

ASX Appendix 4E – Preliminary Financial Result

Reporting Period: Twelve months ended 30 June 2018
Previous Corresponding Period: Twelve months ended 30 June 2017

Section A: Results for announcement to the market

	30 June 2018	Percentage change	Amount change
Revenue and net profit			
Revenue from ordinary activities	7,098,309	79%	3,130,796
Loss from ordinary activities after tax	(482,828)	79%	1,824,605
Loss from ordinary activities after tax attributable to owners	(482,828)	79%	1,824,605
Dividends			
	Dividend	Amount per security	Franked amount per security
Final dividend in respect of the twelve months ending 30 June 2018:	NIL	NIL	NIL
Net tangible assets per security			
		2018	2017
Net tangible assets per security (cents per security)		(0.72)	(0.49)

Section B: Commentary on results

Commentary for the preliminary financial results of the twelve months ended 30 June 2018 is contained in the ASX Limited (ASX) release and on pages 2 to 3 of this announcement.

Additional Information

This report is based on unaudited financial statements which are currently in the process of being audited. The financial statements included in the 2018 Annual Report are likely to contain an unqualified independent audit report.

Additional Appendix 4E requirements can be found on pages 4 to 22 of this announcement.

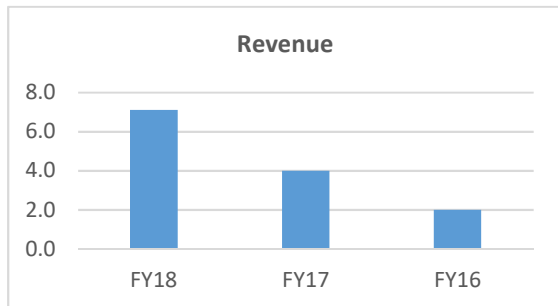


Commentary on results

- Increased market share
- Revenue increase of 79%
- Net loss after tax decreased by 79%
- Positive cash flow

\$A millions	FY18	FY17	Change
Revenue	7.1	4.0	3.1
Gross profit	2.6	0.2	2.4
Loss after tax	(0.5)	(2.3)	1.8
Cash from/(used) in operations	0.3	(1.1)	1.4

During the year, FarmaForce exceeded its revenue target by securing new contracts and clients and executing sales contracts that enable existing synergies with current teams and market segments it already owns. This way the Company has also realised economies of scale.



The Increase in market share has resulted in a 79% increase in revenue in the past year, and a cumulative revenue increase of 264% over the past two-year period.

Strong revenue growth teamed with attention to margin enhancement and cost containment, has resulted in a strengthening gross profitability and operating cash flow position, with net loss after tax reducing by \$1.8 million in FY18, and having \$1.4 million less cash being used in operations.

With the accelerated growth of the Australian population and the continuous growth of the aging population, we expect the healthcare market will

continue to grow over the next 5 years. It is still expected that the pharmaceutical market will exceed \$25 billion by 2020.

As the pharmaceutical industry is fundamentally changing and reinventing the business it has been founded on, FarmaForce continues to evaluate the market gap to ensure we are modifying our solutions and providing the most effective outcomes to our clients.

OPERATING HIGHLIGHTS

- Nominated for the 2018 'Sales Team Award' for the 14th Annual PRIME Awards;
- Recognised by Health Care Practitioners (HCP) as the #1 CSO in Australia;
- Increased operational productivity resulting in a gross profit margin from 5% in 2017 to 37% in 2018;
- Increased number of clients by three times versus 2017;
- Investment in Business development which in turn increased market share and overall revenue.

DEMAND OF OUTSOURCED SALES SOLUTIONS INCREASES

There are between 8000 to 9700 field-based representatives in Australia and around 5 per cent of these are now outsourced. In the UK it is 30 percent and around 9 percent in the US. We expect the demand of outsourced field base representatives to continue to climb.

Traditionally, around 60 per cent of a big pharma company's marketing budget is spent on its sales force. These numbers are declining, and the trend is expected to continue, as generics further erode the pricing power of brand-name products and many major drug companies are now making substantial reductions in core sales force numbers.

