

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 2016

Results for Announcement to the Market

Key Information	Half-year Ended 31 December 2016	Half-year Ended 31 December 2015	% Change
	\$	\$	
Revenue from ordinary activities	17,862,339	7,320,096	144%
Profit after tax from ordinary activities attributable to members	1,889,384	163,020	1059%
Net profit attributable to members	1,889,384	163,020	1059%

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 31 December 2016	Previous Corresponding Period 30 June 2016
	\$/Share	\$/Share
Net tangible assets per share	0.0046	0.0026

Control Gained or Lost over Entities in the Half-year

On 8 August 2016, the company disposed of its 100% interest in Roxdale Foods Limited. Roxdale Foods Limited contributed \$17,764 profit to the Group’s consolidated profit from ordinary activities during the period.

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

Interim Report – 31 December 2016

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group (Group) for the half-year ended 31 December 2016.

Directors

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

Bill Nikolovski	Chief Executive Officer and Managing Director
Matthew Bailey	Non-executive Director
Hong Wang	Non-executive Director
Minna (Norman) Rong	Non-executive Director
Graham Duff	Non-executive Director, Chairman (appointed 1 September 2016)
Domenic Martino	Non-executive Director, Chairman (resigned 1 September 2016)

Principal Activities

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

- the manufacture of a range of functional juices, fibres, infused fruits, fruit waters, infused waters and bioactives for sale as branded products and/or ingredients;
- the provision of co-packing and logistics services to third parties; and
- the research and development of various innovative food related technologies to develop new functional food products and ingredients.

The Group's operations are conducted in Australia and New Zealand, with the New Zealand Operations were sold on 19th December 2016.

Review of Operations

Significant Activities

During the half-year, the Group successfully launched a number of new branded products into the domestic grocery channel.

The Group also significantly restructured its core activities. It has focused the business on making finished consumer products and divested its Roxdale business unit in New Zealand on 19th December 2016 and entered into a contract to sell its bioactive Intellectual property and lease some of the assets to Defugo Group Australia Pty Ltd, which was signed in Jan 2017. As a part of this restructuring it has significantly reduced its overhead in its plants and boosted its marketing and sales divisions. The IP to be sold under this agreement was reclassified as an asset held for sale.

The Group announced it will buy Healthy Warrior and Future Generation Food. It also proposed to raise \$10M in equity. With the decline of the share price the directors felt that the acquisition and capital raise was to dilutive on existing shareholders and therefore chose not to proceed with the acquisition and associated capital raise. The Group will not revisit this acquisition.

Domenic Martino resigned on the 1 September 2016 as Chairman of the Group. Graham Duff AM was appointed Chairman of the group.

The Group paid \$1.6 M off its debts and accrued interest.

Class A performance rights and shares vested. This was a total of 80 million shares.

DIRECTORS' REPORT

Operating Results

– Revenue

Gross sales for the Group were \$17,86M, up by 144% from the prior period. Growth was mainly due to its Thirsty Brothers business unit. Revenue from the Group's non-branded bottling and ingredient operations comprised approximately 60% of Group revenue, while revenue from the grocery channel comprised approximately 40% of Group revenue. The proportion of sales to the grocery channel is expected to increase as a result of the full year impact of sales into the grocery channel.

Other revenue was \$0.23M from proceeds from Roxdale sale and \$1.8M from R&D, the prior year R&D was \$4.0M.

– Gross Profit

The gross profit margin for the half-year was 46% or net margin after trading terms of approx. 52% compared to the prior half year of 33%.

The Group changed the accounting treatment of its direct cost in 2016 year. This change was made as costs originally classified as direct cost were not predominantly variable (and so are more accurately classified as indirect cost or overhead) and to ensure consistency between operating subsidiaries.

The Group has four main categories of direct cost comprising fresh fruit, raw materials, direct labour, packaging, and trading terms/ similar marketing costs. A key focus for the business is the improvement of gross margins through active management of these costs.

