



THE **FOOD**
REVOLUTION
GROUP

ABN 20 150 015 446

INTERIM REPORT

31 DEC 2018



**The Food Revolution Group Limited ABN 20 150 015 446
and Controlled Entities**

Interim Financial Report

APPENDIX 4D – INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Results for Announcement to the Market

Key Information	Half-year Ended 31 December 2018	Half-year Ended 31 December 2017	\$ Change
	\$	\$	
Revenue from ordinary activities	15,053,023	17,111,812	(2,058,789)
Profit after tax from ordinary activities attributable to members	(3,437,701)	34,351	(3,472,052)
Net profit attributable to members	(3,437,701)	34,351	(3,472,052)

Dividends Paid and Proposed

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Explanation of Key Information and Dividends

An explanation of the above figures is contained in the "Review of Operations" included within the attached directors' report.

Net Tangible Assets per Share

	Half-year Ended 31 December 2018	Half-year Ended 31 December 2017
	Cents/Share	Cents/Share
Net tangible assets per share	2.20	2.23

Control Gained or Lost over Entities in the Half-year

No changes.

Dividend Reinvestment Plans

The Group does not have any dividend reinvestment plans in operation.

Investments in Associates and Joint Ventures

Not applicable.

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group (Group) for the half-year ended 31 December 2018.

Directors

The names of directors who held office during or since the end of the half-year:

Norman Li	Executive Chairman (appointed 1 November 2018)
John Florey	Chief Executive Officer and Managing Director (appointed 1 February 2019)
Bill Nikolovski	Chief Executive Officer and Managing Director (resigned 1 February 2019)
Matthew Bailey	Non-executive Director
Minna (Norman) Rong	Non-executive Director
Joe Zhou	Non-executive Director (appointed 1 February 2019)

Principal Activities

The principal activities of the consolidated group during the half-year were:

- the manufacture of a range of functional beverages, fibres, fruit waters, and ingredients;
- the provision of co-packing and logistics services to third parties; and
- the research and development of various innovative food related technologies to develop healthy functional food products in food supplements and ingredients.

The Group's operations are currently conducted in Australia.

Review of Operations

The first half year was a period of transition. In September 2018, a share subscription deed was signed with Dr Norman Li and Careline Australia Pty Ltd (Careline). Careline Australia Pty Ltd and its founder and CEO Dr Tao (Norman) Li will see strategic investors headed by Careline and Dr Norman Li invest up to \$20.25 million in the Company (subject to shareholder approval). The parties have also committed to enter a distribution agreement to expand Group's sales into China.

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

Careline is incentivised to rapidly grow Group's sales through distribution and product expansion from c. A\$35 million to at least A\$100 million over the next three to five years via the issue of up to 190 million Performance Shares. Further details are outlined below.

Pursuant to the subscription deed, Careline and/or its nominees will invest up to \$20.25 million via the issue of 375 million ordinary shares at an issue price of \$0.054 per share. The investment will be made via the following five tranches (with the first two tranches 1 and 2 to be issued under FOD's existing placement capacity and the final three tranches will be subject to shareholder approval):

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

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

DIRECTORS' REPORT

Operating Results

– Revenue

Net sales of branded products at \$7 million increased by 1% on a YOY basis.

Copacking and ingredients sales decreased by 18% on a YoY basis due to lower volumes from our Copacking customers.

Warehousing and other sales also decreased by 40% on a YOY basis due to less bulk storage requirements.

– Gross profit

The gross profit reached \$4.6M or 30% of Net Sales.

The gross margin was down compared to prior period mainly due to an unfavourable sales mix .

The moderate growth in branded sales was due to lower sales performance in the grocery channel due to delay on range reconfiguration at retail.

– Overhead

Operating expenses were of similar level to the prior year.

The Group took a conservative approach in assessing the recoverability of it's receivables and increased the provision for doubtful debts by \$2.1 million.

Administrative expenses increased slightly due to one off legal and transaction expenses relating to the Careline Subscription Deed but were otherwise in line with expectations.

Marketing spend represented approximately 5% of branded sales .

Finance and interest costs increased due to incurring higher interest costs at a higher interest rate on the repayment deferral of the Heinz consideration liability. The loan was fully repaid on 21 December 2018.

