



THE **FOOD**  
REVOLUTION  
GROUP

# 2018

ANNUAL REPORT

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The financial report is presented in Australian dollars.

## CORPORATE DIRECTORY

### Directors & Officers

Bill Nikolovski

Matthew Bailey

Minna (Norman) Rong

Executive chairman

Non-executive director

Non-executive director

### Postal Address

20 Heaths Court, Mill Park, VIC 3082

ASX code: FOD

### Share Registry

Advanced Share Registry

### Auditors

Hall Chadwick

Level 40, 2 Park Street, Sydney, NSW 2000

### Australian Securities

Exchange Centre

20 Bridge Street, Sydney, NSW 2000

### Solicitors

Piper Alderman

459 Collins Street, Melbourne, VIC 3000

### Web Address/Corporate Governance Statement

[www.thefoodrevolutiongroup.com.au](http://www.thefoodrevolutiongroup.com.au)



# EXECUTIVE CHAIRMAN'S MESSAGE

Welcome to the 2018 Annual Report for The Food Revolution Group (ASX: FOD), reflecting on a year in which our Company continued to grow its status as one of Australia's largest beverage and functional food manufacturers and distributors, and has taken important steps to position our Company for future growth, particularly in international markets.

The Food Revolution Group manufactures and distributes high quality juices and beverages, kombuchas, fibres, cold-pressed oils and waters at our processing facilities in Mill Park, Victoria. We sell products under our own brands, which include The Juice Lab, The Bucha Shop, Thirsty Brothers and Fruit Farm, and we also sell ingredients to other food producers.

Post year-end saw a massive development for our Company with the signing of a Chinese distribution agreement with Careline Australia Pty Ltd and \$20.25 million strategic investment in The Food Revolution Group led by Careline's CEO Dr Norman Li. This aims to expand our sales into China, where we see massive growth potential. Through the deal, subject to shareholder approval, Careline will be incentivised to rapidly grow FOD's sales through distribution and product expansion from ~A\$35 million to at least A\$100 million over the next three to five years via the issue of up to 190 million Performance Shares.

Dr Norman Li founded Careline in Sydney in the 1990s, growing it from a small shop in the western suburbs of Sydney to become a global exporter which manufactures, warehouses and packages health and skin care products, focused on Australia as well as international markets including China. It developed the OZ Care infant formula series with one of Australia's largest infant formula producers, which is sold in both domestic and international markets.

This agreement with Careline followed our execution of an agreement with Health More Pty Ltd in August 2018 to develop a range of exciting and innovative beverage products for distribution into cross-border e-commerce (CBEC) channels into the Chinese market. Entry into the Chinese market has been a huge long-term goal for The Food Revolution Group. Working with Careline is an important opportunity that will give us unprecedented access to the Chinese market. Careline has established a deep and proven understanding of Chinese consumers in its 20-plus years in business, and it has a growing sales network of more than 10,000 sales agents which will allow us to market our products directly to Chinese buyers. We are really excited about this new partnership and look forward to providing more details as we build our distribution and sales in China.

A highlight of 2018 was the launch of our kombucha range, The Bucha Shop, and this proved a popular addition to our product line, becoming one of the top three selling kombucha drinks in Australia and helping us increase sales of The Food Revolution Group products. We also launched the Replenish range and added new products to existing lines including The Juice Lab and Thirsty Brothers. Other exciting developments included the commencement of producing cold-pressed essential orange oil and our subsequent offtake deal with Natural Fractions to sell orange oil valued approximately \$1 million per annum over the next two years.

We have continued to examine ways to improve the productivity of our Mill Park plant, which has plenty of available capacity, and we expect our decision to work with Careline will enable us to use some of this additional manufacturing capacity in 2019.

We strengthened our management team during 2018, with John Fitzgerald appointed as Chief Financial Officer and Company Secretary, John Florey appointed as our new Chief Operating Officer and Pragya Sehgal as our new Head of Product Development. Subject to shareholder approval of the Careline deal and completion of the second tranche of the strategic investment, Dr Li will become Chairman of The Food Revolution Group Board, which will see us potentially gain many years of experience and knowledge of operating in a range of international markets.

The year ahead will also see us launch more new products currently in development including supplements, which we expect will boost our sales significantly in the Australian market. We expect The Food Revolution Group to capitalise on its opportunities for further growth in 2019 as we follow through on our plans, and I hope you will share the journey with us.

Bill Nikolovski



# OP

OPERATING &  
FINANCIAL REVIEW

## Financial report for the year ended 30 June 2018

### OPERATING AND FINANCIAL REVIEW

#### Principal Activities

The principal activities of the consolidated group (**Group**) during the financial year were:

- the manufacture of a range of functional juices, fibres, infused fruits and fruit waters 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 were conducted in Australia.

#### Significant Changes to Activities

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

There were no other significant changes in the nature of the consolidated Group's principal activities during the financial year.

#### Operating Results

##### Revenue

Gross sales for the Group were \$35,627,680 and net revenues after trading terms, volume rebates and other claims (**trading terms**) were \$33,124,645. Trading terms generally apply in respect of sales of product into the grocery channel. The Group commenced selling directly into the grocery channel from February 2016.

##### Gross Profit

The gross profit margin for the year was 40% compared to the prior year of 48%.

Gross margins have been positively impacted by the launch of several branded products and negatively impacted by the change in product mix as well as the increase in cost of fruit and ingredients.

##### Overhead Costs

FOD 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 as % to Net Revenue improved to 35.5% compared to 43.5% of Sales in FY2017. The results for this year are shown in the below table.

	2018	2017
	\$	\$
Employment costs	4,363,319	4,738,255
Administrative costs	2,603,656	3,573,298
Operating costs	4,206,920	4,543,478
Marketing costs	586,806	912,347
<b>Total</b>	<b>11,760,701</b>	<b>13,767,378</b>
% Net Revenue	35.5%	43.5%

### OPERATING AND FINANCIAL REVIEW

FOD continues to actively manage its overhead to right size its cost base for near term and medium term growth opportunities.

	2018	2017
	\$	\$
<b>Statutory profit after tax</b>	2,221,712	1,747,903
Income tax benefit	(1,159,623)	(652,291)
Depreciation, amortisation and write-offs	1,598,049	2,045,067
Finance costs	626,993	615,812
Impairment on financial and non-financial assets	1,246,679	212,000
<b>Normalised EBITDA</b>	<b>4,533,810</b>	<b>3,968,491</b>

#### Cash flow

Cash balances at year end increased to \$1,856,475 from the prior year balance of \$1,042,894.

#### Debt

Debt has increased by \$205,000 from \$10,200,000 to \$10,405,000 during the year as a result of refinancing. Borrowings including accrued interest increased by \$454,409 during the year from \$10,536,159 to \$10,990,568.

#### Financial Position

The net assets of the consolidated Group have increased by \$9,615,825 from 30 June 2017 to \$19,982,967 in 2018. This increase is largely due to a revaluation of plant and equipment at 31 December 2017 and an increase in earnings.

The directors believe the Group is in a strong and stable financial position to expand and grow its current operations.

#### Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

- On 30 November 2017, Hong Wang resigned as a director of the company.
- On 16 March 2018 Graham Duff resigned as Chairman of the Group and Bill Nikolovski was appointed Executive Chairman of the Group.
- On 30 April 2018, the Company signed an agreement with Greensill Capital for a \$10 million credit facility.
- On 1 May 2018, the company entered into a 15 year lease for the Mill Park premises with CPMG FM 01 Pty Ltd.

#### Events after the Reporting Period

The Group is pleased to announce it has signed a binding subscription deed with Careline Australia Pty Ltd (Careline) and its founder and CEO Dr Tao (Norman) Li that will see strategic investors headed by Careline and Dr Norman Li invest up to \$20.25 million in the Company (subject to shareholder approval). The parties have also committed to enter a distribution agreement to expand FOD's sales into China.

Refer to the ASX Announcement dated 10 September 2018 for further details.

## OPERATING AND FINANCIAL REVIEW

### Future Developments, Prospects and Business Strategies

Current areas of strategic focus of the Group include the following:

- Continuing to develop the Group's positioning as a leading, innovative, and disruptive functional food and beverage company in the Australian and Chinese market places;
- Expansion into complementary product categories

These areas of strategic focus, together with the current strategy of continuous improvement and adherence to quality control in existing markets, are expected to assist in the achievement of the consolidated Group's long-term goals and development of new business opportunities. Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is considered speculative.

### Environmental Issues

The consolidated Group's operations are not subject to significant environmental regulations under the laws of the Commonwealth and state.



# DI

## DIRECTOR'S REPORT



## DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to herein as the Group) consisting of The Food Revolution Group Limited and its controlled entities for the financial year ended 30 June 2018. The information in the preceding operating and financial review forms part of this directors' report for the financial year ended 30 June 2018 and is to be read in conjunction with the following information:

### General Information

#### Directors

The following persons were directors of The Food Revolution Group Limited during or since the end of the financial year up to the date of this report:

Bill Nikolovski – Chief Executive Officer and Managing Director (appointed as Chairman 16 March 2018)

Matthew Bailey – Non-Executive Director

Minna (Norman) Rong – Non-Executive Director

Hong Wang – Non-Executive Director (resigned 30 November 2017)

Graham Duff – Non-Executive Chairman (resigned 16 March 2018)

Particulars of each current director's experience and qualifications are set out later in this report.

#### Dividends Paid or Recommended

No dividends were paid or declared during the financial year.

#### Indemnifying Officers or Auditor

During or since the end of the financial year, no indemnities have been given and no agreements have been entered into to indemnify, and no insurance premiums have been paid or have been agreed to be paid.

#### Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

#### Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Hall Chadwick for non-audit services provided during the year ended 30 June 2018:

	\$
- Advisory services	3,500
- Other compliance related services	-
	<u>3,500</u>

### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 15 of the financial report.

