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THE **FOOD**
REVOLUTION
GROUP

ABN 20 150 015 446

INTERIM REPORT

31 December 2019



The Food Revolution Group Limited ABN 20 150 015 446
and Controlled Entities

Interim Financial Report

APPENDIX 4D – INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Results for Announcement to the Market

Key Information	Half-year Ended	Half-year Ended	% Change
	31 December 2019	31 December 2018	
	\$	\$	
Revenue from ordinary activities	17,960,069	15,053,023	19%
Loss after tax from ordinary activities attributable to members	(1,782,906)	(3,437,701)	48%
Net loss attributable to members	(1,782,906)	(3,437,701)	48%

Dividends Paid and Proposed

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

Explanation of Key Information and Dividends

An explanation of the above figures is contained in the "Review of Operations" included within the attached directors' report.

Net Tangible Assets per Share

	Half-year Ended	Half-year Ended
	31 December 2019	31 December 2018
	cents/Share	cents/Share
Net tangible assets per share	0.42	2.20

Control Gained or Lost over Entities in the Half-year

No changes.

Dividend Reinvestment Plans

The Group does not have any dividend reinvestment plans in operation.

Investments in Associates and Joint Ventures

Not applicable.

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group (group) for the half-year ended 31 December 2019.

Directors

The names of directors who held office during or since the end of the half-year:

Norman Li	Executive Chairman
John Florey	Chief Executive Officer and Managing Director
Matthew Bailey	Non-executive Director
Minna (Norman) Rong	Non-executive Director
Joe Zhou	Executive Director

Principal Activities

The principal activities of the consolidated group during the half-year were:

- Manufacture of a range of functional beverages, fibres, fruit juice, and ingredients;
- Research and development of various innovative food related technologies to develop healthy functional food products in food supplements and ingredients.

The Group's operations are currently conducted in Australia.

Review of Operations

The first half of 2020 was a period of growth and change for the business. In September 2019, FOD signed a Brand Sale Agreement with Golden Circle which included the acquisition of iconic Australian juice brand, Original Juice Co, along with the brand assets such as the Original Juice Black Label (OBL) brand. This \$1million investment gave FOD trademarked rights to sell OBL domestically as well as in export markets in Asia and New Zealand.

From September to December 2019, the FOD team focussed on ensuring the quality and reputation of the already well-established OJC brand remained intact but also worked on expanding the range in order to make use of the popular Australian brand name and appeal. The already established product range is being sold in almost all dominant Grocery retail channels in Australia. In the second half of FY2020 we launched a new range of products under the OJC brand. These new products have been accepted into the Coles supermarket group across the country.

During the period, FOD commenced construction of a new 1260sqm state-of-the-art clean room at its Mill Park facility in Melbourne, Victoria. This is now complete, meaning production of new products and lines to China can begin in the second half of FY 2020.

FOD expects that with significant interest in the new products and brands we have presented to potential customers and the abundance of interest from many Chinese distributors, the second half of FY 2020 will see the start of rapidly growing sales to the Chinese market.

FOD's subscription deed with Careline remained in place, with FOD receiving A\$5,400,000 in September 2019 for the 4th tranche, with 100 million ordinary shares issued to Norman Li and Careline Australia Pty Ltd. This leaves the 5th and final tranche remaining, for the amount of \$5,940,000. As confirmed in ASX release by the company on 18 June 2019 Careline Australia Pty Ltd (Careline) and its founder and CEO Mr Tao (Norman) Li committed to 5 Tranches of equity investment into the company Totalling \$20.25 million. This was approved at a shareholders meeting held on the 14th of June 2019. To date Careline and Mr Li have completed the first 4 tranches and injected \$14,310,000 into the company, with the remaining tranche of \$5,940,000.

Due to the Coronavirus and related shutdowns in China Careline is unable to transfer funds to Australia in a timely manner and has sought an extension of time to make the payment of this final tranche. The company has agreed to grant an extension subject to ASX approval of up to 6 months to provide the funds and Careline has advised that it will most likely make several individual payments of approximately \$1million each at a time during that period until the full amount of the tranche is completed.

