



THE **FOOD**
REVOLUTION
GROUP

ACN 150 015 446

Appendix 4E

Preliminary Final Report

For the year ended 30 June 2018

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 2017 to 30 June 2018

Previous corresponding reporting period (PCP)

1 July 2016 to 30 June 2017

Results for announcement to the market

	2018	2017	Change	Change
	\$'000	\$'000	\$	%
Revenue from ordinary activities*	33,125	31,662	1,463	4.62%
Profit (Loss) from ordinary activities after tax attributable to members	2,659	1,748	911	52.1%
Total comprehensive profit (loss) for the year attributable to members	2,659	1,708	951	55.7%

* 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

	2018	2017
	Cents	Cents
NTA backing per ordinary share (cents per share)	2.59	0.46

Details of entities over which control has been gained or lost

On June 29, 2018 the Group acquired 100% of the shares of New Age Beverages Pty Ltd for a nominal amount. Australia's Garden (HK) Limited was de-registered. on 4 May 2018.

Details of associated and joint venture entities

Name of associated and joint venture entities	2018	2017
	%	%
Australia's Garden (HK) Limited	-	100
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.

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

Gross Profit

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

Gross margins have been positively impacted by the launch of several branded 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.

Overhead Costs

FOD has four main cost areas: employment, administrative, operating costs (including utilities, freight costs, pallet/bin hire, repairs & maintenance, and consumables costs) and marketing expenses. As is the case for direct cost, a key focus for the business is the improvement of profitability through active management of these areas of cost. Overhead as % to Net Revenue improved to 35.1% compared to 42.7% of Sales in FY2017. The results for this year are shown in the below table.

	2018	2017
	\$	\$
Employment costs	4,363,319	4,738,255
Administrative costs	2,397,514	3,573,298
Operating costs	4,293,321	4,543,478
Marketing costs	586,806	912,347
Total	11,640,960	13,767,378
% Net Revenue	35.1%	42.7%

The Food Revolution Group Limited

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

	2018	2017
	\$	\$
Statutory profit after tax	2,658,914	1,747,903
Income tax benefit	(1,097,781)	(652,591)
Depreciation, amortisation and write-offs	1,599,517	2,045,067
Finance costs	626,993	615,812
EBITDA	3,787,643	3,756,191

Cash flow

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

Debt

Debt has increased by \$547,041 during the year.

The Food Revolution Group Limited

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	Consolidated Group 2018 \$	2017 \$
Net Revenue	3	33,124,645	31,661,503
Cost of sales		(19,918,067)	(16,469,764)
Gross profit		13,206,577	15,191,739
Other income	3	3,158,663	2,517,577
Employment costs		(4,363,319)	(4,738,255)
Administration expenses		(2,397,514)	(3,573,298)
Marketing costs		(586,806)	(912,347)
Operating costs		(4,293,321)	(4,543,478)
Depreciation, amortisation and write-offs		(1,599,517)	(2,045,067)
Finance costs	4	(626,993)	(615,812)
RTO related transaction costs	4	(70,730)	(74,142)
Impairment on financial assets		(865,907)	(212,000)
Profit before income tax		1,561,133	994,917
Income tax benefit	13	1,097,781	652,591
Profit from continuing operations		2,658,914	1,647,508
Profit from discontinued operations		-	100,395
Profit for the year		2,658,914	1,747,903
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations, net of tax		-	11,161
Transfer to profit or loss upon disposal		-	(50,714)
Other comprehensive income for the year		-	(39,553)
Total comprehensive income for the year		2,658,914	1,708,350
Basic and diluted earnings per share (cents)			
- continuing operations		0.61	0.43
- discontinued operations		-	0.03
- continuing and discontinued operations		0.61	0.46

The accompanying notes form part of these financial statements.