### Options

During the year the following options lapsed:

Grant Date	Date of Expiry	Exercise Price	No.
11/02/2016	30/06/2018	\$0.12	7,351,622

Option holders do not have any rights to participate in any issues of shares or other interests of the company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period, other than as disclosed in the remuneration report.

For details of options issued to directors and executives as remuneration, refer to the remuneration report.

During the year ended 30 June 2018, no ordinary shares of The Food Revolution Group Limited were issued on the exercise of options granted. No further shares have been issued since year-end. No amounts are unpaid on any of the shares.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

### Information Relating to Current Directors and Company Officers

<b>Bill Nikolovski</b>	–	Executive Chairman
Experience	–	Board member since 11 February 2016.
Interest in Shares and Options–		42,513,302 ordinary shares (directly and indirectly held) and 22,503,913 performance shares in The Food Revolution Group Limited
Special Responsibilities	–	N/a
Directorships held in other– listed entities during the three years prior to the current year	–	None
<b>Matthew Bailey</b>	–	Non- Executive Director
Experience	–	Board member since 11 February 2016
Interest in Shares and Options–		47,000,000 ordinary shares (indirectly held) and 10,000,000 performance shares in The Food Revolution Group Limited
Special Responsibilities	–	Sales and Marketing leadership
Directorships held in other – listed entities during the three years prior to the current year	–	None
<b>Norman Rong</b>	–	Non- Executive Director
Experience	–	Board member since 11 February 2016
Interest in Shares and Options–		Nil
Special Responsibilities	–	China market growth
Directorships held in other– listed entities during the three years prior to the current year	–	None

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

**John Fitzgerald** – Chief Financial Officer and Company Secretary  
 Experience - Company Secretary since 16 August 2017  
 Interest in Shares and Options– Nil  
 Special Responsibilities – Chief Financial Officer  
 Directorships held in other– None  
 listed entities during the three years prior to the current year

**John Florey** – Chief Operating Officer  
 Experience - Chief Operating Officer since 1 April 2018  
 Interest in Shares and Options – Nil  
 Special Responsibilities – Operations and Business Development  
 Directorships held in other listed– None  
 entities during the three years prior to the current year

**Meetings of Directors**

During the financial year, 12 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Bill Nikolovski	12	12
Matthey Bailey	12	12
Hong Wang (2)	5	4
Norman Rong	12	9
Graham Duff (1)	8	8

Notes:

1. Resigned as Chairman 16 March 2018
2. Resigned as a director 30 November 2017

At this time there are no separate Board committees as all matters usually delegated to such committees are addressed by the Board as a whole.



# RE

## RENUNERATION REPORT

## REMUNERATION REPORT

### Remuneration Policy

The remuneration policy of The Food Revolution Group Limited (**FOD or the Company**) has been designed to align key management personnel (**KMP**) objectives with shareholder and business objectives by providing a fixed remuneration component and having regard to the current incentive to achieve revenue and earnings milestones pursuant to the performance shares issued to KMP as part of the acquisition of Langtech International Pty Ltd (**Langtech**) by the Company. The Board has also established an employee share option plan (**ESOP**) as part of the reverse takeover transaction in February 2016. To date no options have been granted under the ESOP. The Board believes the current remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the consolidated Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated Group is as follows:

- The remuneration policy is to be developed by the Board after professional advice is sought from independent external consultants.
- All KMP receive a base salary or services fee (which is based on factors such as length of service and experience), superannuation, and become eligible ESOP participants (subject to Board invitation).
- Other performance incentives (such as bonuses) are generally only paid once predetermined key performance indicators (KPIs) have been met.
- Incentives in the form of ESOP options are intended to align the interests of KMP and the Company with those of the shareholders.
- The remuneration committee reviews KMP packages annually by reference to the consolidated Group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on performance of the Group versus budget together with individual performance. All bonuses and incentives must be linked to predetermined performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance/results leading to long-term growth in shareholder wealth.

KMP receive a superannuation guarantee contribution required by the government, which is currently 9.5% of the individual's average weekly ordinary time earnings (AWOTE).

Other than the entitlements provided under the Group's defined contribution superannuation arrangements, KMP do not receive any other retirement benefits.

All remuneration paid to KMP is valued at the cost to the company and expensed.

The Board's policy is to remunerate KMP (including non-executive directors) at market rates for time, commitment and responsibilities. The board currently determines payments to KMP and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting.

Options granted under the ESOP do not carry dividend or voting rights. The board is responsible for determining any conditions attaching to the options (including issue price, exercise price, vesting conditions, and conditions of exercise).

### Engagement of Remuneration Consultants

The board did not engage any remuneration consultants during the financial year. The board will consider the appropriateness of appointing a remuneration consultant during FY19 to review the elements of KMP remuneration and to provide appropriate recommendations.

### Performance-based Remuneration

KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and, in some instances, relevant industry standards.

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

Performance in relation to the KPIs is assessed annually, with any KPI related bonuses being awarded based on achievement of the relevant KPIs (see below for further information regarding cash bonuses). Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, The Food Revolution Group Limited bases the assessment on audited figures and quantitative and qualitative data.

**Relationship between Remuneration Policy and Company Performance**

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on KPIs, and the second being the establishment of an ESOP (under which KMP are eligible participants, subject to Board invitation) to encourage the alignment of personal and shareholder interests.

The Board is of the opinion that the above remuneration policy will enhance company performance going forward.

Since re-listing in February 2016 and up until 30 June 2018, the Company's share price has shown significant volatility, reaching a low of \$0.039 and a high of \$0.275. The Board has decided to increase and maintain promotional activity among analysts so as to increase investor awareness of the company and to stabilise the company's share price in line with a consistent and stable financial position.

**Performance Conditions Linked to Remuneration**

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of cash bonus reward schemes, in particular the incorporation of incentive payments based on the achievement of Group budgets. The Group does not currently have any cash bonus rewards schemes tied to the company's share price, preferring at this stage to align such cash bonus rewards to operational performance.

The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders.

The satisfaction of the KPIs is based on a review of the audited financial statements of the Group.

REMUNERATION REPORT

Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, members of KMP of the consolidated Group. The table also illustrates the proportion of remuneration that was performance and non-performance based, having regard to the existing performance shares issued to KMP as part of the reverse takeover transaction in February 2016 together with the current shareholdings of KMP (see notes 1 to 3 below for further detail).

Group KMP	Position Held as at 30 June 2018 and any Change during the Year	Contract Details (Duration and Termination)	Proportions of Elements of Remuneration Related to Performance (Other than Options Issued)		Proportions of Elements of Remuneration Not Related to Performance
			Non-salary Cash-based Incentives	Shares/ Units	Fixed Salary/ Fees
			%	%	%
Graham Duff	Chairman (resigned 16 March 2018)	NED Appointment deed	-	-	100
Bill Nikolovski <sup>(1)</sup>	CEO and Executive Chairman (from 16 March 2018)	Employment contract <sup>(4)</sup>	-	-	100
Matthew Bailey <sup>(1)</sup>	Non- Executive Director	NED appointment deed <sup>(4)</sup>	-	-	100
Norman Rong <sup>(2)</sup>	Non -Executive Director	NED appointment deed <sup>(4)</sup>	-	-	100
Hong Wang <sup>(3)</sup>	Non -Executive Director (resigned 30 November 2017)	NED appointment deed <sup>(4)</sup>	-	-	100

Notes:

1. Mr Nikolovski and Mr Bailey hold C Class performance shares in the company. While these performance shares do not form part of such persons KMP's remuneration (rather they were issued to such persons as part of the acquisition of their respective shareholding in LangTech), these performance shares only convert to ordinary shares in FOD upon the achievement of certain revenue and EBITDA milestones. Accordingly, the Board believes such persons have adequate performance incentives, notwithstanding that this incentive originates from the sale of LangTech rather as remuneration for services provided.
2. Mr Rong represents Shenzhen Youngheng Biotechnology Co Limited (SYB), a substantial shareholder of FOD. As representative of one of the company's largest shareholders, the Board believes Mr Rong has adequate performance incentives by virtue of SYB's shareholding.
3. Mr Wang is a material shareholder in FRG. The Board believes Mr Wang had adequate performance incentives by virtue of his material shareholding.
4. Each contract is for an unspecified term with one exception. The employment contract for Mr Nikolovski is a 2 year contract to 31 December 2018 with 1 year rolling options and can be terminated with cause upon 1 month notice by the company and upon 3 months' notice by Mr. Nikolovski.

The employment terms and conditions of all KMP are formalised in contracts of employment, director appointment deeds or services contracts (as the case may be).

Terms of employment generally requires that KMP's are provided with a minimum of 1 months' notice (and up to 3 months' notice) prior to termination of such person's contract. KMP who are directors cannot be terminated by the company, other than in accordance with the Corporations Act 2001 (Cth). Termination payments are not payable on resignation or termination.

REMUNERATION REPORT

Remuneration Expense Details for the Year Ended 30 June 2018

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the consolidated Group. Such amounts have been calculated in accordance with Australian Accounting Standards.

