refresh group

**Appendix 4D**
**Half-Year Financial Report**

# Results for announcement to the market

**1. Results for the half year to 31 December 2013 and the corresponding period to 31 December 2012**

| **Company Result** | | | **A$'000** |
|---|---|---|---|
| Revenue from ordinary activities | up 7% | to | 3,635 |
| Profit for the period attributable to members | up 282% | to | 135 |

| **For the Period ending** | **31 Dec 13** | **31 Dec 12** |
|---|---|---|
| Net tangible asset per share | $0.03 | $0.03 |
| Net asset per share | $0.04 | $0.04 |

**Dividends**

No interim dividend is payable

**2. Brief Explanation of the Result**

The Company did very well turning around from a net loss of -$74k to a profit of $135k. .

All 4 operating segments are profitable and with the continuing growth trend, we anticipate that the profit trend to continue.

For more details, please refer to Page 3 of the Directors' Report.

**3. Details of entities over which control has been gained or lost during the period**

Nil

**4. Details of individual and total dividends or distributions and dividend or distribution payments**

Nil

**5. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan**

Nil

**6. Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities and – where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.**

Nil

# Refresh Group Limited

and its controlled entities

ABN 28 079 681 244

## Half Year Financial Report

## 31 December 2013

## Table of Contents

## DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2013.

## DIRECTORS

The names of the directors of the Company in office at the date of this report or during the half-year are:

Henry Heng
Mun Yew Chan
Jamie Gee Choo Khoo
Eddie Kwong Choon Soong (appointed 9 October 2013)

## REVIEW AND RESULTS OF OPERATIONS

Australia underwent a hot summer which has contributed to the 7% revenue growth. This has helped all segments to be profitable, achieving an earnings before interest, tax, depreciation and amortisation (EBITDA) of $303k and profit after tax of $135k.

Management's cost cutting measures and effective sales and marketing strategies have resulted in the turnaround. With a continuing growth trend, we anticipate the profit trend to continue.

Details of the results are found in Note 4(f) Operating Segment.

## AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Moore Stephens Perth, which is included on page 4.

.
Signed for and on behalf of the directors in accordance with a resolution of the Board.

Henry Heng
Executive Chairman
Dated 25 February 2014
Perth, Western Australia

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**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONSACT 2001 TO THE DIRECTORS OF REFRESH GROUP LIMITED**

As lead auditor for the review of Refresh Group Limited and its controlled entities for the half year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

Neil Pace

**Neil Pace**
**Partner**

Moore Stephens

**Moore Stephens**
**Chartered Accountants**

Signed at Perth this 25th day of February 2014

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2013

| | 6 months to 31 Dec 13 $ | 6 months to 31 Dec 12 $ |
|---|---|---|
| Revenue | 3,635,165 | 3,402,503 |
| Cost of Sales | (1,483,096) | (1,458,648) |
| **Gross Profit** | 2,152,069 | 1,943,855 |
| Other income | 2,284 | (2,573) |
| Marketing Expenses | (273,981) | (260,328) |
| Distribution Expenses | (641,762) | (650,770) |
| Administrative Expenses | (775,523) | (761,703) |
| Occupancy Expenses | (301,329) | (303,889) |
| **Results from operating activities** | 161,758 | (35,408) |
| Finance income | 1,112 | 3,623 |
| Finance costs | (27,916) | (42,240) |
| **Net finance costs** | (26,804) | (38,617) |
| **Profit/ (Loss) before income tax** | 134,954 | (74,025) |
| Income tax expense (credit) | - | - |
| **Profit / (Loss) attributable to members of Refresh Group Limited** | 134,954 | (74,025) |
| **Total comprehensive income/(loss) attributable to members of Refresh Group Limited** | 134,954 | (74,025) |
| Basic earnings/(loss) per share (cents per share) | 0.14 | (0.08) |
| Diluted earnings/(loss) per share (cents per share) | 0.14 | (0.08) |