Generic competition, in addition to the drying up of drug pipelines is also forcing drug companies to look at their cost structure and find new ways of reducing costs.

With the continued financial pressures and the increasing government pressure to reduce drug prices, there will be an increase in drug companies looking for alternative solutions

The growth of outsourcing in general, sales force outsourcing is emerging as an alternative to building in-house sales teams.

Until recently, there were limited sales force outsourcing alternatives to independent sales reps and resellers other than building a direct sales force in-house. This option requires substantial capital and expertise; the cost of hiring, training and managing a direct sales force can be challenging.

FarmaForce operates as a service provider in this space, making us an ideal partner for companies with limited in-house sales expertise. More than just a sales force, FarmaForce is a strategic solution to building a direct sales operation without the capital costs and management overhead of recruiting and training in-house sales people.

ABOUT FARMAFORCE

FarmaForce is a specialist contract Sales Organisation (CSO) offering innovative sales solutions to the Australian pharmaceutical industry, through the provision of a broad and unique range of sales force solutions.

FarmaForce provide a bespoke results-based solution to every client, and is the only pharmaceutical CSO to be nominated as “best sales team” which ensure that every client is represented by the best possible sales organisation.

ABOUT THE IQ GROUP GLOBAL

The IQ Group Global provides a turnkey solution for life science companies, spanning corporate advisory and investment banking, through to research, development, commercialization and sales.

The Group facilitates an end to end solution along the drug lifecycle creating the medicines of tomorrow.

FARMAFORCE LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2018

<i>In dollars</i>	<i>Note</i>	2018	2017
Revenue	3	7,098,309	3,967,513
Cost of sales		(4,485,204)	(3,735,950)
Gross profit		2,613,105	231,563
Other income	4(a)	16	4,882
Expenses			
Employee benefits expense	4(c)	(1,502,975)	(1,079,247)
Overhead sharing cost		(597,009)	(313,192)
Depreciation and amortisation expense		(58,705)	(48,515)
Other expenses	4(d)	(873,123)	(1,042,412)
Finance costs	4(b)	(35,484)	(2,553)
Share of loss of associated companies net of tax	14	(28,653)	(57,959)
Loss before income tax expense		(482,828)	(2,307,433)
Income tax expense		-	-
Net loss attributable to owners of FarmaForce Limited		(482,828)	(2,307,433)

Loss per share for the period attributable to the ordinary equity holders of the Company:

Basic loss per share (cents per share)	13	(0.38)	(1.81)
Diluted loss per share cents per share)	13	(0.38)	(1.81)

The above statement of profit or loss should be read in conjunction with the accompanying notes to the financial statements.

FARMAFORCE LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

<i>In dollars</i>	<i>Note</i>	2018	2017
Net loss for the period		(482,828)	(2,307,433)
Other comprehensive income			
Other comprehensive income for the period		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period attributable to the owners of FarmaForce Limited		(482,828)	(2,307,433)

The above statement of comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

FARMAFORCE LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2018

<i>In dollars</i>	<i>Note</i>	2018	2017
Assets			
Current assets			
Cash and cash equivalents	5	576,883	254,321
Trade and other receivables	6	1,249,612	396,953
Other current assets	7	37,145	37,506
Total current assets		1,863,640	688,780
Non-current assets			
Property, plant and equipment	8	83,900	220,516
Intangible assets	9	33,873	151,995
Investment in Associates	14	228,060	220,113
Deferred tax assets		-	-
Total non-current assets		345,833	592,624
Total Assets		2,209,473	1,281,404
Liabilities			
Current liabilities			
Trade and other payables	10	1,452,116	1,274,445
Deferred revenue		1,368,053	233,003
Employee benefit liabilities	11	279,439	241,263
Total current liabilities		3,099,608	1,748,711
Non-current liabilities			
Deferred tax liabilities		-	-
Total non-current liabilities		-	-
Total liabilities		3,099,608	1,748,711
Net liabilities		(890,135)	(467,307)
EQUITY			
Issued capital	12	8,128,859	8,068,859
Accumulated losses		(9,018,994)	(8,536,166)
Total equity		(890,135)	(467,307)