Table of Benefits and Payments for the Year Ended 30 June 2018

		Short-term Benefits				Post-employment Benefits		Long-term Benefits		Equity-settled Share-based Payments(2)(3)		Cash-settled Share-based Payments	Termination Benefits	Total	
		Salary, Fees and Leave	Profit Share and Bonuses	Non-monetary	Other	Super-annuation	Other	Incentive Plans	LSL	Shares/ Units	Options/ Rights				
															\$
<i>Group KMP</i>															
Bill Nikolovski	2017	389,532	-	-	24,473	36,829	-	-	15,197	-	-	-	-	-	466,031
	2018	477,671	-	-	24,533	45,379	-	-	43,579	-	-	-	-	-	591,162
Matthew Bailey	2017	35,417	-	-	-	-	-	-	-	-	-	-	-	-	35,417
	2018	25,000	-	-	-	-	-	-	-	-	-	-	-	-	25,000
Norman Rong	2017	25,000	-	-	-	-	-	-	-	-	-	-	-	-	25,000
	2018	25,000	-	-	-	-	-	-	-	-	-	-	-	-	25,000
Hong Wang	2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Graham Duff	2017	190,165	-	-	-	-	-	-	-	-	-	-	-	-	190,165
	2018	120,000	-	-	-	-	-	-	-	-	-	-	-	-	120,000
John Fitzgerald	2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2018	177,394	-	-	-	2,606	-	-	-	-	-	-	-	-	180,000
John Fiorey	2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2018	50,000	-	-	-	4,750	-	-	-	-	-	-	-	-	54,750
<i>Total KMP</i>	2017	777,829	-	-	24,473	36,829	-	-	15,197	-	-	-	-	-	854,328
	2018	875,065	-	-	24,533	52,735	-	-	43,579	-	-	-	-	-	995,912

Securities Received that Are Not Performance-related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.



REMUNERATION REPORT

**KMP Shareholdings – Ordinary shares**

The number of ordinary shares in FOD held by each KMP of the Group during the financial year is as follows:

	Balance at Beginning of Year	Performance Share/Rights Converted to ordinary shares during the Year	Released from Escrow during the Year	Other Changes during the Year	Balance at End of Year
Bill Nikolovski <sup>(1)</sup>	41,013,302	-	-	1,500,000	42,513,302
Matthew Bailey <sup>(1)</sup>	45,000,000	-	-	2,000,000	47,000,000
Norman Rong	-	-	-	-	-
Hong Wang	7,500,000	-	-	-	7,500,000
Graham Duff	-	-	-	-	-
	93,513,302	-	-	3,500,000	97,013,302

The number of performance shares Class C in FOD held by each KMP of the Group during the financial year is as follows:

	Balance at Beginning of Year	Converted during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at End of Year
Bill Nikolovski <sup>(1)</sup>	22,503,913	-	-	-	22,503,913
Matthew Bailey <sup>(1)</sup>	10,000,000	-	-	-	10,000,000
Norman Rong	-	-	-	-	-
Hong Wang	-	-	-	-	-
Graham Duff	-	-	-	-	-
	32,503,913	-	-	-	32,503,913

Note:

1. Includes ordinary or performance shares held by related parties of Mr Nikolovski and Mr Bailey (i.e. Aubinvest Pty Ltd, Food Innovators Pty Ltd respectively).

**Other Equity-related KMP Transactions**

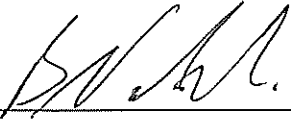
There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

**Other Transactions with KMP and/or their Related Parties**

There were no other transactions conducted between the Group and KMP or their related parties, apart from those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

The Food Revolution Group Limited (ABN 20 150 015 446)  
and Controlled Entities  
**DIRECTORS' REPORT**

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors:



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Bill Nikolovski , Executive Chairman

Dated: 26 September 2018



# AU

AUDITOR'S  
INDEPENDENCE  
DECLARATION

**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

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been no contraventions of:

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

*Hall Chadwick*

HALL CHADWICK  
Level 40, 2 Park Street  
Sydney NSW 2000

*Drew Townsend*

**DREW TOWNSEND**  
**Partner**  
Dated: 26 September 2018

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# ST

STATEMENT OF  
PROFIT OR LOSS

OR OTHER COMPREHENSIVE  
INCOME

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 YEAR ENDED 30 JUNE 2018

	Note	Consolidated Group	
		2018	2017
		\$	\$
<b>Net Revenue</b>	3	<b>33,124,645</b>	<b>31,661,503</b>
Cost of sales		(19,918,067)	(16,469,764)
<b>Gross profit</b>		<b>13,206,578</b>	<b>15,191,739</b>
Other income	3	3,158,663	2,517,577
Employment costs	4	(4,363,319)	(4,738,255)
Administration expenses		(2,603,656)	(3,573,298)
Marketing costs		(586,806)	(912,347)
Operating costs		(4,206,920)	(4,543,478)
Depreciation, amortisation and write-offs	4	(1,598,049)	(2,045,067)
Finance costs	4	(626,993)	(615,812)
RTO related transaction costs		(70,730)	(74,142)
Impairment on non-financial assets		(380,772)	-
Impairment on financial assets	9	(865,907)	(212,000)
<b>Profit before income tax</b>		<b>1,062,089</b>	<b>994,917</b>
Income tax benefit	19	1,159,623	652,591
<b>Profit from continuing operations</b>		<b>2,221,712</b>	<b>1,647,508</b>
Profit from discontinued operations	28	-	100,395
<b>Profit for the year</b>		<b>2,221,712</b>	<b>1,747,903</b>
<b>Other comprehensive income</b>			
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>			
Exchange differences on translating foreign operations, net of tax		-	11,161
Transfer to profit or loss upon disposal		-	(50,714)
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>(39,553)</b>
<b>Total comprehensive income for the year</b>		<b>2,221,712</b>	<b>1,708,350</b>
<b>Basic and diluted earnings per share (cents)</b>			
- continuing operations	7	0.51	0.43
- discontinued operations	7	-	0.03
- continuing and discontinued operations	7	0.51	0.46

The accompanying notes form part of these financial statements.



# ST

STATEMENT OF  
FINANCIAL POSITION

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Consolidated Group	
		2018	2017
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	1,856,475	1,042,894
Trade and other receivables	9	5,164,621	8,059,362
Inventories	10	2,960,842	2,484,325
Other assets	13	368,241	64,550
<b>TOTAL CURRENT ASSETS</b>		<b>10,350,179</b>	<b>11,651,131</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	11	17,358,242	7,017,306
Intangible assets	12	8,868,848	8,219,271
Deferred tax assets	19	3,457,046	652,591
Other assets	13	-	107,615
<b>TOTAL NON-CURRENT ASSETS</b>		<b>29,684,136</b>	<b>16,877,783</b>
<b>TOTAL ASSETS</b>		<b>40,034,315</b>	<b>28,528,914</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	5,133,342	7,017,249
Provisions	16	913,326	500,111
Borrowings	17	3,848,622	3,056,918
Deferred consideration liability	18	7,141,946	600,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>17,037,236</b>	<b>11,174,248</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	16	132,744	108,253
Deferred consideration liability	18	-	6,879,241
Deferred tax liabilities	19	2,881,368	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,014,112</b>	<b>6,987,494</b>
<b>TOTAL LIABILITIES</b>		<b>20,051,348</b>	<b>18,161,772</b>
<b>NET ASSETS</b>		<b>19,982,967</b>	<b>10,367,142</b>
<b>EQUITY</b>			
Issued capital	20	31,938,197	31,938,197
Options reserve	26	526,252	526,252
Revaluation surplus	26	8,489,683	1,095,570
Accumulated losses		(20,971,165)	(23,192,877)
<b>TOTAL EQUITY</b>		<b>19,982,967</b>	<b>10,367,142</b>

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 YEAR ENDED 30 JUNE 2018

	Issued Capital (Ordinary Shares)	Accumulated Losses	Revaluation Surplus	Foreign Currency Translation	Options Reserve	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	31,938,197	(24,940,780)	1,095,570	39,553	526,252	8,658,792
<b>Comprehensive income</b>						
Profit for the year	-	1,747,903	-	-	-	1,747,903
Other comprehensive income for the year	-	-	-	(39,553)	-	(39,553)
<b>Total comprehensive income for the year</b>	-	1,747,903	-	(39,553)	-	1,708,350
<b>Total transactions with owners, and other transfers</b>	-	-	-	-	-	-
<b>Balance at 30 June 2017</b>	<b>31,938,197</b>	<b>(23,192,877)</b>	<b>1,095,570</b>	<b>-</b>	<b>526,252</b>	<b>10,367,142</b>
<b>Balance at 1 July 2017</b>	<b>31,938,197</b>	<b>(23,192,877)</b>	<b>1,095,570</b>	<b>-</b>	<b>526,252</b>	<b>10,367,142</b>
<b>Comprehensive income</b>						
Profit for the year	-	2,221,712	-	-	-	2,221,712
Other comprehensive income for the year	-	-	7,394,113	-	-	7,394,113
<b>Total comprehensive income for the year</b>	-	2,221,712	7,394,113	-	-	9,615,825
<b>Total transactions with owners, and other transfers</b>	-	-	-	-	-	-
<b>Balance at 30 June 2018</b>	<b>31,938,197</b>	<b>(20,971,165)</b>	<b>8,489,683</b>	<b>-</b>	<b>526,252</b>	<b>19,982,967</b>

The accompanying notes form part of these financial statements.



# ST

STATEMENT OF  
CASH FLOWS

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated Group	
		2018	2017
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		40,017,753	30,401,304
Payments to suppliers and employees		(37,506,273)	(31,380,952)
Interest received		-	21,760
Finance costs		(626,993)	(615,812)
Net of R&D refund / government grants received and income tax paid		-	1,828,719
Net cash provided by operating activities	8a	1,884,487	255,019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for intangible assets		(1,124,248)	(405,613)
Payment for plant and equipment		(401,067)	(597,556)
Receipts from disposal of Roxdale		-	1,048,890
Net cash (used in) investing activities		(1,525,315)	45,721
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares, net of transaction costs		-	-
Proceeds from borrowings		3,805,000	7,740,922
Repayment of borrowings		(3,350,591)	(9,300,000)
Receipt of escrow deposits		-	-
Net cash provided by (used in) financing activities		454,409	(1,559,078)
Net increase (decrease) increase in cash held		813,581	(1,258,338)
Cash and cash equivalents at beginning of financial year		1,042,894	2,301,232
Cash and cash equivalents at end of financial year		1,856,475	1,042,894

The accompanying notes form part of these financial statements.



