



THE **FOOD**
REVOLUTION
GROUP

ACN 150 015 446

Appendix 4E

Preliminary Final Report

For the year ended 30 June 2019

This Preliminary Final Report is provided to the ASX under ASX Listing Rule 4.3A

Appendix 4E

Preliminary Final Report

Current reporting period

1 July 2018 to 30 June 2019

Previous corresponding reporting period (PCP)

1 July 2017 to 30 June 2018

Results for announcement to the market

	2019	2018	Change	Change
	\$'000	\$'000	\$	%
Revenue from ordinary activities*	29,271	33,125	-3,821	-12%
Profit (Loss) from ordinary activities after tax attributable to members	-15,753	2,222	-17,975	-809%
Total comprehensive profit (loss) for the year attributable to members	-15,753	2,222	-17,975	-809%

* after rebates and trading terms

Dividend information

No dividends are proposed and no dividends were declared or paid during the current or prior year.

Net tangible asset (NTA) backing information

	2019	2018
	Cents	Cents
NTA backing per ordinary share (cents per share)	1.61	2.56

Details of entities over which control has been gained or lost

N/A

Details of associated and joint venture entities

Name of associated and joint venture entities	2019	2018
	%	%
Shandong Lang Tech Food Technology Co Limited	10	10

Group's aggregated share of associated and joint venture entities' profit/(loss) (when material) Not material

Status of audit

This preliminary final report is based on accounts that are in the process of being audited and there are no areas of likely dispute or audit qualification.

The Food Revolution Group Limited

Commentary on results

The Food Revolution Group Limited (ASX: FOD) is an Australian-based food processing company that uses a combination of conventional juice processing equipment and custom developed equipment and processes to manufacture a range of high-quality juices, fibres, infused fruits, fruit waters that are sold as branded products or ingredients to customers domestically and overseas.

Its processing facilities are located in Mill Park, Victoria.

Revenue

Gross sales for the group were \$32,047,013 and net revenues after trading terms, volume rebates and other claims (**trading terms**) were \$29,271,238. Trading terms generally apply in respect of sales of product into the grocery channel.

Gross Profit

The gross profit margin for the year was 29% compared to the prior year of 40%.

Gross margins have been positively impacted by the launch of several branded product sales and negatively impacted by the change in product mix, the decline in co-packing sales as well as from the increase in costs of packaging and raw materials.

	2019	2018
	\$	\$
Employment costs	4,497,238	4,363,319
Administrative costs	2,330,218	2,603,656
Operating costs	7,473,458	4,206,920
Marketing costs	1,214,231	586,806
Total	15,515,145	11,760,701
% Net Revenue	53.0%	35.5%

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

	2019	2018
	\$	\$
Statutory profit after tax	(15,752,701)	2,221,712
Income tax expense	1,303,270	(1,598,049)
Depreciation, amortisation and write-offs	2,051,500	1,598,623
Finance costs	840,391	626,993
Impairment on financial and non-financial assets	6,092,329	1,246,679
Normalised Loss/EBITDA	(5,465,212)	4,533,810

Cash flow

Cash balances at year end increased to \$3,045,578, from prior year balance of \$1,856,475.

Borrowings

Borrowings have decreased by \$3,419,135.

The Food Revolution Group Limited

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Group	
		2019	2018
		\$	\$
Net Revenue	3	29,271,328	33,124,645
Cost of sales		(20,814,612)	(19,918,067)
Gross profit		8,456,627	13,206,578
Other income	3	1,828,301	3,158,663
Employment costs		(4,497,238)	(4,363,319)
Administration expenses		(2,330,218)	(2,603,656)
Marketing costs		(1,214,231)	(586,806)
Operating costs		(7,473,458)	(4,206,920)
Depreciation, amortisation and write-offs		(2,051,500)	(1,598,049)
Finance costs	4	(840,391)	(626,993)
RTO related transaction costs		(143,523)	(70,730)
Impairment on non-financial assets		(3,470,131)	(380,772)
Impairment on financial assets		(2,622,197)	(865,907)
Share-based payments		(90,561)	-
(Loss)/ Profit before income tax		(14,449,431)	1,062,089
Income tax expense		(1,303,270)	1,159,623
(Loss)/ Profit for the year		(15,752,701)	2,221,712
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Gain on revaluation of plant and equipment, net of tax		264,075	7,394,113
Other comprehensive income for the year		264,075	7,394,113
Total comprehensive income for the year		(15,488,626)	9,615,825
Basic and diluted (loss) earnings per share in cents		(3.25)	0.51

The accompanying notes form part of these financial statements.