The company is seeking an amendment to the waiver received from the ASX in relation to these share issues. Should the waiver not be forthcoming then the company will seek shareholder approval.

Mr Norman Li commented "Careline and myself are formally committed to the company to make the final tranche payment and we will achieve it as quickly as possible given the difficulties currently in China. In the meantime, we

DIRECTORS' REPORT

are continuing our investment in products such as the hand sanitizer that have provided a new opportunity in both the Australian and China markets”.

The distribution agreement with Careline to distribute FOD’s juice, beverage and functional food products in China is also still in place and our relationship with Careline will continue to improve and grow as we prepare to develop and produce our new Chinese market product ranges.

Post period end, the Company announced it would commence production of hand sanitiser, a product in high demand due to the global outbreak of Coronavirus. FOD has capacity to produce this using new equipment at the upgraded plant and received its first order for \$2 million worth of product from Careline.

Operating Results

– Revenue

Net revenue reached \$18 million for the period, which is a 19.31% growth on the first half year FY19 revenue figure.

The branded juice sales, which represent 56% of total revenue, increased by \$4.8m (46%) on a YOY basis.

Co-packing and ingredient sales are now only 4% of total revenues.

Warehousing and other sales also decreased by 34% on a YOY basis due to less bulk storage requirements, particularly after the purchase of the Black Label product range and the packaging for those products.

With a strong brand under our belt and clear plan for the growth of that brand, the total branded sales are expected to increase to more than 70% of total domestic sales.

– Expenses

Some expenses fluctuated compared with first half year FY19 due to the first-time application of new AASB 16.

The payment for operating leases was previously recognised as lease expenses in administrative expenses but under AASB 16, is recognised in profit or loss as depreciation of the right-of-use assets and interest on the lease liabilities.

Accordingly, administrative expenses decreased, and depreciation expenses and interest expenses increased in the period.

Profit

– Gross profit

The gross profit reached \$4.42 million which equates to 25% of Net Sales.

The loss before tax was \$1,782,906 loss for the half-year and EBITDA of \$200,505 profit.

EBITDA calculation

Loss before tax	(1,782,906)
Add: Depreciation and amortisation	1,307,355
Add: Finance costs	676,056
EBITDA	200,505

New Accounting Standards Implemented

The Group has implemented a new accounting standard that is applicable for the current reporting period. AASB 16: Leases has been applied retrospectively, with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

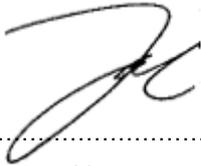
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DIRECTORS' REPORT

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on the following page for the half-year ended 31 December 2019.

This directors' report is signed in accordance with a resolution of the Board of Directors.



.....
Norman Li

Chairman

Dated: 28 February 2020

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**THE FOOD REVOLUTION GROUP LIMITED
AND CONTROLLED ENTITIES
ABN 20 150 015 446**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF THE FOOD REVOLUTION GROUP LIMITED**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

Ph: (612) 9263 2600
Fx: (612) 9263 2800

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of The Food Revolution Group Limited. As the lead audit partner for the review of the financial report of The Food Revolution Group Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

Drew Townsend

DREW TOWNSEND
Partner
Dated: 28 February 2020

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The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
HALF-YEAR ENDED 31 DECEMBER 2019

	Consolidated Group		
	Note	Half-year Ended	Half-year Ended
		31 December 2019	31 December 2018
		\$	\$
Revenue		17,960,069	15,053,023
Cost of sales		(13,535,121)	(10,462,854)
Gross profit		<u>4,424,948</u>	<u>4,590,169</u>
Other income		638,377	605,510
Administrative expenses		(558,086)	(1,144,942)
Depreciation and amortisation		(1,307,355)	(984,574)
Employment costs		(2,279,138)	(2,196,158)
Finance costs		(676,056)	(616,894)
Marketing expenses		(386,964)	(372,429)
Operating costs		(1,544,976)	(2,062,772)
Reversal/ (impairment) of financial assets		280,372	(2,101,204)
Impairment of non-financial assets		(218,800)	-
RTO related transaction costs		(46,555)	(58,165)
Share-based payments		(108,673)	-
Loss before income tax		<u>(1,782,906)</u>	<u>(4,341,459)</u>
Income tax benefit		-	903,758
Loss for the period		<u>(1,782,906)</u>	<u>(3,437,701)</u>
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of plant and equipment, net of tax		-	264,075
Total other comprehensive income for the period		<u>-</u>	<u>264,075</u>
Total comprehensive income for the period		<u>(1,782,906)</u>	<u>(3,173,626)</u>
		Cents	Cents
Basic and diluted loss per share		(0.26)	(0.75)

The accompanying notes form part of these financial statements.

