



29 July 2019

Ecofibre (ASX: EOF): FY19 NPAT up 170% and EPS up 159%

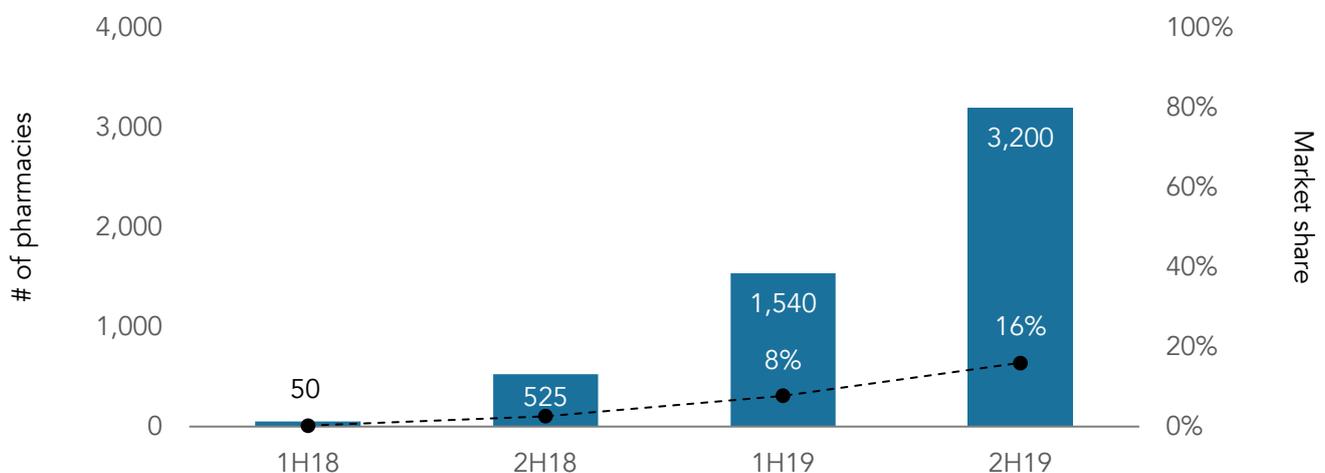
On behalf of the Board of Directors of Ecofibre we are pleased to announce the following financial results for FY19:

- Revenue of \$35.6m - **up 519%**
- Profit before income tax of \$4.6m – **up 156%**
- Net profit after income tax of \$6.0m - **up 170%**
- Diluted earnings per share 2.2 cents per share – **up 159%**

Please refer to the attached Appendix 4E for further details.

These results are in keeping with our previous guidance and reflect the rapid growth of our US Nutraceutical business Ananda Health. In the US, Ananda Health is the leading provider of hemp-derived CBD products to US retail pharmacies.

US independent pharmacies stocking Ananda Professional & market share (% of total US independent pharmacies)





Our success in US pharmacies reflects:

- The quality of our products
- The quality of our staff
- The clarity and focus of our strategy
- The execution of our strategy by our leadership and entire staff

As part of the acceleration of our strategy across all business lines, we will be announcing several strategic senior appointments in the coming weeks.

Funding

Following the March IPO raising of \$20m, we have liquidity of \$25.7m. We expect all capital expenditure to be funded by future profits and the Company will be debt free by the end of Q1 FY20.

Guidance

Due to the rapid growth in our business and industry we are unable to provide accurate guidance, however we will continue to keep the market fully informed via quarterly updates and timely ASX announcements for price sensitive events.

During the next 12 months, apart from strong growth in our US Ananda Health business, we expect meaningful growth in our Australian Ananda Food business and commercialisation to begin for our US based Hemp Black business.

We expect to release our Q1 FY20 Appendix 4C quarterly report on October 10th, 2019 and our Annual General Meeting will be held on November 14th, 2019 at 2pm in Sydney, Australia.

Barry Lambert
Chairman

Eric Wang
Managing Director

Investor Relations and Media please contact:

Investor-relations@ecofibre.com





About Ecofibre

Ecofibre is a provider of hemp products in the United States and Australia.