The Food Revolution Group Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Consolidated Group	
		2019	2018
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		3,045,578	1,856,475
Trade and other receivables	5	3,408,244	5,164,621
Inventories	6	2,615,521	2,960,842
Other assets		87,825	368,241
TOTAL CURRENT ASSETS		9,157,168	10,350,179
NON-CURRENT ASSETS			
Plant and equipment	7	17,089,474	17,358,242
Intangible assets	8	5,970,023	8,868,848
Deferred tax assets		2,649,897	3,457,046
TOTAL NON-CURRENT ASSETS		25,709,394	29,684,136
TOTAL ASSETS		34,866,562	40,034,315
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	9,941,665	5,133,342
Provisions	10	896,900	913,326
Borrowings	11	7,571,433	3,848,622
Deferred consideration liability	12	-	7,141,946
TOTAL CURRENT LIABILITIES		18,409,998	17,037,236
NON-CURRENT LIABILITIES			
Provisions	10	34,173	132,744
Deferred tax liabilities		2,649,895	2,881,368
TOTAL NON-CURRENT LIABILITIES		2,684,068	3,014,112
TOTAL LIABILITIES		21,094,066	20,051,348
NET ASSETS		13,772,496	19,982,967
EQUITY			
Issued capital		41,402,075	31,938,197
Options reserve	14	90,561	526,252
Revaluation surplus	15	8,753,758	8,489,683
Accumulated losses		(36,473,898)	(20,971,165)
TOTAL EQUITY		13,772,496	19,982,967

The accompanying notes form part of these financial statements.

The Food Revolution Group Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Issued Capital (Ordinary Shares)	Accumulated Losses	Revaluation Surplus	Options Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2017	31,938,197	(23,192,877)	1,095,570	526,252	10,367,142
Comprehensive income					
Profit for the year	-	2,221,712	-	-	2,221,712
Other comprehensive income for the year	-	-	7,394,113	-	7,394,113
Total comprehensive income for the year	-	2,221,712	7,394,113	-	9,615,825
Total transactions with owners, and other transfers	-	-	-	-	-
Balance at 30 June 2018	31,938,197	(20,971,165)	8,489,683	526,252	19,982,967
Balance at 1 July 2018	31,938,197	(20,971,165)	8,489,683	526,252	19,982,967
Comprehensive income					
Loss for the year	-	(15,752,701)	-	-	(15,752,204)
Other comprehensive income for the year	-	-	264,075	-	264,075
Total comprehensive income for the year	-	(15,752,701)	264,075	-	(15,488,129)
Transactions with owners, and other transfers					
Issuance of shares	8,724,440	-	-	-	8,724,440
Exercise of share options	739,438	-	-	(276,284)	463,154
Transfer of options reserve	-	249,968	-	(249,968)	-
Share-based payments transaction	-	-	-	90,561	90,561
Total transactions with owners, and other transfers	9,463,878	249,968	-	(435,691)	9,278,155
Balance at 30 June 2019	41,402,075	(36,473,898)	8,753,758	90,561	13,772,496

The accompanying notes form part of these financial statements.

The Food Revolution Group Limited

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Group	
		2019	2018
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		29,962,379	40,017,753
Payments to suppliers and employees		(31,064,294)	(37,506,273)
Interest received		12,226	-
Finance costs		(840,391)	(626,993)
Income tax paid		-	-
Net cash (used in) provided by operating activities	16	(1,930,080)	1,884,487
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for intangible assets		(1,097,358)	(1,124,248)
Proceeds from sale of plant and equipment		7,191	-
Payment for plant and equipment		(1,559,109)	(401,067)
Net cash (used in) investing activities		(2,649,276)	(1,525,315)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings, net of transaction costs		21,772,661	3,805,000
Repayment of borrowings		(25,191,796)	(3,350,591)
Proceeds from issuance of shares, net of transaction costs		9,187,594	-
Net cash provided by financing activities		5,768,459	454,409
Net increase (decrease) in cash held		1,189,103	813,581
Cash and cash equivalents at beginning of financial year		1,856,475	1,042,894
Cash and cash equivalents at end of financial year		3,045,578	1,856,475

The accompanying notes form part of these financial statements.

The Food Revolution Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: REPORTING ENTITY

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.

NOTE 2: STATEMENT OF COMPLIANCE

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.

Basis of preparation

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. As at 30 June 2019, the Group had a net current liability position of \$9,252,830 and for the year ended 30 June 2019, the Group delivered a loss after tax of \$15,752,701 and had a cash flow deficit from operating activities of \$1,930,080.

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.