Gross margins have been positively impacted by the change in product mix (as sales of branded products into the grocery channel have increased since April 2016), and negatively impacted by the Group's ingredient.

– Overhead

The Group has four main cost areas: employment, administrative, operating costs (including utilities, freight costs, pallet/ bin hire, repairs & maintenance, and consumables costs) and marketing expenses. As is the case for direct cost, a key focus for the business is the improvement of profitability through active management of these areas of cost. Overhead is expected to reduce as a result of the Group's current restructuring plans for its ingredient, bioactive and New Zealand businesses. While innovation will continue to be a key for the business, current focus is on commercialising this IP in the short term.

The group marketing and promotions expenses were approximately \$0.4M for the half-year. Deals and promotions were taken up as direct costs. The Group spent a further \$0.2M in juice samples and promotions which were also a direct cost.

Transactions cost of \$1.11M covering legal, accounting, break fees, consultants in regards to the Healthy Warrior and Future Generation Food transaction, sale of Roxdale, sale of the IP and leasing of the agreement.

DIRECTORS' REPORT

– Profit

The profit from continuing operations was \$3.02M for the half-year and an EBITDA of \$3M compared to the prior period of \$2.17M. This result includes a number of one of costs, as set out below. Normalised EBITDA for the half-year was \$3.9M.

Normalised EBITDA (Reconciliation)

Statutory EBITDA from continuing operations	\$3,031,373
Less:	
Profit from sale of Roxdale (see note:4 (ii))	(\$230,583)
Add:	
Transaction cost (legal, accounting, break fees and consulting) for sale of assets to Defugo and Healthy Warrior	\$1,110,062
RTO related transaction costs	\$51,654
Underlining EBITDA from continuing operations	\$3,962,506

– Tax

The Group consolidate for tax purposes. This resulted in has unrestricted prior year losses as at the end of the financial year 2016 of \$2.13M. This corresponds to a deferred tax asset of \$0.64M. The Group also has transferred losses generated from its consolidating entities amounting to \$11.6M. These were previously not taken up in the Group's balance sheet.

During the half-year, the Group recognised deferred tax assets of \$1.13M to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

– Financial Position

The net assets of the consolidated Group have increased by \$1.85M from 30 June 2016 to \$10.51M in 2016. This increase is largely due to the following factors:

- Profits from the Group's operations;
- Booking deferred tax assets of \$1.01M.

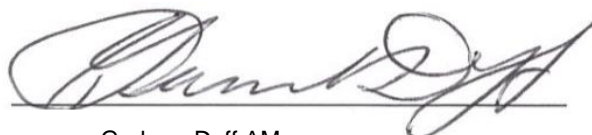
The loss from discontinued operations of the NZ plant and Ingredients business \$1,132,234 for the half-year. It should be noted that some of these cost from the business will remain with the Group but be offset by income from leasing assets and rent.

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 2016.

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

Director



Graham Duff AM

Dated this 28 day of February 2017

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

**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

GPO Box 3555
Sydney NSW 2001

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I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2016 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
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner

Dated: 28 February 2017

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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 2016

		Consolidated Group	
	Note	Half-year Ended 31 December 2016 \$	Half-year Ended 31 December 2015 \$
Continuing operations			
Revenue		17,862,339	7,320,096
Cost of sales		(9,721,893)	(4,935,392)
Gross profit		8,140,446	2,384,704
Other income		2,262,585	4,005,556
Administrative expenses		(1,928,736)	(946,188)
Depreciation and amortisation		(731,762)	(750,162)
Employment costs		(2,543,090)	(1,711,146)
Finance costs		(291,104)	(581,280)
Marketing expenses		(471,650)	(104,447)
Operating costs		(2,354,516)	(1,459,746)
RTO related transaction costs		(51,654)	-
Other expenses		(22,012)	-
Profit before income tax		2,008,507	837,291
Income tax benefit		1,013,111	-
Profit from continuing operations		3,021,618	837,291
Loss from discontinued operations	4	(1,132,234)	(674,271)
Profit for the period	2	1,889,384	163,020
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		11,161	(4,167)
Transfer to profit or loss upon disposal		(50,714)	-
Total other comprehensive income for the period		(39,553)	(4,167)
Total comprehensive income for the period		1,849,831	158,853
Basic and diluted earnings per share		Cents	Cents
— continuing and discontinued operations		0.51	2.04
— continuing operations		0.81	10.47
— discontinued operations		(0.30)	(8.43)

