains and losses. Borrowing costs are expensed as incurred and included in financing costs.

1.16. DEFERRED INCOME

Grants received for specific purpose is recognised as revenue when the conditions attached to the grants have been met. Until those conditions are met, receipt of grant funds in advance is accounted for as deferred revenue and recognised as a liability.

1.17. INCOME TAX

Income tax on the Statement of Profit or Loss and Other Comprehensive Income for the period comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.
Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future, are not provided for.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.18. GOODS AND SERVICES TAX AND VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the local legislative taxation office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. The same treatment is applied to equivalent taxes in other jurisdictions including VAT. Receivables and payables are stated with the amount of GST/VAT included. The net amount of GST/VAT recoverable from, or payable to the local legislative taxation office is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the statement of cash flows on a gross basis. The GST/VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to the local legislative taxation office are classified as operating cash flows.

1.19. CONTRIBUTED EQUITY

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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, there is no gain or loss recognised in the Statement of Profit or Loss and Other Comprehensive Income, the instruments are cancelled and deducted from equity, and the consideration paid (net of income tax) is recognised directly in equity.

Transaction costs
Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

1.20. GOING CONCERN

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the period of $3,395,311 (primarily attributed to a non-cash corporate transaction accounting expense of $2.9m arising from the reverse acquisition) and a net operating cash outflow of $487,259. As at 31 December 2018, the Group is in net asset position of $4,470,264. The Group recently completed a successful IPO during the half year with the issue of 26,000,000 Shares to raise $5,200,000.

2. BUSINESS COMBINATION

On 20 December 2018, Fiji Kava Limited acquired 100% of the ordinary share capital and voting rights of SPE Group as described in the prospectus announced by the Company.

Under AASB 3 *Business Combinations* (**AASB 3**) this is treated as a 'reverse acquisition', whereby the accounting acquirer is deemed to be SPE Group and Fiji Kava Limited is deemed to be the accounting acquiree. Refer to the effect upon the basis of preparation at note 1.2.

2.1 Acquisition consideration

As consideration for the issued capital of SPE Group, Fiji Kava Limited issued 29,000,000 Ordinary shares to the shareholders of SPE Group at $0.20 per Share for a total consideration of $5,800,000. No cash was paid as part of the acquisition consideration.

2.2 Fair value of consideration transferred

Under the principles of AASB 3, the transaction between Fiji Kava Limited and SPE Group, is being treated as a reverse acquisition, as such, the assets and liabilities of the legal subsidiary (the accounting acquirer) is being SPE Group, are measured at their pre-combination carrying amounts. The assets and liabilities of the legal parent (accounting acquiree), being Fiji Kava Limited are measured at the fair value on the date of acquisition. The consideration in a reverse acquisition is deemed to have been incurred by the legal subsidiary (SPE Group) in the form of equity instruments issued to the shareholders of the legal parent entity (Fiji Kava Limited). The acquisition-date fair value of the consideration transferred has been determined by reference to the fair value of the number of shares the legal subsidiary (SPE Group) would have issued to the legal parent entity Fiji Kava Limited to obtain the same ownership interest in the combined entity.

2.3 Goodwill

Goodwill is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of the legal parent, being Fiji Kava Limited. Details of the transaction are as follows:

	Fair Value $
Fair value of consideration transferred	8,144,000
Fair value of assets and liabilities held at acquisition date	
Cash	4,881,809
Intangible Assets - Website	15,748
Loan	666,094
Trade and other receivables	295,024
Accruals	(23,351)
Trade and other payables	(650,299)
Borrowings	(1,320)
Fair value of identifiable assets and liabilities assumed	5,183,705
Goodwill (Corporate transaction accounting expense)	2,960,295

The goodwill calculated above represents goodwill in Fiji Kava Limited, however this has not been recognised. Instead the deemed fair value of the interest in SPE Group issued to existing Fiji Kava shareholders to affect the combination was recognised as an expense in the income statement. This expense has been presented as a "Corporate transaction accounting expense" on the face of the consolidated statement of profit or loss and comprehensive income.