In the United States, the Company produces nutraceutical products for human and pet consumption, as well as topical creams and salves. See www.anandahemp.com and www.anandaprofessional.com.

In Australia, the Company grows and produces hemp food products including protein powders, de-hulled hemp seed and hemp oil. See www.anandafood.com.

The Company is also developing innovative hemp-based products in textiles and composite materials in partnership with Thomas Jefferson University (TJU) in the United States.

The Company owns or controls key parts of the value chain in each business, from breeding, growing and production to sales and marketing. Our value proposition to customers is built on strong brands and quality products.



1. Company details

Name of entity:	Ecofibre Limited
ACN:	140 245 263
Reporting period:	For the year ended 30 June 2019
Previous period:	For the year ended 30 June 2018

2. Results for announcement to the market

This preliminary financial report under ASX listing rule 4.3A covers Ecofibre Limited and its controlled entities (“the Group”) and is based on the attached Preliminary Financial Report.

The Group has adopted Accounting Standards AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers' for the year ended 30 June 2019. The Accounting Standards were adopted using the modified retrospective approach and as such comparatives have not been restated.

			\$'000
Revenues from ordinary activities	up	519% to	35,605
Profit from ordinary activities after tax attributable to the owners of Ecofibre Limited	up	170% to	6,000
Profit for the year attributable to the owners of Ecofibre Limited	up	170% to	6,000
Basic earnings per share (cents)			2.28
Diluted earnings per share (cents)			2.17

Dividends

There were no dividends paid, recommended or declared during the financial period.

Comments

The profit from ordinary activities for the Group after providing for income tax amounted to \$6.0m (30 June 2018: loss of \$8.6m). The result includes a tax credit of \$1.4m, which reflects first time recognition of a deferred tax asset of \$2.0m partially offset by a deferred tax liability of \$0.4m.

This is the first full year profit reported by the Group, driven by the performance of the Ananda Health business in the United States.

The financial position of the consolidated entity is strong with net assets of \$42.3Million (FY18: \$1.6Million), including significant cash and cash equivalents (FY19: \$25.7Million; FY18: \$2.8Million) and no long term debt (FY18: \$5.1Million).

Further commentary on the result is included in the ASX market announcement accompanying this Appendix 4E report.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>13.81</u>	<u>0.51</u>

4. Control gained over entities

Ecofibre Services Pty Ltd was incorporated by Ecofibre Limited on 28 September 2018.

Ecofibre USA Inc. was incorporated by Ecofibre Limited on 16 October 2018.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The Annual Report is currently in the process of being audited and an unqualified opinion is expected to be issued.

8. Attachments

Details of attachments (if any):

The Preliminary Financial Report of Ecofibre Limited for the year ended 30 June 2019 is attached.

9. Signed



Signed _____

Date: 29 July 2019

Barry Lambert
Chairman
Sydney

Ecofibre Limited

ACN 140 245 263

Preliminary Financial Report – 30 June 2019

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ECOFIBRE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
Revenue		35,605	5,749
Direct costs	4(a)	(9,833)	(3,783)
Gross profit		25,772	1,966
Other income		1,864	3,557
Other operating expenses	4(b)	(22,679)	(13,190)
Interest expense		(372)	(547)
Profit/ (loss) before income tax		4,585	(8,214)
Income tax benefit/ (expense)		1,415	(413)
Profit/ (loss) after income tax attributable to the members of the company		6,000	(8,627)
Earnings/ (loss) per share:			
Basic earnings/ (loss) per share - cents		2.28	(3.71)
Diluted earnings/ (loss) per share - cents		2.17	(3.71)

The above consolidated statement of profit and loss should be read in conjunction with the accompanying notes

ECOFIBRE LIMITED
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$'000	2018 \$'000
Profit/ (Loss) after income tax attributable to the members of the company	6,000	(8,627)
Other comprehensive income for the year:		
Exchange differences on translating foreign controlled entities	391	(72)
Total comprehensive income for the year attributable to the members of the company	<hr/> 6,391	<hr/> (8,699)