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 2016

	Note	Consolidated Group	
		As at 31 December 2016	As at 30 June 2016
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		785,032	2,301,232
Trade and other receivables		7,788,447	4,377,113
Inventories		2,502,871	2,583,626
Assets held for sale	4	588,507	822,479
Other assets		69,254	69,051
TOTAL CURRENT ASSETS		11,734,111	10,153,501
NON-CURRENT ASSETS			
Plant and equipment	6	8,784,896	9,341,405
Intangible assets	7	7,760,620	7,870,519
Deferred tax assets		1,013,111	-
Other assets		7,614	176,101
TOTAL NON-CURRENT ASSETS		17,566,241	17,388,025
TOTAL ASSETS		29,300,352	27,541,526
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		7,336,516	6,187,766
Borrowings	8	3,043,691	3,000,000
Provisions		399,746	376,209
Deferred consideration liability	9	1,037,239	2,495,237
Liabilities held for sale	4	276,278	129,957
TOTAL CURRENT LIABILITIES		12,093,470	12,189,169
NON-CURRENT LIABILITIES			
Deferred consideration liability	9	6,600,000	6,600,000
Provisions		98,259	93,565
TOTAL NON-CURRENT LIABILITIES		6,698,259	6,693,565
TOTAL LIABILITIES		18,791,729	18,882,734
NET ASSETS		10,508,623	8,658,792

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	Consolidated Group	
		As at 31 December 2016	As at 30 June 2016
		\$	\$
EQUITY			
Issued capital	9	31,938,197	31,938,197
Foreign currency translation reserve		-	39,553
Options reserve		526,252	526,252
Revaluation surplus		1,095,570	1,095,570
Accumulated losses		(23,051,396)	(24,940,780)
TOTAL EQUITY		10,508,623	8,658,792

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 2016

Consolidated Group	Note	Ordinary Share Capital	Accumulated Losses	Foreign Currency Translation Reserve	Revaluation Surplus	Options Reserve	Total
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2015		11,040,000	(18,737,673)	46,262	1,095,570	-	(6,555,841)
Comprehensive income							
Profit for the period		-	163,020	-	-	-	163,020
Other comprehensive income for the period		-	-	(4,167)	-	-	(4,167)
Total comprehensive income for the period		-	163,020	(4,167)	-	-	158,853
Total transactions with owners and other transfers		-	-	-	-	-	-
Balance at 31 December 2015		11,040,000	(18,574,653)	42,095	1,095,570	-	(6,396,988)
Balance at 1 July 2016		31,938,197	(24,940,780)	39,553	1,095,570	526,252	8,658,792
Comprehensive income							
Profit for the period		-	1,889,384	-	-	-	1,889,384
Other comprehensive income for the period		-	-	(39,553)	-	-	(39,553)
Total comprehensive income for the period		-	1,889,384	(39,553)	-	-	1,849,831
Total transactions with owners and other transfers		-	-	-	-	-	-
Balance at 31 December 2016		31,938,197	(23,051,396)	-	1,095,570	526,252	10,508,623