The Food Revolution Group Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,856,475	1,042,894
Trade and other receivables	5	4,978,369	8,059,362
Inventories	6	2,960,842	2,484,325
Other assets		463,242	64,550
TOTAL CURRENT ASSETS		10,258,928	11,651,131
NON-CURRENT ASSETS			
Plant and equipment	7	17,358,242	7,898,306
Intangible assets	8	9,161,750	8,219,271
Deferred tax assets		3,395,204	652,591
Other assets		-	107,615
TOTAL NON-CURRENT ASSETS		29,915,196	16,877,782
TOTAL ASSETS		40,174,124	28,528,914
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	4,743,317	7,017,249
Provisions	10	913,326	500,111
Borrowings	11	3,943,622	3,056,918
Deferred consideration liability	12	7,139,578	600,000
TOTAL CURRENT LIABILITIES		16,739,843	11,174,249
NON-CURRENT LIABILITIES			
Provisions	10	132,744	108,253
Deferred consideration liability	12	-	6,879,241
Deferred tax liability		2,881,368	-
TOTAL NON-CURRENT LIABILITIES		3,014,112	6,987,494
TOTAL LIABILITIES		19,753,955	18,161,772
NET ASSETS		20,420,169	10,367,142
EQUITY			
Issued capital		31,938,197	31,938,197
Options reserve	14	526,252	526,252
Revaluation surplus	15	8,489,683	1,095,570
Accumulated losses		(20,533,963)	(23,192,877)
TOTAL EQUITY		20,420,169	10,367,142

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 2018

	Issued Capital (Ordinary Shares)	Accumulated Losses	Revaluation Surplus	Foreign Currency Translation	Options Reserve	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	31,938,197	(24,940,780)	1,095,570	39,553	526,252	8,658,792
Comprehensive income						
Profit for the year	-	1,747,903	-	-	-	1,747,903
Other comprehensive income for the year	-	-	-	(39,553)	-	(39,553)
Total comprehensive income for the year	-	1,747,903	-	(39,553)	-	1,708,350
Total transactions with owners, and other transfers	-	-	-	-	-	-
Balance at 30 June 2017	31,938,197	(23,192,877)	1,095,570	-	526,252	10,367,142
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	-	2,658,914	-	-	-	2,658,914
Other comprehensive income for the year	-	-	7,394,113	-	-	7,394,113
Total comprehensive income for the year	-	2,658,914	7,394,113	-	-	10,053,027
Total transactions with owners, and other transfers	-	-	-	-	-	-
Balance at 30 June 2018	31,938,197	(20,533,963)	8,489,683	-	526,252	20,420,169

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 2018

	Note	Consolidated Group 2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		37,719,467	29,394,501
Payments to suppliers and employees		(35,004,486)	(30,201,529)
Interest received		-	21,760
Finance costs		(626,994)	(615,932)
Net of R&D refund / government grants received and income tax paid		-	1,828,719
Net cash provided by operating activities	16	2,087,987	427,519
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for intangible assets		(1,037,845)	(578,113)
Payment for plant and equipment		(688,602)	(597,556)
Receipts from disposal of Roxdale		-	1,048,890
Net cash (used in) investing activities		(1,726,448)	(126,779)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings, net of transaction costs		4,052,041	7,740,922
Repayment of borrowings		(3,600,000)	(9,300,000)
Receipt of escrow deposits			-
Net cash provided by (used in) financing activities		452,041	(1,559,078)
Net increase (decrease) in cash held		813,581	(1,258,338)
Cash and cash equivalents at beginning of financial year		1,042,894	2,301,232
Cash and cash equivalents at end of financial year		1,856,475	1,042,894

The accompanying notes form part of these financial statements.

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

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. During the year ended 30 June 2018, the Group delivered a profit after tax of \$2,658,914 and had cash inflows from operating activities of \$2,098,987.

The directors believe that the Group will be able to pay its debts as and when they become due and payable. In reaching this conclusion the directors have had regard to the Group having available cash reserves to meet expected operating, investing and financing costs in the next twelve months based on internal financial modelling.