# NO

NOTES TO THE  
FINANCIAL  
STATEMENTS

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

These consolidated financial statements and notes represent those of The Food Revolution Group Limited and Controlled Entities (the "consolidated Group" or "Group").

The separate financial statements of the parent entity, The Food Revolution Group Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 26 September 2018 by the directors of the company.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Preparation**

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**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 year ended 30 June 2018, the Group delivered a profit after tax of \$2,221,712 and had cash inflows from operating activities of \$1,884,487.

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.

The Group has a net current asset deficit (current assets less current liabilities) of \$6,687,057. This includes the \$3.8m (net of transaction costs) which was drawn from the \$10M Greensill working capital facility on 30 April 2018 described in Note 11, and the Heinz deferred consideration which is repayable in September 2018 and is therefore classified as current. The Greensill working capital facility has an 18 month term but is classified as a current liability as the drawdowns can be rolled over and redrawn for periods of up to 120 days. An amount of \$6,100,000 is still available to be drawn under this facility and together with operating cash flows the Group has adequate financing proceeds to meet the repayment terms of the Heinz consideration. The Group is also evaluating other capital raising and debt refinancing alternatives.

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (The Food Revolution Group Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 14.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

The consolidated financial statements have been prepared using reverse acquisition accounting. In reverse acquisition accounting, the cost of the business combination is deemed to have been incurred by the legal subsidiary, Langtech International Pty Ltd (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent, The Food Revolution Group Limited (the acquiree for accounting purposes).

**Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

**Goodwill**

Goodwill is initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b. **Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The Food Revolution Group Limited (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to member of the tax consolidated group.

c. **Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c. **Fair Value of Assets and Liabilities**

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

d. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

e. **Plant and Equipment**

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

**Plant and equipment**

Plant and equipment are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated impairment losses and accumulated depreciation for plant and equipment.

Increases in the carrying amount arising on revaluation of plant and equipment are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

**Office equipment**

Office equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of office equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(h) for details of impairment).

The carrying amount of office equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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 group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

e. **Plant and Equipment**

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a diminishing value basis over the asset's useful life to the consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Leasehold improvements	15 years (Straight line Method)
Plant and equipment	15 years (Straight line method)
Office equipment	3 years (Straight line method)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

f. **Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

g. **Financial Instruments**

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

**Classification and subsequent measurement**

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

*Amortised cost* is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

g. **Financial Instruments**

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**Impairment**

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

**Derecognition**

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

h. **Impairment of Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg. in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i. **Intangibles Other than Goodwill**

**Brand**

Brand has been recognised on the 2016 acquisition of Thirsty Brothers Pty Ltd and is treated with an indefinite useful life. The brand names relate to established products with strong market penetration into the Australian grocery channel. The brand names operate in a stable industry with a strong positioning in the functional beverage market. The brand is not amortised, instead the brand is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

**Product development costs**

Product development costs will be amortised over 10 years, or where the product line is discontinued, the balance will be written off during that financial period.

**Intellectual property**

Intellectual property is recognised at cost of acquisition when incurred. Intellectual property has a useful life of 20 years, and is carried at cost less any accumulated depreciation and impairment losses. Intellectual property is amortised over the life of the patents it relates to.

**Research and development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

j. **Foreign Currency Transactions and Balances**

**Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

**Transactions and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

**Group companies**

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

k. **Employee Benefits**

**Short-term employee benefits**

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

**Other long-term employee benefits**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

**Equity-settled compensation**

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

i. **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

m. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

n. **Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method.

All revenue is stated net of the amount of goods and services tax.

o. **Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(g) for further discussion on the determination of impairment losses.

p. **Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

q. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

r. **Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income (or where there was increased expenditure as a result of the grant, are credited to the appropriate expense item) over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to the assets at fair value.

s. **Assets held for sale**

Non-current assets and disposal groups are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as "held for sale" occurs when: management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

s. **Assets held for sale**

A discontinued operation is a component of an entity, being a cash-generating unit (or a group of cash generating units), that either has been disposed of, or is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with the view to resale.

Impairment losses are recognised for any initial or subsequent write-down of an asset (or disposal group) classified as held for sale to fair value less costs to sell. Any reversal of impairment recognised on classification as held for sale or prior to such classification is recognised as a gain in Consolidated Profit or Loss and Other Comprehensive Income in the period in which it occurs.

t. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

u. **Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

**Key estimates**

(i) *Impairment – general*

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. Refer to Note 12(b) for further details regarding management's impairment assessment.

**Key judgements**

(i) *Provision for impairment of receivables*

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

(ii) *Recoverability of deferred tax assets*

Deferred tax assets are recognised for deductible temporary difference and unused tax losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences and unused tax losses. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits which may lead to impairment of the deferred tax asset.

(iii) *Valuation of plant and equipment*

Critical judgements are made by the group in respect of the fair value of plant and equipment. The fair value of plant and equipment is reviewed by management with reference to 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 market value is the amount in 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

v. **New Accounting Standards for Application in Future Periods**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

*AASB 9: Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard is applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may not have an impact on the Group's financial instruments.

*AASB 15: Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

This Standard replaces the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 applies to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

v. **New Accounting Standards for Application in Future Periods**

AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.



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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 2: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2018	2017
	\$	\$
<b>Statement of Financial Position</b>		
<b>ASSETS</b>		
Current assets	609,324	175,105
Non-current assets	20,195,065	14,091,934
<b>TOTAL ASSETS</b>	<u>20,804,389</u>	<u>14,267,039</u>
<b>LIABILITIES</b>		
Current liabilities	4,395,159	502,643
Non-current liabilities	-	-
<b>TOTAL LIABILITIES</b>	<u>4,395,159</u>	<u>502,643</u>
<b>EQUITY</b>		
Issued capital	20,427,008	20,427,008
Accumulated losses	(5,677,717)	(8,358,551)
Option reserve	1,659,939	1,695,939
<b>TOTAL EQUITY</b>	<u>16,409,230</u>	<u>13,764,397</u>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Total profit	2,680,834	429,664
<b>Total comprehensive income</b>	<u>2,680,834</u>	<u>429,664</u>

**Guarantees**

The company has a bank guarantee of \$590,589 (2017: \$nil) as security bond for the office lease.

**Contingent liabilities**

There are no contingent liabilities as at 30 June 2018 and 30 June 2017.

**Contractual capital commitments**

There are no contingent capital commitments as at 30 June 2018 and 30 June 2017.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 3: REVENUE AND OTHER INCOME

	Consolidated Group	
	2018	2017
	\$	\$
Gross sales	35,627,680	35,876,782
– Less trading terms and rebates	(2,503,035)	(4,215,279)
<b>Revenue</b>	<b>33,124,645</b>	<b>31,661,503</b>
Other income:		
– Research and development funding	1,932,367	1,828,719
– Insurance proceeds	-	-
– Rent income	1,202,000	649,475
– Interest income	-	21,760
– Sundry income	24,296	17,623
Total other income	3,158,663	2,517,577
Total revenue and other income from continuing operations	35,902,536	34,179,080

NOTE 4: EXPENSES

	Consolidated Group	
	2018	2017
	\$	\$
Income/(Loss) before income tax includes the following specific expenses:		
<b>a. Employment costs</b>		
– wages and salaries	3,580,582	3,887,247
– other employee related expenses	782,737	851,008
	4,363,319	4,738,255
<b>b. Depreciation, amortisation and write-offs</b>		
– depreciation and write-offs	1,504,150	2,040,656
– amortisation expenses	93,899	4,411
	1,598,049	2,045,067
<b>c. Finance costs</b>		
– interest expenses	366,181	375,087
– fees incurred on GIM loan	216,253	237,329
– other finance charges	44,559	3,396
	626,993	615,812

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2018.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2018	2017
	\$	\$
Short-term employee benefits	899,598	777,829
Post-employment benefits	52,735	61,302
Other long-term benefits	43,579	15,197
Total KMP compensation	<u>995,912</u>	<u>854,328</u>

**Short-term employee benefits**

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

**Post-employment benefits**

These amounts are the current-year's estimated costs of providing for the Group's superannuation contributions made during the year.

**Other long-term benefits**

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Further information in relation to KMP remuneration can be found in the directors' report.

NOTE 6: AUDITOR'S REMUNERATION

	Consolidated Group	
	2018	2017
	\$	\$
Remuneration of the auditor for:		
– audit of the financial statements	69,000	67,000
– other audit and advisory services	3,500	28,700
	<u>72,500</u>	<u>95,700</u>

The Food Revolution Group Limited (ABN 20 150 015 446)  
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 7: EARNINGS PER SHARE

		<b>Consolidated Group</b>	
		<b>2018</b>	<b>2017</b>
		<b>\$</b>	<b>\$</b>
<b>Basic and diluted loss per share</b>			
a.	Profit from continuing operations attributable to the ordinary equity holders of the Company	2,221,712	1,647,508
	Profit from discontinued operations attributable to the ordinary equity holders of the Company	-	100,395
	Profit attributable to the ordinary equity holders of the Company	2,221,712	1,747,903
		<b>No.</b>	<b>No.</b>
b.	Weighted average number of shares used as the denominator		
	Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	434,064,903	382,284,081
<b>Earnings per share</b>			
	Basic and diluted from continuing operations (cents)	0.51	0.43
	Basic and diluted from discontinued operations (cents)	-	0.03
	<b>Earnings per share (cents) – basic and diluted</b>	<b>0.51</b>	<b>0.46</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2018	2017
	\$	\$
Cash at bank and on hand	1,856,475	1,042,894
	<u>1,856,475</u>	<u>1,042,894</u>

a. Cash Flow Information

	Consolidated Group	
	2018	2017
	\$	\$
<b>Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>		
Profit after income tax	2,221,712	1,747,903
Depreciation, amortisation and write-offs	1,598,049	2,045,067
Impairment on financial assets	865,907	-
Impairment on non-financial assets	380,772	-
Gain on sale of LTC business assets	-	(1,925,469)
Changes in operating assets and liabilities:		
- Trade and other receivables	2,028,834	(1,777,249)
- Trade and other payables	(1,883,906)	(186,042)
- Inventories	(476,517)	99,301
- Assets/liabilities held for sale	-	692,522
- Other assets	(196,077)	72,987
- Provisions	437,706	138,590
- Deferred tax assets/liabilities	(3,091,993)	(652,591)
	<u>1,884,487</u>	<u>255,019</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 9: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2018	2017
	\$	\$
CURRENT		
Trade receivables	4,440,188	6,942,841
Other receivables	1,802,340	1,328,521
Less: impairment losses	(1,077,907)	(212,000)
Total current trade and other receivables	<u>5,164,621</u>	<u>8,059,362</u>

a **Credit Risk**

The Group has a significant concentration of credit risk arising from its ordinary course of business due to its relatively small customer base. The class of assets described as "trade and term receivables" is considered to be the main source of credit risk related to the Group.