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

FARMAFORCE LIMITED
STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2018

<i>In dollars</i>	Share capital	Accumulated losses	Total
Balance at 1 July 2017	8,068,859	(8,536,166)	(467,307)
Total comprehensive loss for the period			
Loss for the period	-	(482,828)	(482,828)
Other comprehensive loss for the period	-	-	-
Total comprehensive loss for the period	-	(482,828)	(482,828)
Transactions with owners recorded directly in equity			
Issue of ordinary shares	60,000	-	60,000
Balance at 30 June 2018	8,128,859	(9,018,994)	(890,135)
Balance at 1 July 2016			
Balance at 1 July 2016	8,068,859	(6,228,733)	1,840,126
Total comprehensive loss for the period			
Loss for the period	-	(2,307,433)	(2,307,433)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	-	(2,307,433)	(2,307,433)
Transaction with owners recorded directly in equity			
Issue of ordinary shares	-	-	-
Issue of convertible notes	-	-	-
Capital raising costs	-	-	-
Balance at 30 June 2017	8,068,859	(8,536,166)	(467,307)

The above statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

FARMAFORCE LIMITED
STATEMENT OF CASH FLOWS
30 June 2018

<i>In dollars</i>	<i>Note</i>	2018	2017
Cash flows from operating activities			
Receipts from customers		8,090,531	4,306,514
Payments to suppliers and employees		(7,785,762)	(5,399,499)
Interest received		-	2,882
Interest paid		(4,551)	(7,283)
Net cash generated from/(used) in operating activities	<i>15</i>	300,218	(1,097,386)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,072)	(28,772)
Investment in associates		(36,600)	(9,072)
Payment for intangible assets		-	(151,995)
Net cash generated from/(used) in investing activities		(37,672)	(189,839)
Cash flows from financing activities			
Proceeds from issue of share capital		60,000	-
Net cash generated from financing activities		60,000	-
Net increase/(decrease) in cash and cash equivalents		322,546	(1,287,225)
Cash and cash equivalents at the beginning of the period		254,321	1,541,546
Net effect of exchange rate changes on cash		16	-
Cash and cash equivalents at the end of the period	<i>5</i>	576,883	254,321

The above statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

1. REPORTING ENTITY

FarmaForce Limited (“FarmaForce” or the “Company”) is a for-profit company limited by shares which is incorporated and domiciled in Australia.

These financial statements as at and for the year ended 30 June 2018 comprise of the Company as an individual entity and were authorised for issue by the Board of Directors on 30 August 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

This section sets out the significant accounting policies upon which the financial statements are prepared as a whole. Specific accounting policies are described in their respective notes to the financial statements. This section also shows information on new accounting standards, amendments and interpretations, and whether they are effective in the current period or later years.

Basis of preparation

These financial statements are presented in Australian dollars, which is the Company’s functional currency.

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 1 April 2016 and in accordance with that instrument, all financial information presented in Australian dollars has been rounded to the nearest dollar unless otherwise stated.

The financial statements have been prepared on the historical cost basis.

The accounting policies have been consistently applied to all periods presented in these interim financial statements, unless otherwise stated.

Goods and Services Tax (“GST”) and Value Added Tax (“VAT”)

Revenues, expenses and assets are recognised net of the amount of respective GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the relevant taxation authority. In these circumstances, the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST or VAT receivable or payable. The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included with other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST or VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the relevant taxation authority, are presented as operating cash flows in the interim statement of cash flows.