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes

ECOFIBRE LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
CURRENT ASSETS			
Cash and cash equivalents		25,740	2,756
Trade and other receivables		2,808	990
Inventories		6,573	2,719
Biological assets		2,405	955
Tax recoverable		251	-
Other current assets		969	794
TOTAL CURRENT ASSETS		38,746	8,214
NON-CURRENT ASSETS			
Intangible assets		340	340
Property, plant and equipment		6,655	2,714
Deferred tax assets		2,034	-
TOTAL NON-CURRENT ASSETS		9,029	3,054
TOTAL ASSETS		47,775	11,268
CURRENT LIABILITIES			
Trade and other payables		3,740	3,561
Related party loans		1,340	939
Tax payable		-	80
TOTAL CURRENT LIABILITIES		5,080	4,580
NON-CURRENT LIABILITIES			
Related party loans		-	4,452
Borrowings		-	676
Deferred tax liability		392	-
TOTAL NON-CURRENT LIABILITIES		392	5,128
TOTAL LIABILITIES		5,472	9,708
NET ASSETS		42,303	1,560
EQUITY			
Issued capital	6	56,189	22,536
Foreign currency translation reserve		250	(141)
Accumulated losses		(17,504)	(23,504)
Convertible loan reserve		139	524
Share-based payment reserve		3,229	2,145
TOTAL EQUITY		42,303	1,560

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

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

Consolidated	Note	Issued capital \$'000	Share-based payment reserve \$'000	Convertible loan reserve \$'000	Foreign currency translation reserve \$'000	Accumulated gains/ (losses) \$'000	Total \$'000
Balance 30 June 2017		13,635	-	524	(69)	(14,877)	(787)
Total comprehensive income for the year		-	-	-	(72)	(8,627)	(8,699)
Shares issued	6	8,901	-	-	-	-	8,901
Share-based payments		-	2,145	-	-	-	2,145
Balance 30 June 2018		22,536	2,145	524	(141)	(23,504)	1,560
Total comprehensive income for the year		-	-	-	391	6,000	6,391
Shares issued	6	27,323	-	-	-	-	27,323
Share issue cost	6	(207)	-	-	-	-	(207)
Share-based payments	6	2,687	1,084	-	-	-	3,771
Convertible loan conversion to shares	6	3,850	-	(385)	-	-	3,465
Balance 30 June 2019		56,189	3,229	139	250	(17,504)	42,303

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

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

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers		33,835	4,960
R & D tax rebate		1,476	3,113
Payments to suppliers and employees		(32,010)	(13,965)
Interest received		111	15
Interest paid		(493)	(375)
Income tax paid		(482)	(333)
Net cash flows generated from / (used in) operating activities		2,437	(6,585)
Cash flows from investing activities			
Payments for property, plant and equipment		(4,833)	(2,136)
Payments for intangible assets		(340)	-
Receipt from sale of property, plant and equipment		238	127
Others		248	-
Net cash flows used in investing activities		(4,687)	(2,009)
Cash flows from financing activities			
Repayment of borrowings		(1,173)	-
Proceeds from issue of shares		27,323	8,901
Transaction costs related to issues of shares		(1,040)	-
Net cash flows generated from financing activities		25,110	8,901
Net increase in cash and cash equivalents held		22,860	307
Cash and cash equivalents at the beginning of the financial year		2,756	2,449
Effect of movement in exchange rates on cash held		124	-
Cash and cash equivalents at the end of the financial year		25,740	2,756

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

1. Changes in accounting policies

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The impact on the financial performance and position of the consolidated entity from the adoption of these Accounting Standards is minimal.

2. New accounting standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term.

The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The consolidated entity will adopt this standard from 1 July 2019. Applying AASB 16 to the Group's current operating leases would result in approximately \$1.3 million right-of-use asset and lease liability to be recognised in the statement of financial position at 30 June 2019.

3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into three operating segments based on differences in products and services provided: nutraceuticals, food and fibre. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (BOD) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Other segments represent the research and development and corporate headquarter activities of the consolidated entity.

The BOD reviews the profit or loss before income tax for each segments. The accounting policies adopted for internal reporting to the BOD are consistent with those adopted in the financial statements.