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

In September 2018, a share subscription deed was signed with Dr Norman Li and Careline Australia Pty Ltd (Careline). Careline Australia Pty Ltd and its founder and CEO Dr Tao (Norman) Li 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 transaction was approved by shareholders at the Extraordinary General Meeting on 14 June 2019. The parties have also entered into a distribution agreement to expand Group's sales into China.

As part of the proposed distribution agreement, Careline will distribute FOD's juice, beverage and vitamin products in China, through its growing network of 10,000 daigous. The distribution agreement will contain minimum targets of \$20M per annum of additional sales within two years at current Company margins.

Careline is incentivised to rapidly grow Group's sales through distribution and product expansion from A\$35 million to at least A\$500 million over the next three to five years via the issue of up to 190 million Performance Shares. Further details are outlined below.

Pursuant to the subscription deed, Careline and/ or its nominees will invest up to \$20.25 million via the issue of 375 million ordinary shares at an issue price of \$0.054 per share. The investment will be made via the following five tranches:

- Tranche 1 – 18.5 million ordinary shares, an investment of A\$1,000,000, on or before 28 September 2018 - completed
- Tranche 2 – 46.5 million ordinary shares, an investment of A\$2,510,000, by 31 October 2018 - completed
- Tranche 3 – 100 million ordinary shares, an investment of A\$5,400,000, within 6 months up to 5 March 2019 - completed
- Tranche 4 – 100 million ordinary shares, an investment of A\$5,400,000, within 12 months up to 5 September 2019.
- Tranche 5 – 110 million ordinary shares, an investment of A\$5,940,000, within 18 months up to 5 March 2020.

The Food Revolution Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2: STATEMENT OF COMPLIANCE

Significant accounting policies

Significant accounting policies will be disclosed in the group's annual financial report for the year ended 30 June 2019.

Segment reporting

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 3: REVENUE AND OTHER INCOME

	Consolidated Group	
	2019	2018
	\$	\$
a. Revenue		
Gross sales	32,047,013	35,627,680
Less: volume rebates and trading terms	(2,775,774)	(2,503,035)
Revenue	<u>29,271,238</u>	<u>33,124,645</u>
b. Other income		
Research and development funding	161,114	1,932,367
Rent income	1,207,061	1,226,296
Interest income	12,226	-
Sundry income	447,900	-
Total other income	<u>1,828,301</u>	<u>3,158,663</u>
NOTE 4: EXPENSES		
a. RTO related costs	146,523	70,730
b. Finance costs		
Interest expenses	805,885	366,181
Fees incurred on GIM loan	-	216,253
Other finance charges	34,506	44,559
Total finance costs	<u>840,391</u>	<u>626,993</u>

The Food Revolution Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 5: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2019	2018
	\$	\$
CURRENT		
Trade receivables	5,327,008	4,440,188
Other receivables	1,779,949	1,802,340
Less: provision for impairment	(3,698,713)	(1,077,907)
TOTAL TRADE AND OTHER RECEIVABLES	3,408,244	5,164,621

NOTE 6: INVENTORIES

	Consolidated Group	
	2019	2018
	\$	\$
CURRENT		
Work in progress	872,802	1,050,392
Raw materials	1,506,344	1,544,602
Finished goods	236,375	365,848
TOTAL INVENTORIES	2,615,521	2,960,842

NOTE 7: PLANT AND EQUIPMENT

	Consolidated Group	
	2019	2018
	\$	\$
Plant and equipment – at cost	19,615,371	18,131,398
Less: accumulated depreciation	(2,643,433)	(883,809)
	16,971,938	17,247,589
Office equipment – at cost	326,891	251,755
Less: accumulated depreciation	(209,355)	(141,103)
	117,536	110,653
TOTAL PLANT AND EQUIPMENT	17,089,474	17,358,242

The Food Revolution Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 8: INTANGIBLE ASSETS

	Consolidated Group	
	2019	2018
	\$	\$
Intellectual property – at cost	255,294	233,961
Less: amortisation	(191,738)	(176,742)
	63,556	57,219
Product development costs – at cost	1,781,823	1,635,657
Less: amortisation	(269,437)	(61,619)
Less: Impairment	(724,280)	(380,772)
	788,106	1,193,268
Formation expenses	1,095	1,095
Brands	6,914,998	6,914,998
Goodwill	702,268	702,268
Less: Impairment	(2,500,000)	-
TOTAL INTANGIBLE ASSETS	5,970,023	8,868,848

NOTE 9: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2019	2018
	\$	\$
Trade payables	4,524,150	3,926,373
Other payables and accruals	5,417,515	1,206,969
TOTAL TRADE AND OTHER PAYABLES	9,941,665	5,113,342