Uses of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

(i) Judgements

The judgements which involve a higher degree of complexity or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uses of judgements and estimates (Continued)

Investment in associates

The Directors have assessed whether their equity investments between 20% and 50% represent a significant influence over those companies. In assessing significant influence, the Directors have considered the percentage ownership interest, representation on the Board of Directors, the interchange of management personnel, and material transactions between the entities. Primarily on ownership interest the Directors have concluded that all investments in which the Company owns 20% interest are regarded as having significant influence and have therefore been equity accounted and disclosures made in note 14.

Recoverability of internally developed intangible assets

The Company capitalises development costs when they meet the criteria set out in AASB 138 Intangible Assets. The development costs capitalised relate to assets that will be utilised by the Company and not expected to result in individual revenue streams. The Directors therefore assess the recoverability of the internally developed intangible assets by assessing their value in use. Based on this assessment the Directors have concluded that no impairment is required against the carrying value of the intangible assets included in note 9.

(ii) Estimates

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ending 30 June 2018 are included in the note 11 – Employee benefit liabilities.

3. REVENUE

<i>In dollars</i>	2018	2017
Provision of contract revenue	5,483,067	3,867,873
Related party consulting revenue / Interest	1,615,242	99,640
Total revenue	7,098,309	3,967,513

Significant accounting policies

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue. All revenue is stated net of the amount of goods and services tax.

Rendering of services

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be estimated reliably. If the outcome can be estimated reliably then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period. If the outcome cannot be reliably estimated, then revenue is recognised to the extent of expenses recognised that are recoverable.

4. INCOME AND EXPENSES

(a) Other income

<i>In dollars</i>	2018	2017
Interest income	16	2,882
Foreign currency	-	2,000
Total other income	16	4,882

(b) Finance costs

<i>In dollars</i>	2018	2017
Bank fees	6,097	2,519
Interest expense	29,387	34
Total finance costs	35,484	2,553

Significant accounting policies

Finance cost includes all interest-related expenses, other than those arising from financial assets at fair value through profit or loss.

(c) Employee benefit expenses

<i>In dollars</i>	2018	2017
Wages and salaries	1,317,947	992,205
Compulsory superannuation contributions	127,131	95,730
Bonus	56,000	-
Increase/(decrease) in liability for annual leave	1,897	(8,688)
Total employee benefits expense	1,502,975	1,079,247

(d) Other expenses

<i>In dollars</i>	2018	2017
Accounting fees	53,953	41,105
Advertising and marketing	63,648	152,043
Insurance	38,256	46,336
Legal and consultancy fees	5,889	115,646
Occupancy costs	21,199	23,498
Recruitment fees	15,100	103,141
Software licensing and subscription	155,626	149,654
Travel and accommodation	36,257	46,119
Other	483,195	364,870
Total other expenses	873,123	1,042,412

FARMAFORCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

5. CASH

<i>In dollars</i>	2018	2017
Bank balances	576,883	254,321

Significant accounting policies

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

6. TRADE AND OTHER RECEIVABLES

<i>In dollars</i>	2018	2017
Trade receivables	412,746	327,229
Other receivables	2,686	27,505
Related party receivables	834,180	42,219
Total trade and other receivables	1,249,612	396,953
Current	1,249,612	396,953
Non-current	-	-
Total trade and other receivables	1,249,612	396,953

Significant accounting policies

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30-60 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. The loss is recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

7. OTHER CURRENT ASSETS

<i>In dollars</i>	2018	2017
Prepayments	37,145	37,506
Total other current assets	37,145	37,506

8. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amounts

Cost

<i>In dollars</i>	Furniture, fixtures and fittings	Leasehold improvements	Plant and equipment	Total
Cost at 1 July 2016	35,316	158,011	105,262	298,589
Additions	1,498	-	27,274	28,772
Balance at 30 June 2017	36,814	158,011	132,536	327,361
Additions	-	-	9,561	9,561
Disposal	(10,845)	(140,116)	(4,706)	(155,667)
Balance at 30 June 2018	25,969	17,895	137,391	181,255