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 2016**

	Consolidated Group	
	Half-year Ended 31 December 2016	Half-year Ended 31 December 2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	15,313,885	5,798,843
Payments to suppliers and employees	(17,053,078)	(12,100,953)
Interest received	21,760	-
Finance costs	(291,104)	(603,040)
R&D refund/ government grants received and income tax paid	1,060,802	4,005,556
Net cash (used in)/provided by operating activities	<u>(947,735)</u>	<u>(2,899,594)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(24,241)	(35,240)
Proceeds of plant and equipment	(178,807)	(488,872)
Proceeds from disposal of Roxdale	1,048,890	-
Net cash (used in)/provided by investing activities	<u>845,842</u>	<u>(524,112)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	3,585,693	2,819,793
Repayment of borrowings	(5,000,000)	-
Net cash (used in)/provided by financing activities	<u>(1,414,307)</u>	<u>2,819,793</u>
Net decrease in cash held	(1,516,200)	(603,913)
Cash and cash equivalents at beginning of period	2,301,232	2,233,649
Cash and cash equivalents at end of period	<u><u>785,032</u></u>	<u><u>1,629,736</u></u>

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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 2016 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 2016, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 28 February 2017.

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 as follows:

Research and development funding

Research and development funding received under the Commonwealth Government's Research and Development Tax Incentive Regime are recognised as other income once it is probable that the Group will receive the benefit.

The Group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

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 2016, the Group incurred cash outflows from operating activities of \$947,735 and as of that date, the Group had a net current liability position of \$359,359.

The directors believe that the Group will be able to pay its debts as and when they become due and payable. In reaching this conclusion the directors have had regard to the Group having available cash reserves to meet expected operating, investing and financing costs in the next twelve months based on internal financial modelling.

Specifically, the directors note that:

- The Group expects to generate positive cash flow from operations going forward as a result of its sale of the bioactive Intellectual Property, sale of the NZ operations and restructure of its ingredients business, together with its current sales into the Australian grocery channel;
- The forecast cash balance of the Group at the end of February 2018 is expected to be \$2.9m.
- The underlying profit of the group's continuing operations are positive.

In the event that the Group cannot continue as a going concern, it may not be able to realise its assets and settle its liabilities in the normal course of operations and at the amounts stated in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

d. **Critical Accounting Estimates and Judgements**

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the interim financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. Significant judgement is required in assessing the impact of any legal or economic limits to utilise these deferred tax assets that was brought to account to the interim financial report.

NOTE 2: PROFIT FOR THE PERIOD

	Consolidated Group	
	Half-year Ended 31 December 2016	Half-year Ended 31 December 2015
	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Research and development funding	1,828,719	4,005,556
Net gain on disposal of investment in controlled entity ¹	230,582	-

¹ On 8 August 2016, the Group entered into a binding terms sheet to divest Roxdale Foods Limited to Defugo Bioceuticals Pte Ltd. The sale was completed on 19 December 2016.

NOTE 3: DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 4: ASSETS AND LIABILITIES HELD FOR SALE

(i) *Divestment of concentrate and NFC production business*

On 19 December 2016, the Group entered into a binding term sheet with Defugo Group Australia Pty Ltd to divest the business producing natural functional food, beverage and nutraceutical products principally to its wholly-owned subsidiary, Langtech Bottling Pty Ltd for consideration of \$1,725,000. Accordingly, the associated business assets (discontinued operation) are presented as a disposal group held for sale. The divestment of the business enables the group to focus on branded product manufacturing and sales. The divestment was completed on 17 January 2017.