3. REVENUE

	31 December 2018 $	31 December 2017 $
Local sales	80,383	1,545
Export sales	244	-
Freight income	282	-
Release from deferred income	6,493	-
	87,402	1,545

4. ISSUED CAPITAL

	31 December 2018 No.	30 June 2018 No.
Fully paid ordinary shares	69,720,000	1,480,088

	31 December 2018		30 June 2018	
	No.	$	No.	$
Balance at beginning of the reporting period	1,480,088	1,982,180	1,480,088	1,982,180
Shares issued during the year	12,000	14,447		
Balance before reverse acquisition	1,492,088	1,996,627		
Elimination of existing legal acquiree shares	(1,492,088)			
Shares of legal acquirer at acquisition date	13,220,000	-		
Shares issued by legal acquirer in August	1,500,000	-		
Issue of prospectus shares	26,000,000	4,586,672		
Issue of shares to SPE Shareholders	29,000,000	3,557,327		
Balance at end of the reporting period	69,720,000	10,140,626	1,480,088	1,982,180

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

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

5. EARNINGS PER SHARE

	31 December 2018 $	31 December 2017 $
Reconciliation of earnings to profit or loss		
Loss for the period	(3,395,311)	(178,588)
Loss used in the calculation of basic and diluted EPS	(3,395,311)	(178,588)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	17,775,555	1,480,088
Loss per share		
Basic and diluted loss per share (cents per share)	(19.10)	(12.07)

6. FINANCIAL INSTRUMENTS

6.1. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

6.2. FAIR VALUE

At 31 December 2018, there are no financial assets or financial liabilities which are accounted for at fair value. Carrying amounts approximate the fair value of financial assets and financial liabilities presented in the consolidated Statement of Financial Position.

7. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	31 December 2018 $	30 June 2018 $
Cash and cash equivalents	4,406,575	12,025

8. TRADE AND OTHER RECEIVABLES

	31 December 2018 $	30 June 2018 $
Current		
Loan to a related party	-	628,648
Less: Impairment provision	-	(286,122)
Other receivables	119,802	876
	119,802	343,403

9. PROPERTY, PLANT AND EQUIPMENT

	31 December 2018 $	30 June 2018 $
Buildings		
Cost	95,826	-
Accumulated depreciation	(3,605)	-
Carrying amounts	92,221	-
Green House		
Cost	248,171	-
Accumulated depreciation	(12,408)	-
Carrying amounts	235,763	-
Plant and Equipment		
Cost	28,584	-
Accumulated depreciation	(16,373)	-
Carrying amounts	12,211	-
Motor vehicle		
Cost	51,205	-
Accumulated depreciation	(34,563)	-
Carrying amounts	16,642	-
Furniture and Fittings		
Cost	7,428	7,428
Accumulated depreciation	(5,249)	(5,411)
Carrying amounts	2,179	2,017
Totals		
Cost	431,214	7,428
Accumulated depreciation	(72,198)	(5,411)
Carrying amounts	**359,016**	**2,017**

10. TRADE AND OTHER PAYABLES

	31 December 2018 $	30 June 2018 $
Current		
Other payables	110,866	2,001
Accrued expenses	56,169	14,864
Loan from related party	274,885	715,979
	441,920	**732,844**

11. SEGMENT REPORTING

The accounting policies used by the Group in reporting segments are in accordance with the measurement principles of the Australian Accounting Standards.

Management has determined the operating segments of the Group, based on the reports reviewed by the Board in its decision making.

The Group is in the process of determining a more appropriate basis for its reporting segment, given that the reverse acquisition of Fiji Kava Limited happened so close to the end of the financial period. Currently, the Group has two reportable operating segments, namely:

South Pacific Elixirs (SPE) Group
Sales and operations of the Group are reported under the SPE Group Segment.

Fiji Kava Limited
Corporate expenditure is reported under the Fiji Kava Limited Segment.

The Group has subsidiaries in Fiji, Australia, Singapore, and USA, however the Group operates in two principal geographic areas, Fiji and Australia.

31 December 2018	SPE Group	Fiji Kava Limited	Others (*)	Total
Revenue from external customers	87,402	-		87,402
Segment net operating loss before income tax	(343,084)	(91,932)	(2,960,295)	(3,395,311)
Segment assets	740,450	4,239,185		4,979,635
Segment Liabilities	(401,725)	(107,646)		(509,371)
Significant non-cash expenses				
Corporate transaction accounting expense	-	-	2,960,295	2,960,295

(*) as a result of reverse acquisition

30 June 2018	SPE Group	Total
Revenue from external customers	-	-
Segment net operating loss before income tax	(178,588)	(178,588)
Segment assets	357,445	357,445
Segment Liabilities	(732,844)	(732,844)

12. COMMITMENTS AND CONTINGENT LIABILITIES

12.1. COMMITMENTS

No commitments exist as at the date of this report.

12.2. CONTINGENT ASSETS AND LIABILITIES

12.2.1. CONTINGENT LIABILITIES

No contingent liabilities exist as at the date of this report.

12.2.2. CONTINGENT ASSETS

No contingent assets exist as at the date of this report

13. SUBSEQUENT EVENTS

On 27 February 2019, The Group announced that it had signed an exclusive three-year distribution agreement with Pathway international Pty Ltd. There are no other subsequent events to report after 31 December 2018.