Accumulated depreciation

<i>In dollars</i>	Furniture, fixtures and fittings	Leasehold improvements	Plant and equipment	Total
Balance at 1 July 2016	4,844	19,828	33,658	58,330
Depreciation expense	4,033	15,801	28,681	48,515
Balance at 30 June 2017	8,877	35,629	62,339	106,845
Depreciation expense	3,684	12,346	25,739	41,769
Disposal	(5,448)	(42,430)	(3,381)	(51,259)
Balance at 30 June 2018	7,113	5,545	84,697	97,355

Carrying amounts

<i>In dollars</i>	Furniture, fixtures and fittings	Leasehold improvements	Plant and equipment	Total
Balance at 30 June 2017	27,937	122,382	70,197	220,516
Balance at 30 June 2018	18,856	12,350	52,694	83,900

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Significant accounting policies

Carrying value

All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the business and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the profit or loss during the reporting period.

Depreciation

Depreciation of assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

- Leasehold improvements – 3 to 5 years
- Plant and equipment – 3 to 10 years
- Furniture, fittings and equipment – 3 to 5 years

Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

9. INTANGIBLE ASSETS

Reconciliation of carrying amount

Cost

<i>In dollars</i>	Website and software	Total
Cost at 1 July 2016	-	-
Additions	151,995	151,995
Balance at 30 June 2017	151,995	151,995
Additions	-	-
Impairment	(101,186)	(101,186)
Balance at 30 June 2018	50,809	50,809

Accumulated Amortisation

<i>In dollars</i>	Website and software	Total
Balance at 1 July 2016	-	-
Amortisation expense	-	-
Balance at 30 June 2017	-	-
Amortisation expense	(16,936)	(16,936)
Balance at 30 June 2018	(16,936)	(16,936)

Carrying amounts

<i>In dollars</i>	Website and software	Total
Balance at 30 June 2017	151,995	151,995
Balance at 30 June 2018	33,873	33,873

9. INTANGIBLE ASSETS (CONTINUED)

Significant accounting policies

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised.

Impairment

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

10. TRADE AND OTHER PAYABLES

<i>In dollars</i>	2018	2017
Trade payables	90,226	676,925
Sundry payables and accrued expenses	615,369	241,833
Related party payables	744,521	355,687
Total trade and other payables	1,450,116	1,274,445
Current	1,450,116	1,274,445
Non-current	-	-
Total trade and other payables	1,450,116	1,274,445

Significant accounting policies

Trade and other payables represent liabilities for goods and services provided to the business prior to the end of the reporting date which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

11. EMPLOYEE BENEFIT LIABILITIES

<i>In dollars</i>	2018	2017
Liability for annual leave	157,091	115,766
Liability for superannuation	122,348	125,497
Total employee benefit liabilities	279,439	241,263
Current	279,439	241,263
Non-current	-	-
Total employee benefit liabilities	279,439	241,263

Significant accounting policies

Employee benefits represents amounts accrued for annual leave and long service leave. The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the Company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled in the next 12 months. However, these amounts must be classified as current liabilities since the Company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The Company recognises a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods to service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

FARMAFORCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

12. ISSUED CAPITAL

	Number of shares	\$
In issue at 1 July 2016	127,500,980	8,068,859
Movements throughout the period	-	-
In issue at 30 June 2017	127,500,980	8,068,859
Issue of ordinary shares	300,000	60,000
In issue at 30 June 2018	127,800,980	8,128,859

All ordinary shares rank equally with regard to the Company's residual assets. The holders of these shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

The Company does not have authorised capital or par value in respect of its shares. All issued shares are fully paid.

Dividends

No dividend was declared or paid by the Company for the year (2017: nil).

Loyalty options

The Company has 19,002,500 Loyalty options on issue exercisable at 20 cents each between 24 to 36 months after the date of admission of the Company's shares to the Official List of the ASX, being 23 October 2015 (FY17: 19,302,500 Loyalty Options on issue). The option holders must be holding the underlying shares, being one share for one option, to be able to exercise the option.