The financial performance and position of the discontinued operation are presented as follows:

	Half-year Ended 31 December 2016 \$	Half-year Ended 31 December 2015 \$
Revenue	769,471	1,161,766
Expenses	(1,919,469)	(1,836,037)
Loss before income tax	(1,149,998)	(674,271)
Income tax expense	-	-
Loss attributable to members of the parent entity	(1,149,998)	(674,271)

	As at 31 December 2016 \$
CURRENT ASSETS	
Trade and other receivables	119,556
Inventories	231,257
Other assets	100,000
NON-CURRENT ASSETS	
Plant and equipment	6,244
Intangible assets - intellectual property	131,450
Total assets held for sale	588,507
CURRENT LIABILITIES	
Trade and other payables	246,183
Provisions	30,095
Total liabilities held for sale	276,278

(ii) *Divestment of Roxdale business*

On 8 August 2016, the Group entered into a binding terms to divest Roxdale Foods Limited to Defugo Bioceuticals Pte Ltd. The sale was completed on 19 December 2016. Roxdale recorded a profit before tax of \$17,764 for the period to the date of disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 4: ASSETS AND LIABILITIES HELD FOR SALE

Details of the sale are presented as follows:

	As at 19 December 2016
	\$
Consideration received or receivable – cash	1,198,890
Settlement of inter-company loan balances	(755,769)
	<u>443,121</u>
Carrying amount of net assets sold	(212,539)
Gain on sale before income tax	230,582
Income tax expense	-
Gain on sale after income tax	<u>230,582</u>
The carrying amounts of assets and liabilities as at the date of disposal (19 December 2016) were:	
Trade and other receivables	100,036
Inventories	547,217
Plant and equipment	194,795
Total assets	<u>842,048</u>
Trade and other payables	68,765
Current tax liabilities	56,206
Provisions	36,867
Borrowings	467,671
Total liabilities	<u>629,509</u>
Net assets	<u>212,539</u>

Transaction costs \$450,000 have been included within "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

NOTE 5: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 6: PLANT AND EQUIPMENT

	Consolidated Group	
	As at 31 December 2016	As at 30 June 2016
	\$	\$
Plant and equipment:		
At cost	14,311,290	14,221,169
Accumulated depreciation	(5,642,517)	(4,968,180)
	<u>8,668,773</u>	<u>9,252,989</u>
Office equipment:		
At cost	181,963	99,521
Accumulated depreciation	(65,840)	(11,105)
Leased plant and equipment:	<u>116,123</u>	<u>88,416</u>
Total plant and equipment	<u><u>8,784,896</u></u>	<u><u>9,341,405</u></u>

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			
Half-year Ended 31 December 2016			
Balance at 1 July 2014	9,252,989	88,416	9,341,405
Additions	90,121	88,686	178,807
Depreciation expense	(674,337)	(54,735)	(729,072)
Transfer to assets held for sale	-	(6,244)	(6,244)
Balance at 31 December 2016	<u>8,668,773</u>	<u>116,123</u>	<u>8,784,896</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 7: INTANGIBLE ASSETS

	Consolidated Group	
	As at 31 December 2016	As at 30 June 2016
Intellectual property:		
Cost	-	345,698
Accumulated impairment losses	-	(235,799)
Net carrying amount	-	109,899
Brands:		
Cost	6,914,999	6,914,999
Accumulated amortisation and impairment losses	-	-
Net carrying amount	6,914,999	6,914,999
Product development costs:		
Cost	142,259	142,259
Accumulated amortisation and impairment losses	-	-
Net carrying amount	142,259	142,259
Goodwill:		
Cost	702,268	702,268
Accumulated impairment losses	-	-
Net carrying amount	702,268	702,268
Formation expenses:		
Cost	1,094	1,094
Accumulated impairment losses	-	-
Net carrying amount	1,094	1,094
Total intangible assets	7,760,620	7,870,519

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 7: INTANGIBLE ASSETS

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:

	Goodwill	Brand	Intellectual property	Product development costs	Formatio n expenses	Total
	\$	\$	\$	\$	\$	\$
Consolidated Group:						
Balance at 1 July 2016	702,268	6,914,999	109,899	142,259	1,094	7,870,519
Additions	-	-	24,241	-	-	24,241
Amortisation charge	-	-	(2,690)	-	-	(2,690)
Transfer to assets held for sale	-	-	(131,450)	-	-	(131,450)
Balance at 31 December 2016	702,268	6,914,999	-	142,259	1,094	7,760,620

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 8: BORROWINGS

	As at 31 December 2016	As at 30 June 2016
	\$	\$
CURRENT		
Secured liabilities:		
Loan – GIM	3,043,691	3,000,000
Total current borrowings	3,043,691	3,000,000

Loan from GIM is secured, bears 7.5% interest p.a. and repayable within six months from the date of disbursement.