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross Amount	Past Due and Impaired	Past Due but Not Impaired (Days Overdue)			Within Initial Trade Terms
			< 30	31-60	> 60	
	\$	\$	\$	\$	\$	\$
<b>2017</b>						
Trade and term receivables	6,942,841	212,000	2,260,211	840,308	396,251	3,234,071
Other receivables	1,328,521	-	-	-	-	1,328,521
Total	<u>8,271,362</u>	<u>212,000</u>	<u>2,260,211</u>	<u>840,308</u>	<u>396,251</u>	<u>4,562,592</u>
<b>2018</b>						
Trade and term receivables	4,440,188	497,907	452,535	634,661	597,037	2,258,048
Other receivables	1,802,340	580,000	-	-	-	1,222,340
Total	<u>6,242,528</u>	<u>1,077,907</u>	<u>452,535</u>	<u>634,661</u>	<u>597,037</u>	<u>3,480,388</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 9: TRADE AND OTHER RECEIVABLES

b. Collateral Pledged

Security over all of the Group's current and future assets (including receivables) has been provided to Greensill Capital. Refer to Note 14b for further details.

c. Movements in Provision of Impairment

	Consolidated Group	
	2018	2017
	\$	\$
At the beginning of the reporting period	212,000	-
Impairment losses recognised	865,907	212,000
At 30 June	<u>1,077,907</u>	<u>212,000</u>

NOTE 10: INVENTORIES

	Consolidated Group	
	2018	2017
	\$	\$
CURRENT		
At cost and net realisable value:		
Work in progress	1,050,392	873,825
Raw materials	1,544,602	1,309,085
Finished goods	365,848	301,415
	<u>2,960,842</u>	<u>2,484,325</u>

NOTE 11: PLANT AND EQUIPMENT

	Consolidated Group	
	2018	2017
	\$	\$
Plant and equipment – at fair value (2017: at cost)	18,131,398	14,224,303
Less: accumulated depreciation	(883,809)	(6,388,472)
	<u>17,247,589</u>	<u>7,835,831</u>
Office equipment – at cost	251,756	163,809
Less: accumulated depreciation	(141,103)	(101,334)
	<u>110,653</u>	<u>62,475</u>
TOTAL PLANT AND EQUIPMENT	<u><u>17,358,242</u></u>	<u><u>7,898,306</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 11: PLANT AND EQUIPMENT

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 financial year:

	Plant and Equipment \$	Leasehold Improvements \$	Office Equipment \$	Total \$
<b>Consolidated Group:</b>				
Balance at 1 July 2016	9,252,989	-	88,416	9,341,405
Additions	576,630	-	20,927	597,557
Depreciation expense	(1,357,773)	-	(46,868)	(1,404,641)
Write-offs	(636,015)	-	-	(636,015)
<b>Balance at 30 June 2017</b>	<b>7,835,831</b>	<b>-</b>	<b>62,475</b>	<b>7,898,306</b>
Additions	211,786	-	189,281	401,067
Depreciation expense	(1,363,047)	-	(141,103)	(1,504,150)
Revaluation	10,563,019	-	-	10,563,019
<b>Balance at 30 June 2018</b>	<b>17,247,589</b>	<b>-</b>	<b>110,653</b>	<b>17,358,242</b>

b. **Valuation of Plant and Equipment**

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 market value is the amount in 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.

c. **Change of Depreciation Rate**

In accordance with its policy, the Group reviews the estimated useful lives of its plant and equipment on an ongoing basis. The review performed in November 2017 indicated that the actual lives of certain machinery and equipment at its manufacturing plants were longer than the estimated useful lives for depreciation purposes in the Group's financial statements.

As a result, effective 1 January 2018, the Company changed its estimates of the useful lives of its machinery and equipment to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of the machinery and equipment that previously average 7 years were increased to an average of 15 years.

The effect of this change in estimate was to reduce 2018 depreciation expense by \$3,278,849, increase 2018 net income by \$2,377,165 and increase in 2018 basic and diluted earnings per share by 0.55 cents.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 12: INTANGIBLE ASSETS

	Consolidated Group	
	2018	2017
	\$	\$
Intellectual property – at cost	233,961	222,339
Less: amortisation	(176,742)	(144,460)
	<u>57,219</u>	<u>77,879</u>
Product development costs – at cost	1,635,657	523,031
Less: amortisation	(61,617)	-
Less: impairment	(380,772)	-
	<u>1,193,268</u>	<u>523,031</u>
Formation expenses	1,095	1,095
Brands	6,914,998	6,914,998
Goodwill	702,268	702,268
TOTAL INTANGIBLE ASSETS	<u>8,868,848</u>	<u>8,219,271</u>

a. **Movements in Carrying Amounts**

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

	Goodwill	Brand	Intellectual property	Product development costs	Other intangible assets	Total
	\$	\$	\$	\$	\$	\$
<b>Consolidated Group:</b>						
Balance at 1 July 2016	702,268	6,914,998	109,899	142,259	1,095	7,870,519
Additions	-	-	24,8411	380,772	-	405,613
Amortisation charge	-	-	(4,411)	-	-	(4,411)
Disposal	-	-	(52,450)	-	-	(52,450)
<b>Balance at 30 June 2017</b>	<b>702,268</b>	<b>6,914,998</b>	<b>77,879</b>	<b>523,031</b>	<b>1,095</b>	<b>8,219,271</b>
Additions	-	-	11,622	1,112,626	-	1,124,248
Amortisation charge	-	-	(32,282)	(61,617)	-	(93,899)
Impairment charge	-	-	-	(380,772)	-	(380,772)
<b>Balance at 30 June 2018</b>	<b>702,268</b>	<b>6,914,998</b>	<b>57,219</b>	<b>1,193,268</b>	<b>1,095</b>	<b>8,868,848</b>

b. **Impairment Disclosures**

The recoverable amounts of the consolidated entity's goodwill, brand and plant and equipment have been determined by a value-in-use calculation using a discounted cash flow model, based on a 12-month projection period approved by management and extrapolated for a further 4 years by using key assumptions.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The business had revenue and cost growth rates of 4% per annum and a discount rate of 12%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 13: OTHER ASSETS

	Consolidated Group	
	2018 \$	2017 \$
<b>CURRENT</b>		
Prepayments	268,241	64,550
Rental Bond	100,000	
	<u>368,241</u>	<u>64,550</u>
<b>NON-CURRENT</b>		
Prepayments	-	7,615
Rental bond	-	100,000
	<u>-</u>	<u>107,615</u>
	<u>368,241</u>	<u>172,165</u>

NOTE 14: INTERESTS IN SUBSIDIARIES

a. **Information about Principal Subsidiaries**

The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group		Proportion of Non-controlling Interests	
		2018	2017	2018	2017
		%	%	%	%
LangTech International Pty Ltd	Australia	100	100	-	-
Roxdale Foods Limited	New Zealand	-	100	-	-
LangTech Citrus Pty Ltd	Australia	100	100	-	-
LangTech Bottling Pty Ltd	Australia	100	100	-	-
Australia's Garden (HK) Limited (i)	Hong Kong	-	100	-	-
Thirsty Brothers Pty Ltd	Australia	100	100	-	-
New Age Beverages Pty Ltd	Australia	100	-	-	-
Shandong LangTech Food Technology Co Limited	China	10	10	-	-

(i) The company did not trade during the financial year and was de-registered in May 2019.

(ii) The company was acquired on 29 June 2018.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 14: INTERESTS IN SUBSIDIARIES

b. **Significant Restrictions**

Other than the following, there are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group:

LangTech International Pty Ltd has entered into a working capital and term loan facility with Greensill Capital UK Limited (Greensill) as described in Note 17. The Facility was drawn down as to \$3.9 m as at the date of this report. The facility is secured by all of the Group's current and future assets via a security interest over personal property and via fixed and floating charge over all other property (including trade receivables, cash and cash equivalents). The facility contains detailed conditions precedent to draw down. The facility is financial covenant lite in that once the funds have been drawn under the facility, there is no periodic (eg quarterly) financial covenant testing. Covenants imposed by Greensill restrict asset disposals (other than with Greensill's consent, or in the ordinary course of business, or in other limited circumstances), acquisitions (other than with Greensill's consent or in other limited circumstances) and dividend payments (other than with Greensill's consent or in other limited circumstances).