Specifically, the directors note that the Group expects to generate positive cash flow from operations going forward. The Group has a net current asset deficit (current assets less current liabilities) of \$6,480,915. This includes the \$3.8m (net of transaction costs) which was drawn from the \$10M Greensill working capital facility on 30 April 2018 described in Note 11, and the Heinz deferred consideration which is repayable in September 2018 and is therefore classified as current. The Greensill working capital facility has an 18 month term but is classified as a current liability as the draw downs can be rolled over and redrawn for periods of up to 120 days. An amount of \$6,100,000 is still available to be drawn under this facility and together with operating cash flows the Group has adequate financing proceeds to meet the repayment terms of the Heinz consideration. The Group is also evaluating other capital raising and debt refinancing alternatives.

In the event that the Group cannot continue as a going concern, it may not be able to realise its assets and settle its liabilities in the normal course of operations and at the amounts stated in the financial statements.

Significant accounting policies

Significant accounting policies will be disclosed in the group's annual financial report for the year ended 30 June 2018.

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.

The Food Revolution Group Limited

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

NOTE 3: REVENUE AND OTHER INCOME

	Consolidated Group	
	2018	2017
	\$	\$
a. Revenue		
Gross sales	35,627,680	35,876,782
Less: volume rebates and trading terms	(2,503,035)	(4,215,279)
Revenue	33,124,645	31,661,503
b. Other income		
Research and development funding	1,932,367	1,828,719
Rent income	1,226,296	649,475
Interest income	-	21,760
Sundry income	-	17,623
Total other income	3,158,663	2,517,577

NOTE 4: EXPENSES

a. RTO related costs	70,730	74,142
b. Finance costs		
Interest expenses	366,181	375,087
Fees incurred on GIM loan	216,253	237,329
Other finance charges	44,559	3,396
Total finance costs	626,993	615,812

The Food Revolution Group Limited

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

NOTE 5: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2018	2017
	\$	\$
CURRENT		
Trade receivables	3,331,640	6,942,841
Other receivables	1,646,729	1,116,521
TOTAL TRADE AND OTHER RECEIVABLES	<u>4,978,369</u>	<u>8,059,362</u>

NOTE 6: INVENTORIES

	Consolidated Group	
	2018	2017
	\$	\$
CURRENT		
Work in progress	1,050,392	870,725
Raw materials	1,544,602	1,243,561
Finished goods	365,848	370,039
TOTAL INVENTORIES	<u>2,960,842</u>	<u>2,484,325</u>

NOTE 7: PLANT AND EQUIPMENT

	Consolidated Group	
	2018	2017
	\$	\$
Plant and equipment – at cost	18,131,398	14,224,303
Less: accumulated depreciation	(883,809)	(6,388,472)
	<u>17,247,589</u>	<u>7,835,831</u>
Office equipment – at cost	251,755	163,809
Less: accumulated depreciation	(141,103)	(101,334)
	<u>110,653</u>	<u>62,475</u>
TOTAL PLANT AND EQUIPMENT	<u>17,358,242</u>	<u>7,898,306</u>

The Food Revolution Group Limited

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

NOTE 8: INTANGIBLE ASSETS

	Consolidated Group	
	2018	2017
	\$	\$
Intellectual property – at cost	233,960	222,339
Less: amortisation	(176,743)	(144,460)
	<u>57,217</u>	<u>77,879</u>
Product development costs – at cost	1,547,788	523,028
Less: amortisation	(61,619)	-
	<u>1,486,169</u>	<u>523,028</u>
Formation expenses	1,095	1,095
Brands	6,915,001	6,915,001
Goodwill	702,268	702,268
TOTAL INTANGIBLE ASSETS	<u>9,161,750</u>	<u>8,219,271</u>

NOTE 9: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2018	2017
	\$	\$
Trade payables	3,738,597	4,181,584
Other payables and accruals	1,004,720	2,589,555
TOTAL TRADE AND OTHER PAYABLES	<u>4,743,317</u>	<u>6,771,139</u>

NOTE 10: PROVISIONS

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

The Food Revolution Group Limited

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

NOTE 11: BORROWINGS

	Consolidated Group	
	2018	2017
	\$	\$
CURRENT		
Loan (a)	3,943,622	3,056,918
TOTAL BORROWINGS	3,943,622	3,056,918