3. Operating segments (continued)

Types of products and services

The principal products and services of each of these operating segments are as follows:

Ananda Health	Production and sale of hemp related nutraceutical products focused on the United States.
Ananda Food	Production and sale of hemp related food products in Australia.
Hemp Black	Development of innovative hemp related fibre products globally.
Ecofibre Corporate	Plant research and development and group corporate functions.

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Operating segment information

a) Segment performance

	Ananda Health \$'000	Ananda Food \$'000	Hemp Black \$'000	Ecofibre Corporate \$'000	Total \$'000
Consolidated - 2019					
Revenue					
Sales to external customers	34,241	1,364	-	-	35,605
Intersegment sales	-	111	-	-	111
Total sales revenue	34,241	1,475	-	-	35,716
R&D tax rebate	-	-	-	1,476	1,476
Interest income	33	-	-	116	149
Other income	109	146	15	(31)	239
Total segment revenue	34,383	1,621	15	1,561	37,580
Total expenses	(21,639)	(2,557)	(2,692)	(5,996)	(32,884)
Intersegment purchases	-	(38)	-	-	(38)
Segment profit/ (loss) before income tax	12,744	(974)	(2,677)	(4,435)	4,658
Intersegment eliminations					(73)
Profit before income tax					<u>4,585</u>

3. Operating segments (continued)

a) Segment performance (continued)

	Ananda Health \$'000	Ananda Food \$'000	Hemp Black \$'000	Ecofibre Corporate \$'000	Total \$'000
Consolidated - 2018					
Revenue					
Sales to external customers	4,617	1,069	-	63	5,749
Intersegment sales	-	-	-	-	-
Total sales revenue	4,617	1,069	-	63	5,749
R&D tax rebate	-	-	-	3,113	3,113
Interest income	-	-	-	15	15
Other income	(37)	35	-	431	429
Total segment revenue	4,580	1,104	-	3,622	9,306
Total expenses	(9,261)	(1,807)	(1,370)	(5,082)	(17,520)
Intersegment purchases	-	-	-	-	-
Segment loss before income tax	(4,681)	(703)	(1,370)	(1,460)	(8,214)
Intersegment eliminations					-
Loss before income tax					(8,214)

b) Segment assets and liabilities

Consolidated - 2019

Assets					
Segment assets	12,501	4,818	2,221	2,495	22,035
<i>Unallocated assets:</i>					
Cash and cash equivalents					25,740
Total assets					47,775
Liabilities					
Segment liabilities	2,184	931	24	993	4,132
<i>Unallocated liabilities:</i>					
Related party loans and borrowings					1,340
Total liabilities					5,472

3. Operating segments (continued)

b) Segment assets and liabilities (continued)

Consolidated - 2018	Ananda Health \$'000	Ananda Food \$'000	Hemp Black \$'000	Ecofibre Corporate \$'000	Total \$'000
Assets					
Segment assets	5,032	2,479	340	661	8,512
<i>Unallocated assets:</i>					
Cash and cash equivalents					2,756
Total assets					<u>11,268</u>
Liabilities					
Segment liabilities	1,063	894	-	1,684	3,641
<i>Unallocated liabilities:</i>					
Related party loans and borrowings					6,067
Total liabilities					<u>9,708</u>

4. Expenses

a) Direct costs

	2019 \$'000	2018 \$'000
Costs of goods sold	9,801	4,486
Write down of inventory	32	-
Reversal of inventory provision	-	(703)
	<u>9,833</u>	<u>3,783</u>

b) Other operating expenses

Employees and contractors	10,537	5,901
Share based payments	3,752	2,292
Sales and marketing	1,645	1,208
Travel and accommodation	671	623
Equipment modification and maintenance	422	609
Rent	702	451
Legal fees and compliance	1,756	321
Accounting and audit	233	135
Make good provision	-	(10)
Depreciation	958	344
Others	2,003	1,316
	<u>22,679</u>	<u>13,190</u>

5. Employee share trust

On 29 June 2018, the Company entered into an Employee Securities Trust Deed with Pacific Custodians Pty Limited (PCPL) to set up an employee share trust (EST). PCPL is the trustee for the EST.