NOTE 15: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2018	2017
	\$	\$
<b>CURRENT</b>		
Trade payables	3,926,373	3,701,617
Other payables and accruals	1,206,969	3,315,632
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<u>5,133,342</u>	<u>7,017,249</u>

Trade payables are unsecured and are generally paid within 30 days (and up to 90 days) from date of invoice.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 16: PROVISIONS

	Consolidated Group	
	2018	2017
	\$	\$
<b>CURRENT</b>		
Employee benefits	913,326	500,111
<b>NON-CURRENT</b>		
Employee benefits	132,744	108,253
<b>TOTAL PROVISIONS</b>	<b>1,046,070</b>	<b>608,364</b>

**Provision for Employee Benefits**

Provision for 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 Group does not expect the full amount of annual leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

NOTE 17: BORROWINGS

	Consolidated Group	
	2018	2017
	\$	\$
<b>CURRENT</b>		
Secured liabilities:		
Loan – Greensill facility	3,848,622	3,056,918
Total borrowings	3,848,622	3,056,918

a. The carrying amounts of non-current assets pledged as security are subject to general security over all current and future assets amounting to \$40,034,315 (2017: \$28,528,914).

**b. Collateral provided**

Refer to Note 14b for a description of the security provided to Greensill Capital UK Limited.

**c. Maturity of loan – Greensill Facility**

	Interest Rate	2018	2017
		\$	\$
24 August 2018	6.75%	3,848,622	-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 18: DEFERRED CONSIDERATION LIABILITY

	Consolidated Group	
	2018	2017
	\$	\$
CURRENT		
Deferred consideration liability (a)	7,141,946	600,000
NON-CURRENT		
Deferred consideration liability (a)	-	6,879,241
Total deferred consideration liability	7,141,946	7,479,241

(a) The total carrying amounts for the above deferred consideration liability of \$6.6m plus accrued interest is to be paid by 30 September 2018.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 19: TAX

	Consolidated Group	
	2018	2017
	\$	\$
<b>a. Amounts recognised in profit or loss:</b>		
Deferred tax expense / (benefit)	(1,159,623)	(652,591)
Total income tax expense / (benefit)	<u>(1,159,623)</u>	<u>(652,591)</u>
<b>b. The prima facie tax on loss from ordinary activities before income tax, is reconciled to income tax as follows:</b>		
Profit before tax from continuing operations	1,062,089	1,241,027
Profit before tax from discontinued operations	-	100,395
	<u>1,062,089</u>	<u>1,341,422</u>
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2017: 30%)	318,627	402,427
Add:		
Tax effect of:		
- Non-allowable items	-	198,479
- Acquisition through business combinations	6,324	-
	<u>6,324</u>	<u>198,479</u>
Less:		
Tax effect of:		
- R&D income	(465,478)	(548,616)
- Other allowable items	(20,195)	-
- Capital gain on sale of subsidiary	-	(58,790)
- Recoupment of prior year tax losses not previously brought to account	(21,949)	(652,591)
- Timing difference not recognised	-	6,500
- Deferred tax assets not recognised	(860,546)	-
- Write down to recoverable amounts	(116,406)	-
	<u>(1,484,574)</u>	<u>(1,253,497)</u>
Prima facie tax benefit on loss attributable to entity	<u>(1,159,623)</u>	<u>(652,591)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

d

NOTE 19: TAX

c. Deferred tax assets and liabilities

	Opening Balance	Credited to Income	Credited direct to equity	Acquisitions through business combinations	Changes to tax rates	Closing Balance
	\$	\$	\$	\$		\$
<b>NON-CURRENT</b>						
<b>Consolidated Group</b>						
<b>Deferred tax liabilities</b>						
Tangible assets revaluation	-	(31,864)	3,168,906	6,324	(261,998)	2,881,368
	-	(31,864)	3,168,906	6,324	(261,998)	2,881,368
<b>Deferred tax assets</b>						
Provisions	-	1,281,616	-	-	(106,801)	1,174,815
Carried forward tax offsets	-	1,855,571	-	-	-	1,855,571
Tax losses	652,591	(187,143)	-	-	(38,788)	426,660
	652,591	2,950,044	-	-	(145,589)	3,457,046

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 20: ISSUED CAPITAL

	Consolidated Group	
	2018	2017
	\$	\$
434,064,871 (2017: 434,064,871) fully paid ordinary shares	31,676,066	31,676,066
Performance shares	186,761	186,761
Performance rights	75,370	75,370
	<u>31,938,197</u>	<u>31,938,197</u>

NOTE 20: ISSUED CAPITAL

	2018	2017
	No.	No.
<b>a. Ordinary Shares</b>		
At the beginning of the reporting period	434,064,871	294,064,871
– 3 August 2016 (Conversion of A class performance shares)	-	61,471,049
– 3 August 2016 (Conversion of A class performance rights)	-	18,528,951
– 29 March 2017 (Conversion from performance B shares)	-	46,103,286
– 29 March 2017 (Conversion from performance B rights)	-	13,896,714
At the end of the reporting period	<u>434,064,871</u>	<u>434,064,871</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.

	Consolidated Group	
	2018	2017
	No.	No.
<b>b. Performance Shares</b>		
At the beginning of the reporting period	56,838,811	164,416,146
Issue during the year	-	-
Conversion to ordinary shares during the year	-	(107,577,335)
At the end of the reporting period	<u>56,838,811</u>	<u>56,838,811</u>

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 20: ISSUED CAPITAL

b. Performance Shares

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.

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

On 29 March 2017, the group announced that the milestones for the conversion of B class performance shares had been met.

	Consolidated Group	
	2018	2017
	No	No
c. Performance Rights		
At the beginning of the reporting period	23,161,189	55,586,854
Issue during the year	-	-
Conversion to ordinary shares during the year	-	(32,425,665)
At the end of the reporting period	23,161,189	23,161,189

On 11 February 2016, as part of the reverse takeover transaction, The Food Revolution Group Limited 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 announced that the milestones for the conversion of the A Class performance rights had been met.

On 29 March 2017, the Group announced that the milestones for the conversion of the B Class performance rights had been met.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 20: ISSUED CAPITAL

d. **Options**

For information relating to The Food Revolution Group employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at balance date, refer to Note 23.

e. **Capital Management**

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The gearing ratios for the years ended 30 June 2017 and 30 June 2016 are as follows:

	<b>Consolidated Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Total financial debt	3,848,622	3,056,918
Total deferred consideration	7,141,946	7,479,241
Less cash and cash equivalents	(1,856,475)	(1,042,894)
Net debt (including deferred purchase consideration)	9,134,093	9,493,265
Total equity	19,982,967	10,367,142
Total capital	29,409,962	19,860,407
Gearing ratio (net debt / net debt + equity)	31%	53%

NOTE 21: CAPITAL AND LEASING COMMITMENTS

	<b>Consolidated Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
a. <b>Operating Lease Commitments</b>		
Non-cancellable operating lease commitments not capitalised in the financial statements		
Payable – minimum lease payments:		
- not later than 1 year	1,257,113	1,117,966
- later than 1 year but not later than 5 years	4,600,233	1,211,156
- later than 5 years	8,607,556	-
	14,464,902	2,329,122

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 30 June 2018 and 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 22: OPERATING SEGMENTS

**General Information**

**Identification of reportable 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 23: SHARE-BASED PAYMENTS

- (i) In 2016, a total of 7,351,622 options were issued to the Group's corporate adviser and to vendors and former directors of the Group as part of the completion of the capital raising and reverse takeover transaction. The options are unlisted and had an exercise price of \$0.12 per share and an expiry date of 30 June 2018. In addition 5,000,000 ordinary shares were issued to the Group's corporate adviser (or its nominee) \$1,026,252 was recognised as share based payment in 2016 financial year.
- (ii) There were no shares and/or options granted to key management personnel as share based payments during financial year (2017: nil).
- (iii) The Group established The Food Revolution Group Share Option Plan Scheme (approved by shareholders on 15 December 2016) (Plan) to provide incentives to the employees of the Company and to recognise their contribution to the Company's success. The Plan is limited to directors, senior-executives and full or part-time employees of the Company or a related body corporate of the Company. The Directors are considering adopting a plan on broadly similar terms for contractors.

Under the Plan, the Board may offer to eligible persons the opportunity to receive such number of Options in the Company as the Board may decide and on terms set out in the rules of the Plan. Options granted under the Plan will be offered to participants in the Plan on the basis of the Board's view of the contribution of the eligible person to the Company.

Options may be issued with performance conditions, as determined by the board, which are required to be met before the options vest (failing which the options lapse). Options may be issued for nil or nominal consideration, and with an expiry date and exercise price, as determined by the board.

There have been no options issued under the Plan as at the date of this report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 24: RELATED PARTY TRANSACTIONS

a. **The Group's main related parties are as follows:**

(i) *Entities exercising control over the Group:*

The ultimate parent entity that exercises control over the Group is The Food Revolution Group Limited, which is incorporated in Australia.

(ii) *Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 5.

(iii) *Other related parties:*

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

b. **Transactions with related parties:**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Balances and transactions between The Food Revolution Group Limited and its controlled entities which are related parties of The Food Revolution Group Limited, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The following transactions occurred with related parties:

	<b>Consolidated Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
(i) <i>Professional services provided by related parties:</i>		
Payment for professional services to entities associated with related parties	463,770	909,153
Payables for professional services at reporting date	25,000	12,500
(iii) <i>Sale of Goods and Services to related parties:</i>		
Revenue from sale of goods and services provided to companies controlled by a director	5,804,284	1,179,040
Receivables for sale of goods and services provided at reporting date	431,743	634,335

c. **Acquisition of New Age Beverages Pty Ltd**

On 29 June 2018, the group acquired the 100% equity interests in New Age Beverages Pty Ltd, an entity associated with Matthew Bailey, director of the company. The principal activities of New Age Beverages Pty Ltd is to distribute its own branded high quality juices, beverages and kombuchas. The consideration paid to acquire NAB was \$1, the identifiable assets acquired and liabilities assumed was \$23,370 resulting in a gain from a bargain purchase being recognised as other income amounting to \$23,371.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 25: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans.