NOTE 9: DEFERRED CONSIDERATION LIABILITY

	As at 31 December 2016	As at 30 June 2016
	\$	\$
CURRENT		
Deferred consideration liability	1,037,239	2,495,237
	1,037,239	2,495,237
NON-CURRENT		
Deferred consideration liability	6,600,000	6,600,000
	6,600,000	6,600,000
Total deferred consideration liability	7,637,239	9,095,237

On 29 September 2016, the Group entered into a revised repayment schedule with Golden Circle/Heinz to fund the juicing assets at Laverton and bottling assets at Mill Park. The key terms are as follows:

- The remaining \$1,037,239 would be paid (i) \$300,000 on or before 3 October 2016; (ii) \$700,000 on or before 15 December 2016; (iii) \$300,000 on or before 15 April 2017; (iv) \$600,000 on or before 15 July 2017; and
- The final payment of \$6,600,000 plus accrued interest is to be paid on or before 30 September 2018

The Group provided a second ranking security over its current and future assets to Golden Circle/Heinz (in subordination to GIM facility).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 10: ISSUED CAPITAL

	Note	As at 31 December 2016	As at 30 June 2016
		\$	\$
374,064,871 (30 June 2016: 294,064,871) fully paid ordinary shares	a	31,495,205	31,242,066
102,942,097 (30 June 2016: 164,413,146) performance shares	b	325,732	520,241
37,057,903 (30 June 2016: 55,586,854) performance rights	c	117,260	175,890
		<u>31,938,197</u>	<u>31,938,197</u>

	No.	\$
a. Ordinary Shares		
Balance at 1 July 2016	294,064,871	31,242,066
Shares issued on the exercise of A class performance shares – 2 August 2016	61,471,049	194,509
Shares issued on the exercise of A class performance rights – 2 August 2016	18,528,951	58,630
Balance at 31 December 2016	<u>374,064,871</u>	<u>31,495,205</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.

	No.	\$
b. Performance Shares		
Balance at 1 July 2016	164,413,146	520,241
Exercise of A Class performance shares – 2 August 2016	(61,471,049)	(194,509)
Balance at 31 December 2016	<u>102,942,097</u>	<u>325,732</u>

On 11 February 2016, as part of the reverse takeover transaction, the Company issued 164,413,146 performance shares to certain vendors of LangTech International Pty Ltd.

These performance shares comprised 61,471,049 A Class performance shares, 46,103,286 B Class performance shares and 56,838,811 C Class performance shares. The A Class performance shares automatically convert into ordinary shares upon the Group achieving gross sales of at least \$1m per month for three consecutive months from branded product sales, where those sales achieve an average gross profit margin of at least 35%, and where the Group spends less than \$2m on marketing to achieve such sales. The B Class performance shares automatically convert into ordinary shares upon LangTech and its subsidiaries achieving an EBITDA run rate (calculated by extrapolating historic EBITDA over any given 6 month period over year) of \$5m or more. The B Class performance shares lapse if the run rate is not achieved by the earlier of release of the Group's results for financial year 2017 and 30 September 2017. The C Class performance shares automatically convert into ordinary shares upon LangTech and its subsidiaries achieving an EBITDA run rate (calculated by extrapolating historic EBITDA over any given 6 month period over year) of \$10m or more. The C Class performance shares lapse if the run rate is not achieved by the earlier of release of the Group's results for financial year 2018 and 30 September 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 10: ISSUED CAPITAL

On 2 August 2016, the Group announced that the milestones for the conversion of the A Class performance shares had been met.