*The condensed consolidated financial statements should be read in conjunction with the accompanying notes*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2013

| | Notes | 31 Dec 13<br>$ | 30 June 13<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | 138,363 | 224,194 |
| Trade and other receivables | | 1,059,271 | 788,914 |
| Inventories | | 966,657 | 965,208 |
| **Total Current Assets** | | 2,164,291 | 1,978,316 |
| | | | |
| **Non Current Assets** | | | |
| Property, plant and equipment | | 1,836,032 | 1,919,847 |
| Intangible assets | 6 | 781,815 | 781,815 |
| **Total Non Current Assets** | | 2,617,847 | 2,701,662 |
| **TOTAL ASSETS** | | 4,782,138 | 4,679,978 |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | 753,560 | 680,354 |
| Financial liabilities | | 182,215 | 291,098 |
| Short-term provisions and accruals | | 190,185 | 174,690 |
| **Total Current Liabilities** | | 1,125,960 | 1,146,142 |
| | | | |
| **Non-Current Liabilities** | | | |
| Financial liabilities | | 14,058 | 25,452 |
| Long-term provisions | | 25,857 | 27,075 |
| **Total Non-current Liabilities** | | 39,915 | 52,527 |
| **TOTAL LIABILITIES** | | 1,165,875 | 1,198,669 |
| **NET ASSETS** | | 3,616,263 | 3,481,309 |
| | | | |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Issued capital | | 8,783,084 | 8,783,084 |
| Reserves | | 191,712 | 191,712 |
| Accumulated losses | | (5,358,533) | (5,493,487) |
| **TOTAL EQUITY** | | 3,616,263 | 3,481,309 |

*The condensed consolidated financial statements should be read in conjunction with the accompanying notes*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE HALF YEAR ENDED 31 DECEMBER 2013

| | Issued Capital | Fund Raising Cost | Other Reserves | Accumulated Losses | Total |
|---|---|---|---|---|---|
| **Balance at 1 July 12** | 8,946,150 | (539,555) | 191,712 | (5,418,196) | 3,180,111 |
| Equity fund raising costs | - | (3,411) | - | - | (3,411) |
| Issue of share capital | 379,900 | - | - | - | 379,900 |
| Transactions with owners | 9,326,050 | (542,966) | 191,712 | (5,418,196) | 3,556,600 |
| Loss for the period | - | - | - | (74,025) | (74,025) |
| **Balance at 31 Dec 12** | 9,326,050 | (542,966) | 191,712 | (5,492,221) | 3,482,575 |
| **Balance at 1 July 13** | 9,326,050 | (542,966) | 191,712 | (5,493,487) | 3,481,309 |
| Equity fund raising costs | - | - | - | - | - |
| Issue of share capital | - | - | - | - | - |
| Transactions with owners | 9,326,050 | (542,966) | 191,712 | (5,493,487) | 3,481,309 |
| Profit for the period | - | - | - | 134,954 | 134,954 |
| **Balance at 31 Dec 13** | 9,326,050 | (542,966) | 191,712 | (5,358,533) | 3,616,263 |

*The condensed consolidated financial statements should be read in conjunction with the accompanying notes*

**REFRESH GROUP LIMITED – HALF YEAR REPORT**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

| | 6 months to 31 Dec 13 $ | 6 months to 31 Dec 12 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | 3,416,353 | 3,239,955 |
| Payments to suppliers and employees | (3,291,536) | (3,358,240) |
| Borrowing costs | (18,364) | (33,288) |
| Interest received | 1,112 | 3,623 |
| **Net cash flows used in operating activities** | 107,565 | (147,950) |
| | | |
| **Cash flows from investing activities** | | |
| Proceeds from sale of property, plant and equipment | - | - |
| Purchase of property, plant and equipment | (73,120) | (127,042) |
| Purchase of other non-current assets | - | (30,900) |
| **Net cash flows used in investing activities** | (73,120) | (157,942) |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from issue of shares, net of issue costs | - | 376,489 |
| Proceeds from related parties loans | - | - |
| Share Issue expenses | - | - |
| Repayment of borrowings | (10,277) | (29,270) |
| Other (loans from related parties) | (110,000) | - |
| **Net cash flows from financing activities** | (120,277) | 347,219 |
| | | |
| Net (decrease) / increase in cash and cash equivalents | (85,832) | 41,327 |
| Cash and cash equivalents at beginning of period | 224,194 | 152,542 |
| **Cash and cash equivalents at end of period** | 138,362 | 193,869 |

*The condensed consolidated financial statements should be read in conjunction with the accompanying notes*

## 1. CORPORATE INFORMATION

The financial report of Refresh Group Limited for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on 25 February 2014. Refresh Group Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

The Group offers complete drinking water solutions. Its principal activities are the production and/or distribution of bottled water, coolers and filtration systems. Being the largest producer of distilled water in Australia, it also supplies pure water for commercial and industrial use.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Refresh Group Limited as at 30 June 2013.