(a) The total facility from Greensill Capital is for \$10m (as at the date of this report, \$3.8 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	
	2018	2017
	\$	\$
CURRENT		
Deferred consideration liability (a)	7,139,578	600,000
NON-CURRENT		
Deferred consideration liability (a)	-	6,879,241
TOTAL DEFERRED CONSIDERATION LIABILITY	7,139,578	7,479,241

(a) On 26 May 2014, LTI acquired: (i) the remaining 50% shareholding in LTC from Golden Circle/Heinz; (ii) Heinz's juicing assets at Laverton; and (iii) Heinz' bottling assets at Mill Park (amounting to \$8.1m in total based on the net present value of future payments at that time), and acquired the loan Heinz provided to LTC (amounting to \$1.2m). Heinz and LTI have amended the payment schedule for the above assets such that:

- \$600,000 (plus accrued interest) was due on 15 July 2017; and the final payment for the above assets of \$6.6m plus accrued interest is to be paid 30 September 2018.

The Food Revolution Group Limited

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

NOTE 13: INCOME TAX BENEFIT

	Consolidated Group	
	2018	2017
	\$	\$
Current tax expense	-	-
Deferred tax expense / (benefit)	(1,097,781)	(652,591)
Total income tax expense / (benefit)	<u>(1,097,781)</u>	<u>(652,591)</u>

NOTE 14: OPTIONS RESERVE

	Consolidated Group	
	2018	2017
	\$	\$
Options reserve	<u>526,252</u>	<u>526,252</u>

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	
	2018	2017
	\$	\$
Net gain on revaluation of plant and equipment	<u>8,489,683</u>	<u>1,095,570</u>

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 2018

NOTE 16: CASH FLOW INFORMATION

	Consolidated Group	
	2018	2017
	\$	\$
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	2,658,914	1,747,903
Depreciation, amortisation and write-offs	1,599,517	2,045,067
Gain on sale of LTC business assets	-	(1,925,469)
Changes in operating assets and liabilities:		
- Trade and other receivables	3,080,993	(1,777,249)
- Trade and other payables	(2,273,933)	(632,734)
- Inventories	(476,518)	99,301
- Assets/liabilities held for sale	-	(125,456)
- Other assets	(196,078)	890,965
- Provisions	437,706	138,590
- Deferred tax assets	(2,742,614)	(652,591)
	<u>2,087,987</u>	<u>427,519</u>

The Food Revolution Group Limited

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

NOTE 17: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)	
		2018	2017
Parent Entity:			
The Food Revolution Group Limited	Australia		
Subsidiaries of The Food Revolution Group Limited:			
LangTech International Pty Ltd	Australia	100	100
Roxdale Foods Limited	New Zealand	-	100
LangTech Citrus Pty Ltd	Australia	100	100
LangTech Bottling Pty Ltd	Australia	100	100
Australia's Garden (HK) Limited (i)	Hong Kong	-	100
Thirsty Brothers Pty Ltd	Australia	100	100
Shandong LangTech Food Technology Co Limited	China	10	10
New Age Beverages Pty Ltd	Australia	100	-

(i) The company did not trade during the 2017 and 2018 financial year and was deregistered on 4 May 2018.

NOTE 18: LEASE COMMITMENTS

	Consolidated Group	
	2018	2017
Non-cancellable operating lease commitments not capitalised in the financial statements		
Payable – minimum lease payments:		
– not later than 1 year	1,257,113	1,117,966
– later than 1 year but not later than 2 years	1,951,754	1,040,854
– later than 2 years	11,256,035	170,302
	<u>14,464,902</u>	<u>2,329,122</u>

NOTE 19: CONTINGENT ASSETS AND LIABILITIES

Contingent Liabilities – Maximum exposure for outgoings relating to a property lease	200,000	-
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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 2018

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.



Bill Nikolovski

Dated: 31 August 2018