	No.	\$
c. Performance Rights		
At the beginning/end of the reporting period	55,586,854	175,890
Exercise of performance rights – 2 August 2016	(18,528,951)	(58,630)
Balance at 31 December 2016	37,057,903	117,260

On 11 February 2016, as part of the reverse takeover transaction, the Company issued 55,586,854 performance rights to certain vendors of LangTech International Pty Ltd.

These performance rights comprised 18,528,951 A Class performance rights, 13,896,714 B Class performance rights and 23,161,189 C Class performance rights. The A Class performance rights automatically convert into ordinary shares upon the Group achieving gross sales of at least \$1m per month for three consecutive months from branded product sales, where those sales achieve an average gross profit margin of at least 35%, and where the Group spends less than \$2m on marketing to achieve such sales. The B Class performance rights automatically convert into ordinary shares upon LangTech and its subsidiaries achieving an EBITDA run rate (calculated by extrapolating historic EBITDA over any given 6 month period over year) of \$5m or more.

The B Class performance rights lapse if the run rate is not achieved by the earlier of release of the Group's results for financial year 2017 and 30 September 2017. The C Class performance rights automatically convert into ordinary shares upon LangTech and its subsidiaries achieving an EBITDA run rate (calculated by extrapolating historic EBITDA over any given 6 month period over year) of \$10m or more. The C Class performance rights lapse if the run rate is not achieved by the earlier of release of the Group's results for financial year 2018 and 30 September 2018.

On 2 August 2016, the Group announcement that the milestones for the conversion of the A Class performance rights had been met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 11: CAPITAL AND LEASING COMMITMENTS

		Consolidated Group	
		As at 31 December 2016	As at 30 June 2016
		\$	\$
a.	Operating Lease Commitments		
	Non-cancellable operating leases contracted for but not recognised in the financial statements		
	Payable – minimum lease payments:		
	– not later than 1 year	1,101,685	1,120,980
	– later than 1 year but not later than 2 years	1,134,735	1,154,609
	– later than 2 years	678,203	1,299,562
		<u>2,914,623</u>	<u>3,575,151</u>
	Operating lease commitments relate to the Group's Mill Park and Laverton facility leases, together with the lease of certain plant and equipment.		
b.	Capital Expenditure Commitments		
	There are no capital commitments as at 31 December 2016 and 30 June 2016.		

NOTE 12: CONTINGENT LIABILITIES

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

NOTE 13: EVENTS AFTER THE END OF THE INTERIM PERIOD

- On the 19 December 2016, the Group entered into a sale agreement with Defugo to sell its bioactive IP for \$1.725M and lease the assets and sublease some of the Mill park premises for \$1.2M per annum for a 10 year period. The Group has also signed a preferred supplier agreement with Defugo for purchase of ingredients from them at market rates. These transactions were completed on 17 January 2017.
- The Group has engaged a consultant to sell its mining assets.
- On 23 January 2017, the Group drew down a further \$1m of the facility established with GIM such that Facility A has been fully drawn down as at the date of this report.

Other than the above, the directors are not aware of any significant events since the end of the interim period.

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 7 to 22, 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 entity's financial position as at 31 December 2016 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 company will be able to pay its debts as and when they become due and payable.

Director

Graham Duff AM



Dated this 28 day of February 2017

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

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

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

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Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of The Food Revolution Group Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 Food Revolution Group Limited 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 half-year 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of The Food Revolution Group Limited's financial position as at 31 December 2016 and its 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 Food Revolution Group Limited, 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*.

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

**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 Food Revolution Group Limited's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the group incurred cash outflows from operating activities of \$947,735 and as of that date, the group's current liabilities exceed its current assets by \$359,359. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore, the group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. Our conclusion is not modified in respect of this matter.



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner

Dated: 28 February 2017