In August 2018 and September 2018, Ecofibre Limited issued a total of 7,355,659 shares into the Employee Share Trust as part of Ecofibre's employee share scheme (ESS).

The movement of Ecofibre's shares held in the EST are as follows:

	Number of shares
Opening balance as at 30 June 2018	-
Shares issued by the Company to the EST	7,355,659
Shares issued by the EST to employees as part of the ESS – pre split	(1,356,449)
Balance pre share split	5,999,210
Share split – 3:1	11,998,420
Shares issued by the EST to employees as part of the ESS – post split	(599,957)
Balance as at 30 June 2019	17,397,673

	2019 \$'000	2018 \$'000	2019 Quantity	2018 Quantity
Ordinary shares	56,189	22,536	291,951,478	80,195,441
Movement in ordinary shares				
Opening balance 1 July	22,536	13,635	80,195,441	74,648,953
Share issued at \$1.61 per share	3,127	8,901	1,942,582	5,546,488
Share issued at \$1.95 per share	4,196	-	2,151,630	-
First conversion of convertible loan	1,941	-	2,425,000	-
Shares issued as part of the ESS	2,229	-	1,383,422	-
Total prior to share split	34,029	22,536	88,098,075	80,195,441
Share split 3:1	-	-	176,196,150	-
Shares issued from initial public offering at \$1.00 per share	20,000	-	20,000,000	-
Second conversion of convertible loan	1,909	-	7,057,296	-
Shares issued as part of the ESS	458	-	599,957	-
Share issue cost	(207)	-	-	-
Closing balance 30 June	56,189	22,536	291,951,478	80,195,441

309,349,151 total shares on issue by the parent entity, which includes 291,951,478 consolidated shares on issue plus shares held by the EST (17,397,673) which have been issued by the parent entity and are eliminated on consolidation.

6. Issued Capital (continued)

Reconciliation to the Consolidated Statement of Changes in Equity:

	\$'000
Balance at 30 June 2017	13,635
Shares issued	8,901
Balance at 30 June 2018	22,536
Shares issued	27,323
Share based payment: shares issued as part of the ESS	2,687
Convertible loan conversion to shares	3,850
Share issue cost	(207)
Balance at 30 June 2019	56,189

7. Interests in subsidiaries

The Group completed a restructure of its subsidiaries, including the incorporation of Ecofibre Services Pty Ltd and Ecofibre USA Inc.

The financial statements of the subsidiaries have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries:

Name	Principal place of business / Country of Incorporation	Ownership Interests	
		2019 %	2018 %
Ecofibre Services Pty Ltd (ES)	Australia	100%	-
Ananda Food Pty Ltd (AF) (formerly Hemp Australia Pty Ltd)	Australia	100%	100%
Ecofibre USA Inc. (EUSA)	United States of America	100%	-
Ananda Hemp Inc. (AH) (formerly United Life Science Inc.)	United States of America	100%	100%
Ecofibre Kentucky LLC (EK)	United States of America	100%	100%
Hemp Black Inc. (HB) (formerly Satival Inc.)	United States of America	100%	100%
Ecofibre Uruguay SA (EU)	Uruguay	100%	100%

7. Interests in subsidiaries (continued)

ES's principal activity is the provision of group corporate functions and plant research and development services. ES was incorporated on 28 September 2018.

AF's principal activity is the growing, processing and distribution of hemp food products.

EUSA's principal activity is an investment holding company. EUSA was incorporated on 16 October 2018.

AH's principal activity is the marketing and distribution of hemp nutraceutical products.

EK's principal activity is the manufacture of hemp nutraceutical products.

HB's principal activity is to develop and commercialise hemp fibre products.

EU is a dormant entity.

8. Earnings per share (EPS)

	2019 \$'000	2018 \$'000
Earnings used in the calculation of basic and diluted EPS (\$'000)	6,000	(8,627)
Weighted average number of shares* outstanding during the period used in the calculation of basic and diluted EPS:		
Basic	262,703,027	232,292,966
Diluted	276,186,752	232,292,966

* Weighted average number of shares exclude Treasury shares held in the EST.

9. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.