Employment costs decreased substantially due to stronger labour flexibility in meeting demand.

– Profit

The loss before tax was \$ 4,341,459 for the half-year and a EBITDA of \$2,739,988 loss.

EBITDA (Reconciliation)

	2018
Statutory loss before tax	(4,341,459)
Less: Depreciation and amortisation	984,577
Less: Finance costs	616,894
Statutory EBITDA	(2,739,988)

– Tax

The group consolidates for tax purposes. This has resulted in unrestricted prior year losses as at the end of the half-year. This corresponds to a deferred tax asset of \$4.5M. As the group revalued its plant and equipment as at 31 December 2017 upwards by \$10M according to an independent market valuation, the deferred tax liability at half-year end amounts to \$2.7M.

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

DIRECTORS' REPORT

– Financial position

The net assets of the consolidated group have increased by \$0.3M since 30 June 2018 to \$20.3M at 31 December 2018.

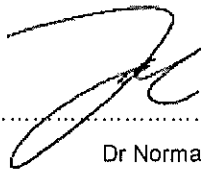
Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on the following page for the half-year ended 31 December 2018.

This directors' report is signed in accordance with a resolution of the Board of Directors.

Dated this 27th day of February 2019

Chairman



Dr Norman Li

THE FOOD REVOLUTION GROUP LIMITED
AND CONTROLLED ENTITIES
ABN 20 150 015 446

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF THE FOOD REVOLUTION GROUP LIMITED

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Ex: (612) 9263 2800

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2018 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner
Dated: 27 February 2019

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 PrimeGlobal

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Consolidated Group	
	Note	
	Half-year Ended 31 December 2018	Half-year Ended 31 December 2017
	\$	\$
Revenue	15,053,023	17,111,812
Cost of sales	(10,462,854)	(10,443,772)
Gross profit	4,590,169	6,668,040
Other income	605,510	602,311
Administrative expenses	(1,144,942)	(1,064,262)
Depreciation and amortisation	(984,574)	(639,709)
Employment costs	(2,196,158)	(2,654,396)
Finance costs	(616,894)	(255,685)
Marketing expenses	(372,429)	(318,029)
Operating costs	(2,062,772)	(2,177,767)
Provision for doubtful debts	(2,101,204)	-
RTO related transaction costs	(58,165)	(37,723)
Other expenses	-	-
(Loss)/Profit before income tax	(4,341,459)	122,780
Income tax benefit/(expense)	903,758	(88,429)
(Loss)/Profit for the period	(3,437,701)	34,351
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of plant and equipment, net of tax	264,075	7,658,188
Total other comprehensive income for the period	264,075	7,658,188
Total comprehensive income for the period	(3,173,626)	7,692,539
	Cents	Cents
Basic and diluted earnings/(loss) per share	(0.75)	0.01

The accompanying notes form part of these financial statements.

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	Consolidated Group	
		As at 31 December 2018	As at 30 June 2018
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,733,853	1,856,475
Trade and other receivables		3,140,291	5,164,621
Inventories		2,983,361	2,960,842
Other assets		427,088	368,241
TOTAL CURRENT ASSETS		8,284,593	10,350,179
NON-CURRENT ASSETS			
Plant and equipment	4	16,921,841	17,358,242
Intangible assets	5	9,281,034	8,868,848
Deferred tax assets		4,462,849	3,457,046
TOTAL NON-CURRENT ASSETS		30,665,724	29,684,136
TOTAL ASSETS		38,950,317	40,034,315
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		5,628,909	5,133,342
Borrowings	6	9,354,629	3,848,622
Provisions		906,370	913,326
Deferred consideration liabilities	7	-	7,141,946
TOTAL CURRENT LIABILITIES		15,889,908	17,037,236
NON-CURRENT LIABILITIES			
Deferred tax liability		2,719,341	2,881,368
Provisions		51,766	132,744
TOTAL NON-CURRENT LIABILITIES		2,771,107	3,014,112
TOTAL LIABILITIES		18,661,015	20,051,348
NET ASSETS		20,289,302	19,982,967
EQUITY			
Issued capital	8	35,445,574	31,938,197
Options reserve		382,513	526,252
Revaluation reserve		8,753,758	8,489,683
Accumulated losses		(24,292,543)	(20,971,165)
TOTAL EQUITY		20,289,302	19,982,967

The accompanying notes form part of these financial statements.