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Consolidated Group	
		As at	As at
		31 December 2019	30 June 2019
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,596,196	3,045,578
Trade and other receivables		6,193,590	3,408,244
Inventories		3,179,612	2,615,521
Other assets		48,018	87,825
TOTAL CURRENT ASSETS		11,017,416	9,157,168
NON-CURRENT ASSETS			
Property, plant and equipment	5	16,820,874	17,089,474
Right of use assets	6	7,251,867	-
Deferred tax assets		4,544,107	2,649,897
Intangible assets	7	6,967,043	5,970,023
TOTAL NON-CURRENT ASSETS		35,583,891	25,709,394
TOTAL ASSETS		46,601,307	34,866,562
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		9,181,674	9,941,665
Lease liabilities		306,820	-
Borrowings	8	6,969,541	7,571,433
Provisions		415,983	896,900
TOTAL CURRENT LIABILITIES		16,874,018	18,409,998
NON-CURRENT LIABILITIES			
Lease liabilities		7,854,969	-
Deferred tax liabilities		4,544,107	2,649,895
Provisions		45,596	34,173
TOTAL NON-CURRENT LIABILITIES		12,444,672	2,684,068
TOTAL LIABILITIES		29,318,690	21,094,066
NET ASSETS		17,282,617	13,772,496
EQUITY			
Issued capital	9	46,802,075	41,402,075
Options Reserve		199,234	90,561
Revaluation Reserve		8,753,758	8,753,758
Accumulated losses		(38,472,450)	(36,473,898)
TOTAL EQUITY		17,282,617	13,772,496

The accompanying notes form part of these financial statements.

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Consolidated Group	Ordinary Share Capital	Accumulated Losses	Revaluation Surplus	Options Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2018	31,938,197	(20,971,165)	8,489,683	526,252	19,982,967
Comprehensive income					
Loss for the period	-	(3,437,701)	-	-	(3,437,701)
Other comprehensive income for the period	-	-	264,075	-	264,075
Total comprehensive income for the period	-	(3,437,701)	264,075	-	(3,173,626)
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the period, net of transaction costs	3,479,961	-	-	-	3,479,961
Transfer from options reserve on exercise of options	27,416	-	-	(27,416)	-
Transfer from options reserve on expiry of options	-	116,323	-	(116,323)	-
Total transactions with owners and other transfers	3,507,377	116,323	-	(143,739)	3,479,961
Balance at 31 December 2018	35,445,574	(24,292,543)	8,753,758	382,513	20,289,302
Balance at 1 July 2019	41,402,075	(36,473,898)	8,753,758	90,561	13,772,496
Cumulative adjustment upon adoption of new accounting standard – AASB 16	-	(215,646)	-	-	(215,646)
Balance at 1 July 2019 restated	41,402,075	(36,689,544)	8,753,758	90,561	13,556,850
Comprehensive income					
Loss for the period	-	(1,782,906)	-	-	(1,782,905)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	(1,782,906)	-	-	(1,782,905)
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the period, net of transaction costs	5,400,000	-	-	-	5,400,000
Share-based payments transaction	-	-	-	108,673	108,673
Total transactions with owners and other transfers	5,400,000	-	-	108,673	5,508,673
Balance at 31 December 2019	46,802,075	(38,472,450)	8,753,758	199,234	17,282,617

The accompanying notes form part of these financial statements.