It is also recommended that the half-year financial report be considered together with any public announcements made by Refresh Group Limited and its controlled entities during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

### (a) Basis of preparation

The half-year consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirement of the Corporations Act 2001, applicable Accounting Standards, including AASB134 Interim Financial Reporting and other mandatory professional reporting requirements. The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2013 annual financial report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

### (b) Significant accounting policies

The half-year consolidated financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 June 2013.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these half-year consolidated financial statements.

### (c) Adoption of New and Revised Accounting Standards and New Accounting Standards for Application in Future Periods

During the current year the Group adopted all of the new and revised Australian Accounting Standards applicable to its operations which became mandatory. The adoption of these standards did not impact significantly on the recognition, measurement and disclosure of certain transactions.

The AASB has also issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment is that these amendments are not expected to significantly affect the Group.

**(d) Basis of consolidation**

The half-year consolidated financial statements comprise the financial statements of Refresh Group Limited and its controlled subsidiaries (the Group).

**(e) Going Concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group's efforts to increase revenue together with continuing cost cutting measures is working well, producing a net profit
of $135k. This has resulted in positive cash flow from operations of $108k.

Subsequent to 31 December 2013, the Group sold 51% of its wholly-owned subsidiary, Refresh Waters Queensland Pty Ltd (details under Note 9). This injection of funds resulted in the Group having no borrowing at all except for $35k in hire purchase for 2 vehicles. It is expected that the trend of positive cash flow will continue.

## 3. SIGNIFICANT EVENTS AND TRANSACTIONS

No significant event occurred during the period up to 31 December 2013. Please see Note 9 on event between the reporting date and the date of authorisation.

## 4. OPERATING SEGMENTS

**Segment Information**

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.

In identifying its operating segments, management follows the geographical location of the Group's operations. Corporate costs are included under "Other".

**Types of products and services by segment**

All segments provide the same type of products and services being the manufacture and sale of bottled water and filtration systems.

**Basis of accounting for purposes of reporting by operating segments**

**(a) Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

**(b) Intersegment transactions**

There is no intersegment sale and corporate costs are not allocated. Corporate costs are classified under "Other" in the segment performance analysis.

**(c) Segment assets**

Segment assets are clearly identifiable on the basis of their nature and physical location.

**(d) Segment liabilities**

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

**(e) Unallocated items**

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- income tax expense
- corporate costs
- deferred tax assets and liabilities
- current tax liabilities

**(f) Segment performance**

| | WA | NSW | VIC | QLD | OTHER (Corporate) | TOTAL |
|---|---|---|---|---|---|---|
| **31 December 2013** | | | | | | |
| Revenue from external customers | 1,742,046 | 647,333 | 423,273 | 822,513 | - | 3,635,165 |
| Segment operating profit/ (loss) | 212,798 | 27,010 | 55,422 | 67,500 | (227,776) | 134,954 |
| Total assets | 2,048,876 | 835,258 | 486,972 | 1,380,183 | 30,849 | 4,782,138 |
| Total liabilities | 820,462 | 3,513 | 1,120 | 108,100 | 232,680 | 1,165,875 |
| **31 December 2012** | | | | | | |
| Revenue from external customers | 1,573,796 | 738,126 | 365,361 | 725,220 | - | 3,402,503 |
| Segment operating profit/(loss) | 66,952 | 42,686 | 39,444 | 53,909 | (277,016) | (74,025) |
| Total assets | 2,027,801 | 883,596 | 408,511 | 1,324,672 | 180,454 | 4,825,034 |
| Total liabilities | 916,119 | 5,821 | 1,371 | 93,629 | 325,519 | 1,342,459 |

## 5. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary shareholders (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and dilutive convertible non-cumulative redeemable preference shares).