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Consolidated Group	Note	Ordinary Share Capital	Retained Earnings	Revaluation Reserve	Options Reserve	Total
		\$	\$	\$	\$	\$
Balance at 1 July 2017		31,938,197	(23,192,877)	1,095,570	526,252	10,367,142
Comprehensive income						
Profit for the period		-	34,351	-	-	34,351
Other comprehensive income for the period		-	-	7,658,188	-	7,658,188
Total comprehensive income for the period		-	34,351	7,658,188	-	7,692,539
Total transactions with owners and other transfers		-	-	-	-	-
Balance at 31 December 2017		31,938,197	(23,158,526)	8,753,758	526,252	18,059,681
Balance at 1 July 2018		31,938,197	(20,971,165)	8,489,683	526,252	19,982,967
Comprehensive income						
Loss for the period		-	(3,437,701)	-	-	(3,437,701)
Other comprehensive income for the period		-	-	264,075	-	264,075
Total comprehensive income for the period		-	(3,437,701)	264,075	-	(3,173,626)
Transactions with owners and other transfers						
Shares issued during the period, net of transaction costs		3,479,961	-	-	-	3,479,961
Transfer from options reserve on exercise of options		27,416	-	-	(27,416)	-
Transfer from options reserve on expiry of options		-	116,323	-	(116,323)	-
Total transactions with owners and other transfers		3,507,377	116,323	-	(143,739)	3,479,961
Balance at 31 December 2018		35,445,574	(24,292,543)	8,753,758	382,513	20,289,302

The accompanying notes form part of these financial statements.

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Consolidated Group	
	Half-year Ended 31 December 2018 \$	Half-year Ended 31 December 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	17,169,871	15,803,373
Payments to suppliers and employees	(17,559,261)	(14,823,608)
Finance costs	(616,894)	(212,145)
Net cash (used in)/ provided by operating activities	(1,006,284)	767,620
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(506,084)	(184,784)
Purchase of plant and equipment	(454,277)	(137,061)
Net cash (used in) investing activities	(960,361)	(321,845)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares, net of transaction costs	3,479,962	-
Proceeds from borrowings	5,549,633	-
Repayment of borrowings	(7,185,572)	(600,000)
Net cash provided by/ (used in) financing activities	1,844,023	(600,000)
Net decrease in cash held	(122,622)	(154,225)
Cash and cash equivalents at beginning of period	1,856,475	1,042,894
Cash and cash equivalents at end of period	1,733,853	888,669

The accompanying notes form part of these financial statements.

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of The Food Revolution Group Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2018, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 27 February 2019.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except as follows:

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and the group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- AASB 9: Financial Instruments, and
- AASB 15: Revenue from Contracts with Customers.

There is no significant impact to the Group on the adoption of above standards.

Impact of Standards Issued but Not Yet Applied by the Group

AASB 16: Leases (issued February 2016) will supersede the existing lease accounting requirements in AASB 117: Leases and the related Interpretations. It introduces a single lessee accounting model by eliminating the current requirement to distinguish leases as either operating leases or finance leases depending on the transfer of risks and rewards of ownership. The key requirements of AASB 16 are summarised as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components, instead accounting for all components as a lease;
- inclusion of additional disclosure requirements; and
- accounting for lessors will not significantly change.

AASB 16 will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$13,806,075. The Group is currently assessing to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit, financial position and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The Standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the Standard before its effective date.

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c. **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 half-year ended 31 December 2018, the Group had a net current liability position of \$7,605,315, a loss of \$3,437,701 and cash flow deficit from operations amounting to \$1,006,284.

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

In September 2018, a binding share subscription deed was signed with Careline Australia Pty Ltd (Careline). Careline Australia Pty Ltd and its founder will see strategic investors headed by Careline and Dr Norman Li invest up to \$20.25 million in the Company (subject to shareholder approval). The parties have also committed to enter a distribution agreement to expand Group's sales into China.

Pursuant to the subscription deed, Careline and/ or its nominees will invest up to \$20.25 million via the issue of 375 million ordinary shares at an issue price of \$0.054 per share. The investment will be made via the following five tranches (with the first two tranches 1 and 2 to be issued under FOD's existing placement capacity and the final three tranches will be subject to shareholder approval):

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

In view of the strategic and financial outlook of the Group, 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.

d. **Critical Accounting Estimates and Judgements**

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the interim financial statements.