Capital management

Management control the capital of the Company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital include ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Significant accounting policies

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. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

13. EARNINGS PER SHARE (EPS)

The calculation of basic earnings per share has been based on the following loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

Loss attributable to ordinary shareholders

<i>In dollars</i>	2018	2017
Loss for the period attributable to owners of FarmaForce Limited	(482,828)	(2,307,433)

Weighted-average number of ordinary shares

<i>In number of shares</i>	2018	2017
Weighted-average number of ordinary shares at end of the period	127,642,350	127,500,980

Earnings per share

<i>In cents per share</i>	2018	2017
Basic loss per share (cents)	(0.38)	(1.81)
Diluted loss per share (cents)	(0.38)	(1.81)

Basic earnings per share is calculated as earnings for the period attributable to the Company over the weighted average number of shares.

Diluted earnings per share is calculated as earnings for the period attributable to the Company over the weighted average number of shares which has been adjusted to reflect the number of shares which would be issued if outstanding options and performance rights were to be exercised. However due to the statutory loss attributable to the Company for both the financial year ended 30 June 2018 and the comparative period ended 30 June 2017, the effect of these instruments has been excluded from the calculations of diluted earnings per share for both periods as they would reduce the loss per share.

FARMAFORCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2017

14. INVESTMENT IN ASSOCIATES

The percentage ownership interest is equivalent to the percentage voting rights for all investments.

Entity name	Country of incorporation	Ownership interest 2018	Ownership interest 2017
Associates			
New Frontier Holdings LLC ("New Frontier")	USA	20%	20%
Nereid Enterprises Pty Ltd	AUS	20%	20%
Nereid Enterprises LLC	USA	20%	20%

Summary financial information

None of the associates are listed on a stock exchange. The investments in associates is equity accounted using audited financial information.

<i>In AUD</i>	2018	2017
(i) Summarised statement of comprehensive income		
Revenue	-	-
Loss after tax	(198,283)	(152,778)
Other comprehensive income/(loss)	1,206	(2,921)
Total comprehensive loss	(197,077)	(155,699)
Dividends received from associate	-	-
(ii) Summarised balance sheet		
Total assets	1,168,739	1,205,807
Total liabilities	(28,441)	105,242
Net assets as at reporting date	1,140,298	1,100,565
Company's ownership interest	20%	20%
Carrying value at end of period	228,060	220,113

Significant accounting policies

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for in the Company's financial statements using the equity method of accounting, after initially being recognised at cost.

The Company's share of the associates post-acquisition profits or losses are recognised in the statement of profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment. When the Company's share of losses in an equal or exceeds its interest in the associate, including secured and unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

FARMAFORCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

15. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

<i>In dollars</i>	2018	2017
Cash flows from operating activities		
Loss for the period	(482,828)	(2,307,433)
Adjustments for:		
Depreciation	58,705	48,515
Share of loss of associated companies	28,653	57,959
Impairment expense	101,186	-
	(294,284)	(2,200,959)
Changes in:		
Trade and other receivables	(852,657)	(240,655)
Other assets	361	62,044
Trade and other payables	273,572	1,063,738
Income in advance	1,135,050	178,024
Employee benefits	38,176	40,422
	594,502	1,103,573
Net cash used in operating activities	300,218	(1,097,386)

CORPORATE DIRECTORY

ACN 167 748 843

Directors

George Elias, *Chair*

Dr George Syrmalis

Con Tsigounis

Harry Simeonidis, *General Manager*

Company secretary

Gerardo Incollingo

General manager

Harry Simeonidis

Registered office

Level 9, 85 Castlereagh Street

Sydney, NSW 2000

Principal place of business

Level 9, 85 Castlereagh Street

Sydney, NSW 2000

Share register

Boardroom Pty Limited

Level 12, 225 George Street

Sydney NSW 2000

Auditors

RSM Australian Partners

Level 3, 60 Castlereagh Street

Sydney NSW 2000

Stock exchange listings

FarmaForce Limited shares are listed on the ASX Limited (ASX:FFC).

Website address

www.farmaforce.com.au