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated Group	
		Half-year Ended	Half-year Ended
		31 December 2019	31 December 2018
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		16,093,473	17,169,871
Payments to suppliers and employees		(19,578,415)	(17,559,261)
Interest paid		(378,982)	(616,894)
Net cash (used in) by operating activities		(3,863,924)	(1,006,284)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of brand names and other intangible assets		(1,299,220)	(506,084)
Purchase of property, plant and equipment		(651,081)	(454,277)
Net cash (used in) investing activities		(1,950,301)	(960,361)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		5,400,000	3,479,962
Proceeds from borrowings		12,784,795	5,549,633
Repayment of borrowings		(13,386,687)	(7,185,572)
Payment of lease liabilities	6b	(433,265)	-
Net cash provided by financing activities		4,364,843	1,844,023
Net (decrease) in cash held		(1,449,382)	(122,622)
Cash and cash equivalents at beginning of period		3,045,578	1,856,475
Cash and cash equivalents at end of period		1,596,196	1,733,853

The accompanying notes form part of these financial statements.

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The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Basis of Preparation**

These general purpose interim financial statements for half-year reporting period ended 31 December 2019 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of The Food Revolution Group Limited and its controlled entities (referred to as the “consolidated group” or “group”). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 28 February 2020.

b. **Accounting Policies**

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except for those as described in Note 1(d) below.

c. **Going Concern**

The financial statements have been prepared on the going concern basis, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. During the half-year ended 31 December 2019, the group had a net current liability position of \$5,856,602, a loss of \$1,782,906 and cash flow deficit from operations amounting to \$3,863,924.

The group has sufficient credit facilities together with the capital it has raised and plans to raise as outlined below.

In September 2018, a binding share subscription deed was signed with Careline Australia Pty Ltd (Careline). Pursuant to the subscription deed, Careline and/ or its nominees will invest up to \$20.25 million via the issue of 375 million ordinary shares at an issue price of \$0.054 per share in five tranches. The group had received the first four tranches of investments amounting to \$14.31 million in September 2018 to September 2019 and is expecting to receive the final tranche of \$5.94 million. Due to the Coronavirus and related shutdowns in China Careline is unable to transfer funds to Australia in a timely manner and has sought an extension of time to make the payment of this final tranche. The company has agreed to grant an extension subject to ASX approval of up to 6 months to provide the funds and Careline has advised that it will most likely make several individual payments of approximately \$1million each at a time during that period until the full amount of the tranche is completed.

The company is seeking an amendment to the waiver received from the ASX in relation to these share issues. Should the waiver not be forthcoming then the company will seek shareholder approval.

d. **New and Amended Standards Adopted by the Group**

The group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The group had to change its accounting policies and make adjustments as a result of adopting AASB 16: Leases.

The impact of the adoption of the standard and the respective accounting policies is disclosed in Note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 2: CHANGES IN ACCOUNTING POLICIES

This note describes the nature and effect of the adoption of AASB 16: *Leases* on the group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

As a result of the changes in the group's accounting policies, prior year financial statements have not been restated.

a. **Leases**

The group as lessee

At inception of a contract, the group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the group where the group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

b. **Initial Application of AASB 16: Leases**

The group has adopted AASB 16: *Leases* retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16 the comparatives for the 2018 reporting period have not been restated.

The group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: *Leases* where the group is the lessee.

Lease liabilities are measured at the present value of the remaining lease payments. The group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets for manufacturing equipment was measured at its carrying amount as if AASB 16 had been applied since the commencement date, but discounted using the group's incremental borrowing rate per lease term as at 1 July 2019.

The right-of-use assets for the remaining leases have been measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability and the prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 2: CHANGES IN ACCOUNTING POLICIES

The following practical expedients have been used by the group in applying AASB 16 for the first time:

- for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied.
- leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases.
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate.
- applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

Adjustments recognised in the balance sheet on 1 July 2019

The following summary indicates the adjustments and reclassifications of financial statement line item in the balance sheet due to the implementation of AASB 16.

