

8 October 2019

Isabelle Andrews
Australian Securities Exchange (**ASX**)
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000

Dear Isabelle,

Re: Family Insights Group Limited – Financial Condition Query

We refer to your letter dated 2 October 2019 in relation to queries about Family Insights Group Limited's (**Family Insights** or the **Company**) (**ASX: FAM**) Financial Report lodged with the ASX on 30 September 2019 (**Financial Report**) which included an Independent Audit Report from Pitcher Partners on pages 25 to 26 (**Auditor's Report**). The Company responds as follows:

1. Is the Company able to confirm that in the Directors' opinion, the Financial Report:

(a) complies with the relevant Accounting Standards; and

Yes.

(b) gives a true and fair view of the financial performance and financial position of the Company?

Yes.

2. Given the Disclaimer relates to the Auditor's inability to determine whether the going concern basis of preparation is appropriate, what steps does the Company intend to take to obtain unqualified audit/review report for future financial periods?

In your response, please explain why the Auditor has been unable to obtain sufficient information to determine whether the going concern basis of preparation is appropriate?

The Company is in ongoing dialogue with Pitcher Partners (**Auditors**) to provide further information and supporting documentation in respect of the going concern status of the Company. As at 30 September 2019, the Company was unable to provide sufficient information to the Auditors to provide the Auditors with the comfort which they required to support a going concern basis of preparation for the accounts. The Company continues to provide the Auditors with additional information and supporting documentation, inclusive of, but not limited to:

- (a) a binding loan facility agreement entered into on 7 October 2019 with an entity associated with Mathew Walker, a Company director for up to \$600,000, available on call, unsecured, interest free and repayable on the earlier of 31 October 2019 and a capital raising of not less than \$1,000,000 (**Loan Facility**); and
- (b) written confirmation from Cicero Corporate Pty Ltd, agreeing to the accrual and deferral of its corporate administration fees, and written confirmation from each non-executive director of the Company agreeing to accrue and defer their fees until such time as the Company completes its next capital raising of not less than \$1,000,000. These deferrals represent cash savings to the Company of \$28,000 per month.

The Company has provided this additional information and is seeking an updated Independent Audit Report from the Auditors (**Auditor's Report**) providing for an unqualified audit opinion in the Company's 2019 Annual Financial Report (**Financial Report**).

3. Given the Disclaimer relates to the Auditor's inability to determine whether the going concern basis of preparation is appropriate, please explain how the Directors satisfied themselves that the going concern basis of preparation is appropriate and the Company's financial report adheres to the current Australian Accounting Standards?

In answering this question, reference should be made to the underlying assumptions used by the Directors in coming to this conclusion.

The Directors believe that the Company can meet its financial obligations when they fall due enabling it to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis. The Company has a solid history of obtaining support from investors, including in very difficult financial markets. During and post the year ended 30 June 2019, the Company has and had successfully completed the following capital raising and debt financing initiatives.

- The placement of the remaining shortfall securities (Shortfall) from the 11 May 2018 Entitlement Offer was managed by the broker and lead manager of the Entitlement Issue, CPS Capital Group Pty Ltd (CPS). The Company announced the closure of the Shortfall on 26 July 2018 with the successful placement of all 848,650,970 shares to raise gross proceeds of \$2,545,953.
- On 17 September 2018, the Group announced the successful lodgement of the Group's Research & Development Claim for a refundable offset under the Federal Government's Research Development Tax Incentive Scheme for the amount of \$1.2 million (R&D Refund). The Group received its R&D Refund on 22 October 2018. Subsequently, on 6 September 2019, the Company announced it had received a Research and Development Tax Incentive Scheme cash rebate (R&D Refund) from the Australian Tax Office of \$846,972 for the financial year ended 30 June 2019. Following receipt of the R&D Refund, the Group repaid the Loan to Rocking Horse.

The Company intends to undertake a capital raising within the current quarter for working capital and to accelerate product development and marketing activities. Although a capital raising may be considered at any time, and noting that a minimum viable product for the consumer mobile application is intended to be available within the current quarter, the Board considers that a capital raising following this product launch may be more readily embraced by the financial community and therefore in the best interests of shareholders.

4. Does the Company consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX in accordance with the requirements of listing rule 12.1? In answering this question, please explain the basis for this conclusion.

Yes.

The Company is currently performing significant activity to develop and commercialise its technologies. Please reference the Company's ASX release dated 31 July 2019 which details the sum of \$1,929,000 expenditure on research and development for the 12 months to 30 June 2019 and a further \$267,000 estimated expenditure on research and development of \$267,000 for the September quarter 2019.

Further details and comments are provided below.

As per ASX release 8 February 2019, the Company has seen significant improvements in the operations of its parental control platform Family Insights, with usability and general stability improvements allowing the Company to reduce its development resource focus on this product, whilst maintaining commercialisation focus through marketing and partnerships (see ASX release 26 April 2019 for example of commercial activity).