Recognition of deferred tax assets and deferred tax liabilities

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. Significant judgement is required in assessing the impact of any legal or economic limits to utilise these deferred tax assets that was brought to account to the interim financial report.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 2: DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial half-year.

NOTE 3: OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Directors have considered the requirements of AASB 8 – Operating Segments, and have concluded that at this time there are no separately identifiable reportable segments.

NOTE 4: PLANT AND EQUIPMENT

	Consolidated Group	
	As at 31 December 2018	As at 30 June 2018
	\$	\$
Plant and equipment:		
At fair value	18,583,603	18,131,398
Accumulated depreciation	(1,756,307)	(883,809)
	<u>16,827,296</u>	<u>17,247,589</u>
Office equipment:		
At cost	262,737	251,756
Accumulated depreciation	(168,192)	(141,103)
Office equipment:	<u>94,545</u>	<u>110,653</u>
Total plant and equipment	<u>16,921,841</u>	<u>17,358,242</u>

a. **Movements in Carrying Amounts**

Movements in the carrying amounts for each class of plant and equipment between the beginning and the end of the current half-year:

	Plant and Equipment \$	Office Equipment \$	Total \$
Consolidated Group			
Balance at 30 June 2018	17,247,589	110,653	17,358,242
Additions	452,205	10,981	463,186
Depreciation expense	(872,498)	(27,089)	(899,587)
Balance at 31 December 2018	<u>16,827,296</u>	<u>94,545</u>	<u>16,921,841</u>

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 5: INTANGIBLE ASSETS

	Consolidated Group	
	As at 31 December 2018	As at 30 June 2018
Intellectual property:		
Cost	250,934	233,961
Accumulated impairment losses	(178,514)	(176,742)
Net carrying amount	72,420	57,219
Brands:		
Cost	6,914,998	6,914,998
Accumulated impairment losses	-	-
Net carrying amount	6,914,998	6,914,998
Product development costs:		
Cost	2,115,857	1,635,657
Accumulated amortisation and impairment losses	(525,604)	(442,389)
Net carrying amount	1,590,253	1,193,268
Goodwill:		
Cost	702,268	702,268
Accumulated impairment losses	-	-
Net carrying amount	702,268	702,268
Formation expenses:		
Cost	1,095	1,095
Accumulated impairment losses	-	-
Net carrying amount	1,095	1,095
Total intangible assets	9,281,034	8,868,848

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 5: INTANGIBLE ASSETS

a. **Movements in Carrying Amounts**

Movements in the carrying amounts for each class of intangible assets between the beginning and the end of the current half-year:

	Goodwill	Brand	Intellectual property	Product development costs	Formation expenses	Total
	\$	\$	\$	\$	\$	\$
Consolidated Group:						
Balance at 1 July 2018	702,268	6,914,998	57,219	1,193,268	1,095	8,868,848
Additions	-	-	16,973	480,200	-	497,173
Amortisation charge	-	-	(1,772)	(83,215)	-	(84,987)
Balance at 31 December 2018	702,268	6,914,998	72,420	1,590,253	1,095	9,281,034

NOTE 6: BORROWINGS

	As at 31 December 2018	As at 30 June 2018
	\$	\$
CURRENT		
Secured liabilities:		
Loan – Credit Facility	9,354,629	3,848,622
Total current borrowings	9,354,629	3,848,622

Loan from Greensill is secured, bears 6.75% interest p.a. The carrying amounts of total assets pledged as security are general security over all current and future assets amounting to \$38,950,317.

NOTE 7: DEFERRED CONSIDERATION LIABILITY

	As at 31 December 2018	As at 30 June 2018
	\$	\$
CURRENT		
Deferred consideration liability	-	7,141,946
	-	7,141,946

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

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 8: ISSUED CAPITAL

	Note	As at 31 December 2018 \$	As at 30 June 2018 \$
499,447,871 fully paid ordinary shares	a	35,183,443	31,676,066
Performance shares *		186,761	186,761
Performance rights *		75,370	75,370
		<u>35,445,574</u>	<u>31,938,197</u>

* 56,838,811 performance shares and 23,161,189 performance rights lapsed on 7 September 2018.