	Carrying amount under AASB 117	Adjustments	Carrying amount under AASB 16
	\$	\$	\$
Right of use assets	-	7,275,662	7,275,662
Lease liabilities	-	(8,017,500)	(8,017,500)
Provisions	(931,073)	526,192	(404,881)
Accumulated losses	36,473,898	215,646	36,689,544

Measurement of lease liabilities

	\$
Operating lease commitments disclosed as at 30 June 2019	13,632,584
Discounted using the lessee's incremental borrowing rate at the date of initial application	(4,916,851)
Less: Short-term and low value leases recognised on a straight-line basis as expense	(698,233)
Lease liabilities recognised as at 1 July 2019	<u>8,017,500</u>

Measurement of right of use assets

The associated right of use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 3: DIVIDENDS

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

NOTE 4: OPERATING SEGMENTS

The group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Directors have considered the requirements of AASB 8 – Operating Segments and have concluded that at this time there are no separately identifiable reportable segments.

NOTE 5: PLANT AND EQUIPMENT

	Consolidated Group	
	As at 31 December 2019	As at 30 June 2019
	\$	\$
Plant and equipment:		
At fair value	20,223,629	19,615,371
Accumulated depreciation	(3,505,708)	(2,643,433)
	16,717,921	16,971,938
Office equipment:		
At cost	374,269	326,891
Accumulated depreciation	(271,316)	(209,355)
	102,953	117,536
Total plant and equipment	16,820,874	17,089,474

a. **Movements in Carrying Amounts**

Movements in the carrying amounts for each class of plant and equipment between the beginning and the end of the current half-year:

	Plant and Equipment	Office Equipment	Total
	\$	\$	\$
Consolidated Group			
Balance at 30 June 2019	16,971,938	117,536	17,089,474
Additions	603,403	47,378	651,081
Depreciation expense	(857,420)	(62,261)	(919,681)
Balance at 31 December 2019	16,717,921	102,953	16,820,874

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 6: RIGHT-OF-USE ASSETS

	Consolidated Group As at 31 December 2019
	\$
Leased building	7,747,079
Accumulated depreciation	(879,603)
	<u>6,867,476</u>
Leased equipment	468,879
Accumulated depreciation	(84,488)
	<u>384,391</u>
Total right-of-use assets	<u><u>7,251,867</u></u>

a. **Movements in Carrying Amounts**

	Leased building	Leased equipment	Total
	\$	\$	\$
Recognised on initial application of AASB 16	6,844,383	431,279	7,275,662
Additions	280,479	-	280,479
Depreciation expense	(257,386)	(46,888)	(304,274)
Net carrying amount	<u>6,867,476</u>	<u>384,391</u>	<u>7,251,867</u>

b. **AASB 16 related amounts recognised in the statement of profit or loss**

	Half-year Ended 31 December 2019
	\$
Depreciation charge related to right-of-use assets	304,274
Interest expense on lease liabilities	297,074
Short-term, low-value asset and variable lease payment expense	295,902
	<u>295,902</u>
Total half-yearly cash outflows for leases	<u>(433,265)</u>

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The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 7: INTANGIBLE ASSETS

	Consolidated Group	
	As at 31 December 2019	As at 30 June 2019
	\$	\$
Intellectual property – at cost		
Cost	262,269	255,294
Accumulated impairment losses	(193,473)	(191,738)
Net carrying amount	68,796	63,556
Brand names – at cost		
Cost	7,914,998	6,914,998
Accumulated impairment losses	(1,797,732)	(1,797,732)
Net carrying amount	6,117,266	5,117,266
Product development costs – at cost		
Cost	2,074,068	1,781,823
Accumulated amortisation and impairment losses	(1,294,182)	(993,717)
Net carrying amount	779,886	788,106
Formation expenses:		
Cost	1,095	1,095
Net carrying amount	1,095	1,095
Total intangible assets	6,967,043	5,970,023

a. **Movements in Carrying Amounts**

Movements in the carrying amounts for each class of intangible assets between the beginning and the end of the current half-year:

	Intellectual property	Brand names	Product development costs	Formation expenses	Total
	\$	\$	\$	\$	\$
Consolidated Group:					
Balance at 1 July 2019	63,556	5,117,266	788,106	1,095	5,970,023
Additions	6,975	1,000,000	292,245	-	1,299,220
Amortisation and impairment charges	(1,735)	-	(300,465)	-	(302,200)
Balance at 31 December 2019	68,796	6,117,266	779,886	1,095	6,967,043

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 8: BORROWINGS

	As at 31 December 2019	As at 30 June 2019
	\$	\$
CURRENT		
Secured liabilities:		
Loan – Greensill facility	6,969,541	7,571,433
Total current borrowings	<u>6,969,541</u>	<u>7,571,433</u>

Loan from Greensill is secured, bears 6.75% to 7.25% interest p.a. The carrying amounts of total assets pledged as security are general security over all current and future assets.