The Company has since placed significant technical focus and resourcing on rebuilding and relaunching the acquired Frugl grocery comparison platform (see ASX release 22 January 2019) to maximise the commercial opportunity of the acquisition and to pursue the fastest path to material revenue growth for the Company (see ASX release 9 April 2019).

In support of this activity, the Company has recruited two additional major resources to develop the technology, data assets and commercial proposition. Alistair McCall was recruited from major Australian Data Agency Mercer Bell as the Company's Chief Data Officer (see ASX Release 9 April 2019), with Senior Data Warehouse Engineer Tim Watts recruited from Origin Energy Limited shortly afterwards to support the Company's human resource requirements.

Following the recruitment of these key resources, the Company has spent significant time and resource preparing the underlying technologies for the relaunch of the vastly improved Frugl grocery application (due for launch by end of the current Quarter 2019). As per ASX Release 31 July 2019, the Company has developed its core data warehouse foundations within the cloud-based Snowflake and AWS environments and has undertaken significant development of the consumer mobile applications for Frugl grocery in readiness for anticipated launch later in the current quarter.

Data acquisition in support of the Frugl business was reinitiated in the June Quarter 2019, with the acquisition of grocery data from two major Australian national grocery chains as the initial focus. Over 4 months of complete Australia-wide localised grocery product, pricing, promotions, ingredient and nutritional data has been acquired in readiness for commercialisation. Additional data sources developed in the September Quarter include catalogue data across all major supermarket chains, and the full product, promotions and pricing dataset of an international grocery chain operating within Australia.

With the data assets having now obtained significant magnitude to undertake cross-retailer analytics activities, and in support of the Company's focus to accelerate revenue growth, the Company has commenced business development discussions with potential data analytics customers from within Australia's grocery retailer and supplier sectors, including both major national and international grocery retailers.

5. Does the Company consider that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2, commenting specifically on the Company's net current liability position of \$929,370? In answering this question, please explain the basis for this conclusion.

Yes.

A significant proportion of the \$929,370 net liability position as per the Financial Report is the \$550,333 deemed valuation assigned to the 'contingent' non-cash consideration (**Share Consideration**) resulting from the Company's acquisition of Frugl Group Limited (**Frugl**).

In accordance with AASB 137 "Provision, Contingent Liabilities and Contingent Assets", the Share

Consideration is subject to Frugl meeting a number of performance milestones¹. These performance milestones are revenue based and, in the event these milestones are met, the revenue generated would strengthen the cash position of the Company.

As a result, the Company considers that this 'contingent' non-cash consideration not to have any material financial impact on the consolidated liabilities of the Company in the periods ended 30 June 2019 and 30 June 2020.

However, the Company notes that due to the potential material risks and uncertainties associated with future events in respect to the performance milestones, the Company has considered that a revaluation of the consideration valuation at future balance dates may occur.

As referenced earlier, the Company intends to undertake a capital raising within the current quarter for working capital and to accelerate product development and marketing activities.

As at 30 September 2019, the Company had trade payables of \$66,074 and cash and cash equivalents of \$126,528. The Company believes that these assets, in conjunction with the Loan Facility and the Company's proposed capital raising in the upcoming quarter, adequately addresses the Company's working capital needs.

¹ ASX Release 22 January 2019: Acquisition Settlement.

- 6. If the answer to Questions 4 or 5 is "No", please explain what steps the Company has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rules 12.1 and 12.2.**

N/A

- 7. In relation to the Financial Report, did the Board receive the CFO and CEO declaration, as described in section 4.2 of the Company's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?**

Yes.

- 8. If the answer to Question 7 is "No", why did the Board not receive the CEO and CFO declaration as described in section 4.2 of the Company's Corporate Governance Disclosure?**

N/A

- 9. What enquiries did the Board make of management to satisfy itself that the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company?**

The board and management review the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards. This involves the assessment of internal controls to determine that the necessary steps have been taken to enable the preparation of the financial report and ensure that it is free from material misstatement, whether due to fraud or error. In preparing the financial report, board and management are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to

going concern and using the going concern basis of accounting.

10. Commenting specifically on the Disclaimer, does the Board consider the Company has a sound system of risk management and internal control which is operating effectively?

Yes, the risk management and internal control aspects of the Company continue to be refined and improved following completion of Company audit. A significant driver in respect to this is the review of the closing audit report that provides independent assessment and recommendations for the Company to consider. As a result, the key measurable outcomes for the Company is to ensure that any material risks and controls identified in the closing audit report be resolved for future periods and not repeated. The closing audit report for the year ended 30 June 2019 does not contain any material fraud, error and internal control risks.

11. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1 and 12.2.

The Company confirms it is in compliance with the listing rules and, in particular, listing rule 3.1 and 12.2.

12. Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

The Company confirms that the responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy.