NOTE 10: PROVISIONS

	Consolidated Group	
	2019	2018
	\$	\$
CURRENT		
Employee benefits	896,900	913,326
NON-CURRENT		
Employee benefits	34,172	132,744
TOTAL PROVISIONS	931,072	1,046,070

The Food Revolution Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 11: BORROWINGS

	Consolidated Group	
	2019	2018
	\$	\$
CURRENT		
Secured loan (a)	7,571,433	3,848,622
TOTAL BORROWINGS	<u>7,571,433</u>	<u>3,848,622</u>

(a) The total facility from Greensill Capital is for \$10m (as at the date of this report, \$7.6 million, net of transaction costs has been drawn down)

- The interest rate is 6.75% pa, with interest payable every 4 months.
- The loan is secured over all of the Group's current and future assets.
- The facilities are financial covenant light in that once the funds have been drawn under the facility, there is no periodic (eg. quarterly) financial covenant testing.

NOTE 12: DEFERRED CONSIDERATION LIABILITY

	Consolidated Group	
	2019	2018
	\$	\$
CURRENT		
Deferred consideration liability (a)	-	7,141,946
TOTAL DEFERRED CONSIDERATION LIABILITY	<u>-</u>	<u>7,141,946</u>

(a) The final repayment of the Heinz deferred consideration plus accrued interest was made on 21 December 2018.

The Food Revolution Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 13: INCOME TAX BENEFIT

	Consolidated Group	
	2019	2018
	\$	\$
Deferred tax expense / (benefit)	1,303,270	(1,159,623)
Total income tax expense / (benefit)	1,303,270	(1,159,623)

NOTE 14: OPTIONS RESERVE

	Consolidated Group	
	2019	2018
	\$	\$
Options reserve	90,561	526,252

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

NOTE 15: REVALUATION SURPLUS

	Consolidated Group	
	2019	2018
	\$	\$
Net gain on revaluation of plant and equipment	8,753,758	8,489,683

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

The Food Revolution Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 16: CASH FLOW INFORMATION

	Consolidated Group	
	2019	2018
	\$	\$
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
(Loss)/ profit after income tax	(15,752,701)	2,221,712
Depreciation, amortisation and write-offs	2,051,500	1,598,049
Gain on disposal of plant and equipment	(8,000)	-
Impairment of financial assets	2,622,197	865,907
Impairment of non-financial assets	3,470,131	380,772
Share-based payments	90,561	-
Changes in operating assets and liabilities:		
- Trade and other receivables	(865,820)	2,028,834
- Trade and other payables	4,808,323	(1,883,906)
- Inventories	345,321	(476,517)
- Other assets	280,416	(196,077)
- Provisions	(114,997)	437,706
- Deferred tax assets and liabilities	1,142,989	(3,091,993)
	(1,930,080)	1,884,487

The Food Revolution Group Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 17: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)	
		2019	2018
Parent Entity:			
The Food Revolution Group Limited	Australia		
Subsidiaries of The Food Revolution Group Limited:			
LangTech International Pty Ltd	Australia	100	100
LangTech Citrus Pty Ltd	Australia	100	100
LangTech Bottling Pty Ltd	Australia	100	100
Thirsty Brothers Pty Ltd	Australia	100	100
Shandong LangTech Food Technology Co Limited	China	10	10
New Age Beverages Pty Ltd	Australia	100	100

NOTE 18: LEASE COMMITMENTS

	Consolidated Group	
	2019	2018
Non-cancellable operating lease commitments not capitalised in the financial statements		
Payable – minimum lease payments:		
– not later than 1 year	941,784	1,257,113
– later than 1 year but not later than 5 years	4,564,987	4,600,233
– later than 5 years	8,125,813	8,607,556
	13,632,584	14,464,902

NOTE 19: CONTINGENT ASSETS AND LIABILITIES

There are no other contingent assets and liabilities at balance date.

NOTE 20: COMPANY DETAILS

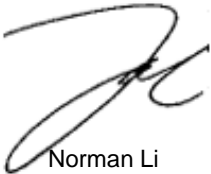
The registered office and principal place of business of the company is:

20 Heaths Court
Mill Park VIC 3082

The Food Revolution Group Limited

DIRECTORS' COMPLIANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

1. This Appendix 4E has been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.
2. This Appendix 4E uses the same accounting policies which will be adopted in the full financial report.
3. This Appendix 4E is based on financial statements which are in the process of being audited and is not likely to be subject to audit dispute or qualification.
4. In the directors' opinion, there are reasonable grounds to believe the group will be able to pay its debts as and when they become due and payable.



Norman Li

Dated: 30 August 2019