NOTE 9: ISSUED CAPITAL

	Note	As at 31 December 2019	As at 30 June 2019
		\$	\$
724,674,526 fully paid ordinary shares	a	46,802,075	41,402,075
		<u>46,802,075</u>	<u>41,402,075</u>
		No.	\$
a. Ordinary Shares			
Balance at 1 July 2019		624,674,526	41,402,075
Shares issued – September 2019		100,000,000	5,400,000
Balance at 31 December 2019		<u>724,674,526</u>	<u>46,802,075</u>

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 10: FAIR VALUE MEASUREMENTS

The group subsequently measures some items of plant and equipment at fair value on a non-recurring basis

a. **Valuation Techniques**

In the absence of an active market for an identical asset or liability, the group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the group are consistent with one or more of the following valuation approaches:

- *Market approach* uses prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach* converts estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach* reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

b. **Fair Value Hierarchy**

Fair Value Measurements at
31 December 2019 Using:

	Quoted Prices in Active Markets for Identical Assets \$ (Level 1)	Significant Observable Inputs Other than Level 1 Inputs \$ (Level 2)	Significant Unobservable Inputs \$ (Level 3)
Plant and equipment – at revalued amounts	-	-	16,717,921
Total recurring fair value measurements	-	-	16,717,921

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 10: FAIR VALUE MEASUREMENTS

c. **Valuation Techniques Used to Determine Level 3 Fair Values**

The fair value of plant and equipment is based on their market value as determined by an independent valuer who has recognised and appropriate professional qualifications and recent experience in the category of plant and equipment being valued. The most recent valuation was conducted on 27 November 2017 and there were no indicators suggesting that the fair value is materially different than the carrying value of plant and equipment at balance date.

The market value is the amount which an asset should exchange at the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The valuation also assumes the assets will be sold by way of a private treaty sale and remain in its current location after the sale.

d. **Reconciliation of Recurring Level 3 Fair Value Measurements**

	Plant and equipment
	\$
Balance at the beginning of the period	16,971,938
Additions	603,403
Depreciation expense	(857,420)
	<hr/>
	16,717,921
	<hr/>

NOTE 11: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting period.

NOTE 12: EVENTS AFTER THE END OF THE INTERIM PERIOD

The directors are not aware of any significant events since the end of the reporting period.

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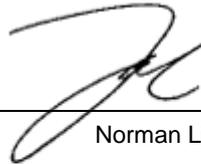
The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of The Food Revolution Group Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 18, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - b. giving a true and fair view of the Consolidated Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Entity will be able to pay its debts as and when they become due and payable.

Chairman



Norman Li

Dated: 28 February 2020

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**THE FOOD REVOLUTION GROUP LIMITED
AND CONTROLLED ENTITIES
ABN 20 150 015 446**

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
THE FOOD REVOLUTION GROUP LIMITED**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

Ph: (612) 9263 2600
Fx: (612) 9263 2800

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of The Food Revolution Group Limited (the group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, 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.

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 (including Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and 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, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the group's financial position as at 31 December 2019 and its performance for the period 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 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. 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.

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**THE FOOD REVOLUTION GROUP LIMITED
AND CONTROLLED ENTITIES
ABN 20 150 015 446**

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
THE FOOD REVOLUTION GROUP LIMITED**

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of The Food Revolution Group Limited is not in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of the group's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial report which indicates that the group had incurred a net loss of \$1,782,906 during the half year ended 31 December 2019 and, as of that date, the group's current liabilities exceeded its current assets by \$5,856,602. As stated in Note 1(c), these events or conditions, along with other matters as set forth in Note 1(c) indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

Drew Townsend

DREW TOWNSEND

Partner

Dated: 28 February 2020

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THE FOOD REVOLUTION GROUP