The totals for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, is as follows:

	Note	Consolidated Group	
		2018 \$	2017 \$
<b>Financial assets</b>			
Cash and cash equivalents	8	1,856,475	1,042,894
Trade and other receivables	9	5,164,621	8,059,362
<b>Total financial assets</b>		<u>7,021,096</u>	<u>9,102,256</u>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost:			
– trade and other payables	15	5,133,342	7,017,249
– borrowings	17	3,848,622	3,056,918
– deferred consideration liability	18	7,141,946	7,479,241
<b>Total financial liabilities</b>		<u>16,123,910</u>	<u>17,553,408</u>

**Specific Financial Risk Exposures and Management**

The main risks the Group is exposed to through its financial instruments are credit risk and liquidity risk, and, to a lesser extent, market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

**a. Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), and ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 days from the invoice date.

Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

*Credit risk exposures*

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The group has significant concentrations of credit risk arising from its ordinary course of business due to its relatively small customer base. Details are provided in Note 9.

Trade and other receivables that are neither past due nor impaired are detailed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 25: FINANCIAL RISK MANAGEMENT

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

*Financial liabilities and financial assets maturity analysis*

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Consolidated Group</b>	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>								
Borrowings	3,848,622	3,056,918	-	-	-	-	3,848,622	3,056,918
Deferred consideration liability	7,141,946	600,000	-	6,879,241	-	-	7,141,946	7,479,241
Trade and other payables	5,133,342	7,017,249	-	-	-	-	5,133,342	7,017,249
<b>Total expected outflows</b>	<b>16,123,910</b>	<b>10,674,167</b>	<b>-</b>	<b>6,879,241</b>	<b>-</b>	<b>-</b>	<b>16,123,910</b>	<b>17,553,408</b>
<b>Financial assets – cash flows realisable</b>								
Cash and cash equivalents	1,856,475	1,042,894	-	-	-	-	1,856,475	1,042,894
Trade and other receivables	5,164,621	8,059,362	-	-	-	-	5,164,621	8,059,362
<b>Total anticipated inflows</b>	<b>7,021,096</b>	<b>9,102,256</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,021,096</b>	<b>9,102,256</b>
<b>Net (outflow)/inflow on financial instruments</b>	<b>(9,102,814)</b>	<b>(1,571,911)</b>	<b>-</b>	<b>(6,879,241)</b>	<b>-</b>	<b>-</b>	<b>(9,102,814)</b>	<b>(8,451,152)</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 25: FINANCIAL RISK MANAGEMENT

c. **Market risk**

(i) *Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the Group to interest rate risk are cash, cash equivalents and borrowings.

The Group's current borrowings are at fixed rates of interest.

(ii) *Foreign exchange risk*

The Group has exposure to movements in foreign currency exchange rates through purchases of ingredients (where those ingredients are not available in Australia).

The Food Revolutions Group Limited's functional currency is Australian dollars.

The Group imports a small amount of ingredients to meet demand (where those ingredients are not available in Australia), and accordingly has exposure to foreign currencies of those suppliers.

Given the Group's small foreign currency exposure, the Group does not currently hedge.

Exposure to overseas debtors to foreign exchange risk is minimal as these transactions are primarily denominated in Australian dollars.

The Group has no open foreign exchange forward contracts at the end of the reporting period relating to highly probable forecast transactions and recognised financial assets and financial liabilities.

(iii) *Other price risk*

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors (other than those arising from interest rate risk or currency risk) for commodities.

The Group is exposed to commodity price risk through the purchase of fruit and other commodity ingredients, and the sale of commodity products (primarily concentrates). There were no hedges in place at the end of the reporting period.

d. **Fair Values**

The carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements are considered to approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 26: RESERVES

a. **Revaluation surplus**

The revaluation surplus records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve.

b. **Foreign currency translation reserve**

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

c. **Options reserve**

The option reserve records items recognised as expenses on valuation of employee share options or options issued as share based payments.

	<b>Consolidated Group</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Revaluation surplus</b>		
Opening balance	1,095,570	1,095,570
Revaluation, net of tax	7,394,113	-
Closing balance	8,489,683	1,095,570
<b>Foreign currency translation reserve</b>		
Opening balance	-	39,553
Exchange differences on translation of foreign operations	-	11,161
Transfer to profit or loss	-	(50,714)
Closing balance	-	-
<b>Options reserve</b>		
Opening balance	526,252	526,252
Share based payments expense	-	-
Closing balance	526,252	526,252

NOTE 27: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group has a bank guarantee of \$590,589 (2017: \$nil) as security bond for the office lease.

At the date of this report, the Group is not aware of any reportable contingent liabilities as at 30 June 2018 and 30 June 2017.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 28: PROFIT FROM DISCONTINUED OPERATIONS

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

In prior year, the Group entered into a binding terms sheet with Defugo Group Australia Pty Ltd to divest business to produce natural functional food, beverage and nutraceutical products principally to its wholly-owned subsidiary, Langtech Bottling Pty Ltd for a consideration of \$1,755,000. Accordingly, the associated business assets (discontinued operation) are presented as a disposal group held for sale. The divestment of 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:

	2017
	\$
Revenue	121,754
Expenses	<u>(1,964,592)</u>
Loss before income tax	(1,842,838)
Income tax expense	<u>-</u>
Loss after income tax of discontinued operation	(1,842,838)
Gain on sale of business assets	<u>1,672,550</u>
Loss from discontinued operation	<u>169,833</u>

Details of the sale of the business assets (including IP) are presented as follows:

Consideration received or receivable	1,755,000
Carrying amount of net assets sold	<u>(82,450)</u>
Gain on sale after income tax	<u>1,672,550</u>

Details of the sale of the business assets (including IP) are presented as follows:

Inventories	30,000
Intangible assets – intellectual property	<u>52,450</u>
Total assets	<u>82,450</u>
Net assets	<u>82,450</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 28: PROFIT FROM DISCONTINUED OPERATIONS

(ii) *Divestment of Roxdale business*

In prior year, the Group entered into a binding terms to divest Roxdale Foods Limited to Defugo Bioceticals 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.

Details of the sale are presented as follows:

	2017
	\$
Consideration received or receivable - cash	1,198,890
Settlement of inter-company loan balances	<u>(733,432)</u>
	465,458
Carrying amount of net assets sold	<u>(212,539)</u>
Gain on sale after income tax	<u>252,919</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	<u>194,795</u>
Total assets	<u>842,048</u>
Trade and other payables	68,765
Current tax liabilities	56,206
Provisions	36,867
Borrowings	<u>467,671</u>
Total liabilities	<u>629,509</u>
Net assets	<u>212,539</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 29: 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  
30 June 2018 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	-	-	17,247,589
<b>Total non-recurring fair value measurements</b>	-	-	<b>17,247,589</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 29: 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 market value is the amount in 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	7,835,831
Additions	211,786
Depreciation expense	(1,363,047)
Revaluation surplus	10,563,019
	<hr/>
	17,247,589
	<hr/>

NOTE 30: EVENTS AFTER THE REPORTING PERIOD

The Group is pleased to announce it has signed a binding subscription deed with Careline Australia Pty Ltd (Careline) and its founder and CEO Dr Tao (Norman) Li that will see strategic investors headed by Careline and Dr Norman Li invest up to \$20.25 million in the Company (subject to shareholder approval). The parties have also committed to enter a distribution agreement to expand FOD's sales into China.

NOTE 31: COMPANY DETAILS

The registered office and principal place of business of the company is:

The Food Revolution Group Limited  
20 Heaths Court  
Mill Park, VIC, 3082



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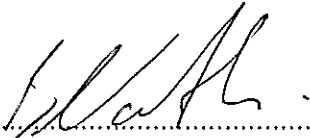
DIRECTORS'  
DECLARATION

**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 20 to 67, are in accordance with the Corporations Act 2001 and:
  - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
  - b. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the consolidated group;
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; and
3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Executive  
Chairman.....



Bill Nikolovski

Dated this 26<sup>th</sup> day of September 2018



**IN**

INDEPENDENT  
AUDIT REPORT

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
THE FOOD REVOLUTION GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**SYDNEY**

Level 40  
2 Park Street  
Sydney NSW 2000  
Australia  
Ph: (612) 9263 2600  
Fx: (612) 9263 2800

**Opinion**

We have audited the financial report of The Food Revolution Limited and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- (a) the accompanying financial report of the The Food Revolution Limited and its controlled entities is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Basis of Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's responsibility section of our report. We are independent of the Company in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporation 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the year ended 30 June 2018. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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An Association of Independent  
Accounting Firms

 PrimeGlobal



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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
 THE FOOD REVOLUTION GROUP LIMITED  
 AND ITS CONTROLLED ENTITIES

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p><b>Carrying value of intangible assets</b></p> <p><i>Refer to Note 12 Intangible assets and Note 1(u) Critical accounting estimates and judgements</i></p> <p>A substantial amount of the group's non-current assets relates to intangible assets amounting to \$8,868,848 that are subject to an impairment assessment in accordance with AASB 136 "Impairment of Assets".</p> <p>The group's impairment assessment of intangible assets is considered a key audit matter as the valuation is judgemental and based on a number of assumptions, specifically cash flow projections, discount rates and terminal growth rates which are affected by future events and economic conditions.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We assessed management's determination of the group's Cash-Generating Units ("CGUs");</li> <li>• We involved Hall Chadwick's valuation experts to evaluate the methodologies used by the group and review the mathematical accuracy of the cash flow forecasts;</li> <li>• We evaluated management's key assumptions used in the cash flow forecasts to determine the recoverability of intangible assets and agreed relevant data to supporting documents;</li> <li>• We challenged management on the key assumptions used in the cash flow forecasts by considering this information and evidence available to us internally and externally;</li> <li>• We evaluated the historical reliability of prior period cash flow forecasts including assessing this against the actual financial performance of the group;</li> <li>• We performed sensitivity analysis around the key assumptions of growth rates and discount rate used in the cash flow forecasts and assessed the sensitivity and likelihood of a change of these assumptions that either individually or collectively would result in the intangible assets to be impaired or otherwise; and</li> <li>• We assessed the adequacy of the group's disclosures in relation to the carrying value of intangible assets.</li> </ul>

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
THE FOOD REVOLUTION GROUP LIMITED  
AND ITS CONTROLLED ENTITIES

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**Accounting for capitalised product development costs**

*Refer to Note 12 Intangible assets*

There are capitalised product development costs amounting to \$1,193,268 as disclosed in Note 12. The capitalisation involves management judgement with respect to technical feasibility, ability to use or sell the asset, generation of future benefits and the ability to measure the costs reliably. In addition, management judgement is also required for an estimation of useful lives of the developed products.