- ENDS -

For further information, please contact:

Family Insights Group

Sean Smith

MD and CEO

+61 8 6489 1600

info@familyinsightsgroup.com



2 October 2019

Mr Quinton Meyers
Company Secretary
Family Insights Group Limited

By email:

Dear Mr Meyers

Family Insights Group Limited (the “Company”) – Financial Condition Query

ASX Limited (“ASX”) refer to the following:

1. The Company’s 2019 Annual Financial Report lodged with the ASX on 30 September 2019 (“Financial Report”) which included an Independent Audit Report from Pitcher Partners on pages 25 to 26 (“Auditor’s Report”).
2. The Disclaimer of Opinion in the Auditor’s Report (page 25) which reads as follows (“Disclaimer”):

“Disclaimer of Opinion

We were engaged to audit the financial report of Family Insights Group Limited (the “Company”) and its controlled entities (the “Group”), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the declaration by those charged with governance.

We do not express an opinion on the accompanying financial report of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial report.

Basis for Disclaimer of Opinion

We draw attention to Note 2.1.3 to the consolidated financial report which indicates that the Group incurred a net loss of \$3,182,653 and a net cash outflow from operating activities of \$1,958,806 for the year ended 30 June 2019, and as of that date, the Group had net current liabilities of \$379,037 and net liabilities of \$929,370. As at the date of this report, we have been unable to obtain evidence which would provide sufficient appropriate audit evidence as to whether the Group can achieve the matters disclosed in Note 2.1.3 to the consolidated financial report and hence remove significant doubt as to its ability to continue as a going concern within 12 months of the date of this auditor’s report.”

3. The Company’s 2019 Corporate Governance Disclosure lodged with the ASX on 30 September 2019 (“Corporate Governance Disclosure”) which, on page 6, provides confirmation that the Company complies with the Corporate Governance Principles and Recommendation (3rd Edition) 4.2 which states:

“The board of a listed entity should, before it approves the entity’s financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.”

4. The Company’s Appendix 4C – Quarterly Cash Flow Report for the period ended 30 June 2019 lodged 31 July 2019, which disclosed the following:

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- 4.1 The Company had operating cash flows of (\$638,000);
 - 4.2 The Company had cash at the end of the quarter of \$182,000; and
 - 4.3 The Company had anticipated cash outflows for the following quarter of \$622,000.
5. ASX Listing Rules 12.1, 12.2 and 19.11A:

Financial condition

- Listing Rule 12.1 *The level of any entity's operations must, in ASX's opinion, be sufficient to warrant the continued operation of the entity's securities and its continued listing.*
- Listing Rule 12.2 *An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.*
- Listing Rule 19.11A *If a listing rule requires an entity to give ASX accounts, the following rules apply*
...
(b) The accounts must be prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.

Questions for response

In light of the Auditor's Report, the Disclaimer, the information contained in the Financial Report, Corporate Governance Disclosure, the Appendix 4C Disclosure and the application of the listing rules stated above, please respond to each of the following questions:

1. Is the Company able to confirm that in the Directors' opinion, the Financial Report:
 - (a) complies with the relevant Accounting Standards; and
 - (b) gives a true and fair view of the financial performance and financial position of the Company?
2. Given the Disclaimer relates to the Auditor's inability to determine whether the going concern basis of preparation is appropriate, what steps does the Company intend to take to obtain unqualified audit/review report for future financial periods?

In your response, please explain why the Auditor has been unable to obtain sufficient information to determine whether the going concern basis of preparation is appropriate?
3. Given the Disclaimer relates to the Auditor's inability to determine whether the going concern basis of preparation is appropriate, please explain how the Directors satisfied themselves that the going concern basis of preparation is appropriate and the Company's financial report adheres to the current Australian Accounting Standards?

In answering this question, reference should be made to the underlying assumptions used by the Directors in coming to this conclusion.
4. Does the Company consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX in accordance with the requirements of listing rule 12.1? In answering this question, please explain the basis for this conclusion.
5. Does the Company consider that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2, commenting specifically on the Company's net current liability position of \$929,370? In answering this question, please explain the basis for this conclusion.

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6. If the answer to Questions 4 or 5 is “No”, please explain what steps the Company has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rules 12.1 and 12.2.
 7. In relation to the Financial Report, did the Board receive the CFO and CEO declaration, as described in section 4.2 of the Company’s Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
 8. If the answer to Question 7 is “No”, why did the Board not receive the CEO and CFO declaration as described in section 4.2 of the Company’s Corporate Governance Disclosure?
 9. What enquiries did the Board make of management to satisfy itself that the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company?
 10. Commenting specifically on the Disclaimer, does the Board consider the Company has a sound system of risk management and internal control which is operating effectively?
 11. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1 and 12.2.
 12. Please confirm that the Company’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

Please note ASX reserves its right under listing rule 18.7A to release this letter and the Company’s response to the market. Accordingly, the Company’s response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event by 9:00am WST, Monday 7 October 2019.

Any response should be sent to ListingsCompliancePerth@asx.com.au. It should not be sent to the ASX Market Announcements Office.

If you have any queries regarding any of the above, please let me know.

Yours sincerely

Isabelle Andrews
Senior Adviser, Listings Compliance (Perth)