The following reflects the loss and share data used in the total operations basic and diluted earnings per share computations:

| | CONSOLIDATED | |
|---|---|---|
| | **31 Dec 13** | **31 Dec 12** |
| Profit/(Loss) attributable to members of the parent entity | 134,954 | (74,025) |
| Weighted average number of ordinary shares for basic earnings per share | 98,328,924 | 97,645,255 |
| Basic earnings/(loss) per share (cents per share) | 0.14 | (0.08) |

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

## 6. INTANGIBLE ASSETS

The Group performs goodwill impairment testing every half year. Goodwill is allocated to the Group's cash generating units (CGU).

In accordance with AASB 136, "Impairment of Assets", the Group performed its goodwill impairment test by comparing the recoverable amount of each CGU with its carrying amount, including goodwill. The recoverable amount of a CGU was determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five year period including a terminal value. The growth rate assumptions of 7%, reflecting achievement of at least a long-term estimate of inflation in the region in which each CGU operates. Management prepared the value-in-use calculations with reference to historical results and forecasts for each CGU.

The discount rate for each CGU was estimated based on the Company's weighted average cost of capital adapted for the regions in which the CGUs operate. The discount rate used was 14%.

Based on the impairment tests, impairment of intangible assets was not necessary and none has been recognised at 31 December 2013.

## 7. ISSUED CAPITAL

| | CONSOLIDATED | |
|---|---|---|
| | **31 Dec 13** | **30 June 13** |
| | **$** | **$** |
| *Ordinary shares* | | |
| Issued and fully paid | 9,326,050 | 9,326,050 |

| *Movements in ordinary shares on issue* | *Number* | *$* |
|---|---|---|
| **6 months to 31 Dec 13** | | |
| At 1 July 13 | 98,328,924 | 9,326,050 |
| Fund raising costs | - | - |
| At 31 Dec 13 | 98,328,924 | 9,326,050 |

Effective 1 July 1998, the Company Law Review Act abolished the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

## 8. RELATED PARTY TRANSACTIONS

| | CONSOLIDATED | |
|---|---|---|
| | **31 Dec 13** | **30 June 13** |
| | **$** | **$** |
| Loans (i) | - | 60,000 |
| Line of credit (ii) | 160,000 | 210,000 |
| Total amounts payable to related parties | 160,000 | 270,000 |

(i) The loan facilities have a fixed interest rate of 20%
(ii) Unsecured revolving line of credit amounting with a limit of $300,000 and a 12% fixed interest rate.

These amounts are included in financial liabilities on the consolidated statement of financial position.

## 9. EVENTS AFTER BALANCE SHEET DATE

An announcement was lodged with the Australian Securities Exchange on 25 November 2013 that the Company has finalised a deal to sell 51% of its wholly-owned subsidiary, Refresh Waters Queensland Pty Ltd, to Japanese-owned Saisan Co Ltd. This includes its operations in Brisbane and Toowoomba.

The deal was completed on 2 January 2014 and full payment of $750k has been received. Part of the funds has been used to repay related party borrowing. The balance will be used to further its growth in the other states.

## DIRECTORS' DECLARATION

In accordance with a resolution of directors of Refresh Group Ltd, I state that;

In the opinion of the directors:

a) the consolidated financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position as at 31 December 2013 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Henry Heng
Executive Chairman
Dated 25 February 2014
Perth, Western Australia

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## INDEPENDENT REVIEW REPORT TO THE MEMBERS OF REFRESH GROUP LIMITED

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Refresh Group Limited and its controlled entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the half-year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at half year's end or from time to time during the half year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that it is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "Review of a Financial Report Performed by the Independent Auditor of the Entity", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporation Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001. As the auditor of Refresh Group Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the applicable independence requirements of the Corporations Act 2001.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Refresh Group Limited and its controlled entities is not in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and

| | |
|---|---|
| **Neil Pace** | **Moore Stephens** |
| **Partner** | **Chartered Accountants** |

**Dated in Perth, this 25th day of February 2014**