Our procedures included, amongst others:

- We assessed the recognition criteria for internally generated intangible assets;
- We evaluated the key assumptions used for estimates made in capitalising product development costs, including assessment of the capitalised costs relating to the development phase of the product, the generation of probable future economic benefits and the useful life attributable to the asset.
- We performed audit procedures over the recognition and accuracy of the amounts capitalised in the period.
- We considered whether any impairment was required.
- We assessed the adequacy of the group's disclosures in relation to the carrying value of capitalised product development costs.

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
THE FOOD REVOLUTION GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Valuation of plant and equipment**

*Refer to Note 11 Plant and equipment and Note 1(u) Critical accounting estimates and judgements*

<p>During the year, the group revalued its plant and equipment using an independent valuer resulting in a revaluation increment of \$7,394,113 (net of tax) being recognised as revaluation surplus reserve.</p> <p>The valuation of plant and equipment was considered a key audit matter because the value of plant and equipment relative to total assets of the group, and judgement exercised by both independent valuer and the directors in determining fair value, residual value and the useful lives of the plant and equipment.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We assessed the group's accounting policies with respect to the plant and equipment for compliance with relevant Australian Accounting Standards.</li> <li>• We assessed whether we could rely on the work of independent valuer by considering their competence, objectivity and independence.</li> <li>• We held discussions with management and obtained our understanding of management's assessment to determine the fair value of the plant and equipment.</li> <li>• We involved Hall Chadwick's valuation experts to assist us in examining the valuation techniques and reasonableness of fair value as determined by the independent valuer.</li> <li>• We considered and reviewed internal and external evidence provided by management to support the fair value, residual value and useful lives of the plant and equipment.</li> <li>• We assessed the adequacy of the group's disclosures in relation to the carrying value of plant and equipment.</li> </ul>
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**THE FOOD REVOLUTION GROUP LIMITED  
ABN 20 150 015 446  
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
THE FOOD REVOLUTION GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Recoverability of trade and other receivables**

*Refer to Note 9 Trade and Other Receivables and Note 1(u) Critical accounting estimates and judgements*

<p>As at 30 June 2018, the group recorded a provision for impairment of trade and other receivables of \$1,077,907.</p> <p>The assessment to determine the provision for impairment of trade and other receivables involved significant judgements by management including reviewing historical collection patterns, ageing of receivables and factors that are specific to the counterparties including security held and recovery options.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of management's assessment and monitoring process to determine the adequacy of the provision for impairment for trade and other receivables;</li> <li>• Reviewed direct confirmation replies from counterparties confirming the existence and acknowledgement of their outstanding receivables;</li> <li>• Assessed the recoverability of a sample of large outstanding trade and other receivables by comparing management's view of recoverability of amounts outstanding to historical patterns of receipts, in conjunction with a review of cash received subsequent to year end;</li> <li>• Challenged management's view of credit risk and noted the historical patterns for outstanding trade and other receivables;</li> <li>• Reviewed other available information including latest correspondence with counterparties and held discussions with management to challenge knowledge of future conditions that may impact on the cash flows expected from the counterparties; and</li> <li>• We assessed the adequacy of the group's disclosures in relation to credit risk.</li> </ul>
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**THE FOOD REVOLUTION GROUP LIMITED  
ABN 20 150 015 446  
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
THE FOOD REVOLUTION GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Recoverability of deferred tax assets**

*Refer to Note 19 Deferred tax assets and Note 1(u) Critical accounting estimates and judgements*

<p>The recoverability of deferred tax assets is a key audit matter due to the degree of judgement required in assessing management's estimates of future taxable profits.</p> <p>The group has recognised deferred tax assets of \$3,457,046 in accordance with AASB 112 "Income Taxes". These are primarily attributable to deductible temporary differences, non-refundable research and development tax offsets carried forward and historic losses generated by the income tax consolidated group. An assessment is required as to whether sufficient future taxable profits are likely to be generated to enable the assets to be realised.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We examined the nature and timing of the temporary differences and losses having regard to the relevant tax legislation to challenge management's recognition of an asset;</li> <li>• We challenged the basis of management's assessment of recoverability of deferred tax assets generated from tax losses, including management's projected earnings growth against historic performance;</li> <li>• We tested the consistency of forecasts used in making the recoverability assessment with those used for other impairment testings; and</li> <li>• We assessed the adequacy of the group's disclosure in relation to the carrying value of deferred tax assets.</li> </ul>
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***Information Other than the Financial Report and Auditor's Report Thereon***

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
THE FOOD REVOLUTION GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

***Responsibilities of the Directors for the Financial Report***

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

***Auditor's Responsibility for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
THE FOOD REVOLUTION GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 11 to 16 of the directors' report for the year ended 30 June 2018. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
THE FOOD REVOLUTION GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

***Opinion***

In our opinion, the remuneration report of The Food Revolution Group Limited and its controlled entities for the year ended 30 June 2018 complies with s 300A of the Corporations Act 2001.

*Hall Chadwick*

HALL CHADWICK  
Level 40, 2 Park Street  
Sydney NSW 2000



**DREW TOWNSEND**  
Partner  
Dated: 26 September 2018





# ASX

ADDITIONAL  
INFORMATION

**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

The following information is current as at 14/09/2018:

**1. Shareholding**  
**a. Distribution of Shareholders**

SPREAD OF HOLDINGS	NUMBER OF HOLDERS	NUMBER OF UNITS	% OF TOTAL ISSUED CAPITAL
1 – 1,000	138	113,351	0.03 %
1,001 – 5,000	121	368,591	0.09 %
5,001 – 10,000	136	1,132,620	0.26 %
10,001 – 100,000	416	18,046,651	4.16 %
100,001 - 999,999,999,999	214	414,403,690	95.47 %
<b>TOTAL</b>	<b>1,028</b>	<b>434,064,903</b>	<b>100 %</b>

b. The number of shareholdings less than marketable parcels is 230.

c. The names of the substantial shareholders listed in the holding company's register are:

Shareholder	Number Ordinary	% of Voting Power
Fanucci Pty Ltd	59,987,918	13.82
Shenzhen Youngcheng Biotechnology Co Limited	55,000,000	12.67
HSBC Custody Nominees	52,906,950	12.19
Matthew Bailey and Food Innovators Pty Ltd	45,000,000	10.37
Bill Nikolovski and Aubinvest Pty Ltd	41,013,302	9.45
Victorian Clean Technology Fund Pty Ltd	24,568,868	5.66

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

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary Shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands,

Rank	Name	Units	% of Units
1	FANUCCI PTY LTD <FANUCCI A/C>	59,987,918	13.82
2	SHENZHEN YOUNGHENG BIOTECHNOLOGY CO LIMITED	55,000,000	12.67
3	<b>GROUP # 8348</b>	<b>52,906,950</b>	<b>12.19</b>
.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	45,000	0.01
.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	52,861,950	12.18
4	FOOD INNOVATORS PTY LTD <FOOD INNOVATORS UNIT A/C>	45,000,000	10.37
5	MR BLAGOJA NIKOLOVSKI	38,513,302	8.87
6	VICTORIAN CLEAN TECHNOLOGY FUND PTY LTD	24,568,868	5.66
7	LANG HOLDINGS PTY LTD	11,820,126	2.72
8	PONDEROSA INVESTMENTS (WA) PTY LTD <THE PONDEROSA INVESTMENT A/C>	7,664,930	1.77
9	MR HONG WANG	7,500,000	1.73
10	PERSHING AUSTRALIA NOMINEES PT Y LTD <ACCUM A/C>	5,845,153	1.35
11	CODE NOMINEES PTY LTD <27953>	4,100,000	0.94
12	<b>GROUP # 259</b>	<b>4,082,722</b>	<b>0.94</b>
.	COMSEC NOMINEES PTY LIMITED	4,082,722	0.94
13	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	3,368,000	0.78
14	MR BARTLOMIEJ RYSZARD STEPIEN	3,000,000	0.69
15	RIDGEPORT HOLDINGS PTY LTD	2,916,800	0.67
16	TWENTY TEN ENTERPRISES PTY LTD <TWENTY TEN INVESTMENTS A/C>	2,727,500	0.63
17	WELLINBAY PTY LTD <WELLINBAY P/L S/F NO 2 A/C>	2,525,000	0.58
18	MS TANG FEI	2,500,000	0.58
19	AUBINVEST PTY LTD <NIKOLOVSKI INVESTMENT A/C>	2,500,000	0.58
20	FORTIS CORPORATE ADVISORY PTY LTD	2,435,002	0.56
	<b>TOTAL</b>	<b>338,962,271</b>	<b>78.09</b>

2. The name of the company secretary is John Fitzgerald.
3. The address of the principal registered office in Australia is 20 Heaths Court, Mill Park, VIC 3082.  
Telephone +61 3 9982 1451.
4. Registers of securities are held at the following addresses:

Victoria                      20 Heaths Court, Mill Park

**5. Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

**6. Unquoted Securities**

Ordinary Shares:

Nil

Options over Unissued Shares:

Nil.

Nil options are on issue to directors and employees under The Food Revolution Group employee option plan.



THE **FOOD**  
REVOLUTION  
GROUP