	No.	\$
a. Ordinary Shares		
Balance at 1 July 2018	434,064,871	31,676,066
Shares issued – September 2018	18,518,519	1,000,000
Shares issued – December 2018	46,481,482	2,510,000
Exercise of options	383,000	73,376
Less: transaction costs	-	(75,999)
Balance at 31 December 2018	<u>499,447,872</u>	<u>35,183,443</u>

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 9: FAIR VALUE MEASUREMENTS

The Group subsequently measures some items of plant and equipment at fair value on a non-recurring basis

a. Valuation Techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach* uses prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach* converts estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach* reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

b. Fair Value Hierarchy

	Fair Value Measurements at 31 December 2018 Using:		
	Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs Other than Level 1 Inputs	Significant Unobservable Inputs
	\$ (Level 1)	\$ (Level 2)	\$ (Level 3)
Plant and equipment – at revalued amounts	-	-	16,921,841
Total non-recurring fair value measurements	-	-	16,921,841

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 9: FAIR VALUE MEASUREMENTS

c. **Valuation Techniques Used to Determine Level 3 Fair Values**

The fair value of plant and equipment is based on their market value as determined by an independent valuer who has recognised and appropriate professional qualifications and recent experience in the category of plant and equipment being valued.

The market value is the amount in which an asset should exchange at the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The valuation also assumes the assets will be sold by way of a private treaty sale and remain in its current location after the sale.

d. **Reconciliation of Recurring Level 3 Fair Value Measurements**

	Plant and equipment
	\$
Balance at the beginning of the period	17,358,242
Additions	463,186
Depreciation expense	(899,587)
	<u>16,921,841</u>

NOTE 10: CAPITAL AND LEASING COMMITMENTS

	Consolidated Group	
	As at 31 December 2018	As at 30 June 2018
	\$	\$
a. Operating Lease Commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments:		
– not later than 1 year	1,148,255	1,257,113
– later than 1 year but not later than 5 years	4,491,674	4,600,233
– later than 5 years	8,166,146	8,607,556
	<u>13,806,075</u>	<u>14,464,902</u>

Operating lease commitments relate to the Group's Mill Park and Laverton facility leases, together with the lease of certain plant and equipment.

b. **Capital Expenditure Commitments**

There are no capital commitments as at 31 December 2018 and 30 June 2018.

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 11: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting period.

NOTE 12: EVENTS AFTER THE END OF THE INTERIM PERIOD

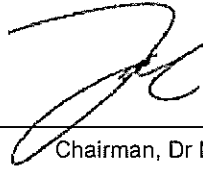
- On 1 February 2019, the Group's CEO and Managing Director, Mr. Bill Nikolovski resigned. He was replaced by Mr. John Florey, who was previously the COO of the Group. The Group also appointed Mr. Joe Zhou as a non-executive director.
- On 12 February 2019, the Group shipped its first order for juice into the Chinese market and commenced alterations to its manufacturing operations to incorporate a state of the art production area for Health Food Supplements. Works are expected to be completed by the beginning of the next financial year.

The Food Revolution Group Limited ABN 20 150 015 446 and Controlled Entities

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of The Food Revolution Group Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 18, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Chairman, Dr Norman Li

Dated this 27 th day of February 2019

**THE FOOD REVOLUTION GROUP LIMITED
AND CONTROLLED ENTITIES
ABN 20 150 015 446**

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
THE FOOD REVOLUTION GROUP LIMITED**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of The Food Revolution Group Limited ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2018, 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 half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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 interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the period ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and 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 independence requirements of the Corporations Act 2001.

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An Association of Independent
Accounting Firms

 **PrimeGlobal**

THE FOOD REVOLUTION GROUP LIMITED
AND CONTROLLED ENTITIES
ABN 20 150 015 446

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
THE FOOD REVOLUTION GROUP LIMITED

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial report which indicates that the Group had incurred a net loss of \$3,437,701 during the half year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by \$7,605,315. As stated in Note 1(c), these events or conditions, along with other matters as set forth in Note 1(c) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 The Food Revolution Group Limited is not in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND

Partner

Dated: 27 February 2019



THE **FOOD**
REVOLUTION
GROUP

