



THE **FOOD**  
REVOLUTION  
GROUP

ACN 150 015 446

## Appendix 4E

# Preliminary Final Report

For the year ended 30 June 2016

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 2015 to 30 June 2016
Previous corresponding reporting period (PCP)	1 July 2014 to 30 June 2015

### Results for announcement to the market

	2016 \$'000	2015 \$'000	Change \$	Change %
Revenue from ordinary activities	19,972	17,312	2,660	15.4%
Loss from ordinary activities after tax attributable to members	(8,087)	(3,770)	-4,316	114.5%
<b>Total comprehensive loss for the year attributable to members</b>	<b>(8,082)</b>	<b>(3,717)</b>	<b>-4,365</b>	<b>117.4%</b>

The company's result for the full year ended 30 June 2016 included the following one off items: relocation costs (\$278,163), transaction costs (\$1,317,466), share based payments associated with RTO (\$1,026,252), one off marketing costs for new JVs (\$538,938), goodwill impairment (\$2,570,430), loss on asset write down (\$51,404), totalling \$5,782,654. See Commentary on Results section for further information.

### 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

	2016 Cents	2015 Cents
NTA backing per ordinary share (cents per share)	0.26	(5.98)

### Details of entities over which control has been gained or lost

On 11 February 2016, LangTech International Pty Ltd acquired a 100% interest of Thirsty Brothers Pty Ltd. Thirsty Brothers Pty Ltd contributed \$400,484 profit to the Group's consolidated loss from ordinary activities during the year ended 30 June 2016. Thirsty Brothers Pty Ltd reported an operating loss for the year ended 30 June 2015 of \$40,508 (and an operating loss for the period 12 February 2015 to 30 June 2015 of \$40,508 also).

On 11 February 2016, LangTech International Pty Ltd was deemed (pursuant to AASB 3: Business Combinations) to acquire a 100% interest of The Food Revolution Group Limited (formerly known as Crest Minerals Limited) (FRG). FRG contributed a \$1,738,962 loss to the Group's consolidated loss from ordinary activities during the year

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ended 30 June 2016. FRG reported an operating loss for the year ended 30 June 2015 of \$3,361,730 (and an operating loss for the period 12 February 2015 to 30 June 2015 of \$3,123,121). FRG's FY16 loss included \$1,026,252 of share based payments expense (in connection with the reverse takeover (RTO) in February 2016) and \$560,347 of RTO related transaction costs. The group has ceased the mining operations previously conducted by Crest Minerals Limited which resulted in the loss for FY15.

### Details of associated and joint venture entities

Name of associate / joint venture	2016 %	2015 %
Treated Timber Remediation Pty Ltd	0	33
Shandong LangTech Food Technology Co Limited	10	-

*Group's aggregate share of associated and joint venture entities' profit/ (loss) (where 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 and bioactives that are sold as branded products or ingredients to customers domestically and overseas.

FOD uses a range of processing technologies, including Current Counter Extraction (CCE) technology which was developed in conjunction with Australia's CSIRO to extract juice from fruit and vegetables. Its processing facilities are located in Mill Park, Victoria and New Zealand.

#### Revenue

Gross sales for the group were \$21,084,034 and net revenues after trading terms, volume rebates and other claims (**trading terms**) were \$19,972,412. 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.

Net revenue growth of 15% has been achieved by growth of branded product sales into the Australian grocery channel. Revenue from the group's non-branded bottling and ingredient operations comprised approximately 80% of group revenue, while revenue from the grocery channel comprised approximately 20% of group revenue. The proportion of sales to the grocery channel is expected to materially increase as a result of the full year impact of sales into the grocery channel (as a result of the acquisition of Thirsty Brothers in February 2016), and organic growth in this channel. Australia generated approximately 99% of the revenue of the group (overseas 1%), although export markets, in particular China and other Asian markets, are a key focus for the company and are expected to grow materially over the medium to long term.

#### Gross Profits

The gross profit margin for the year was 38.7% compared to the prior year of 36.3%.

FOD has four main categories of direct cost comprising fresh fruit, raw materials, direct labour, packaging, and trading terms/ similar marketing costs. A key focus for the business is the improvement of gross margins through active management of these costs.

FOD changed the accounting treatment of its direct cost during the year. This change was made as costs originally classified as direct cost were not predominantly variable (and so are more accurately classified as indirect cost or overhead) and to ensure consistency between operating subsidiaries.

Gross margins have been positively impacted by the change in product mix (as sales of branded products into the grocery channel have increased since April 2016), and negatively impacted by the group's ingredient and New Zealand businesses. As announced to the ASX on 7 August 2016, steps have been taken to restructure the

## The Food Revolution Group Limited

ingredients business and to divest the New Zealand business, to focus on branded product sales, which is expected to have a positive impact in the group's gross profit margin going forward.

### Overhead

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 is expected to reduce as a result of the group's current restructuring plans as discussed further in the presentation accompanying these results. The results for this year are shown in the below table.

	2016 \$	2015 \$
Employment	4,733,770	4,030,045
Administrative	2,904,444	1,960,513
Operating	4,443,253	2,627,908
Marketing	886,714	124,239
<b>Total</b>	<b>12,968,181</b>	<b>8,742,705</b>

### Profit

The loss for year was \$8,086,614 compared to the prior year loss of \$3,770,352. This result was impacted by a number of one off costs, predominantly as a result of the RTO in February 2016, as set out below.

	2016 \$
<b>One off and non-recurring costs</b>	
Relocation costs	278,163
Transaction costs (taken to P&L)	1,317,466
Share based payments associated with RTO	1,026,252
Marketing costs for new JVs	538,938
Goodwill impairment	2,570,430
Loss on asset write down	51,404
<b>Total</b>	<b>5,782,654</b>
<b>Reported profit (loss) from operations</b>	<b>(\$8,086,614)</b>
Total Normalisations	5,782,654
<b>Normalised gain (loss)</b>	<b>(\$2,303,960)</b>
Depreciation and amortisation	1,539,813
Interest and tax	1,518,527
<b>Normalised EBITDA</b>	<b>754,379</b>

Underlying EBITDA for the year was \$754,379. Note that Other income has not been excluded from the above normalised EBITDA. Please see the presentation accompanying these results for further information regarding the outlook for EBITDA.

### Cash flow

Cash balances at year end have increased by \$1,317,583 to \$2,301,232. The two primary sources of this increase are FOD's capital raising in February 2016 and an increase in cash from the group's working capital facility. During the financial year, FOD generated negative cash flows from operations of \$4,710,940. This result was driven by (a) a material increase in the net working capital of the business (accounting for \$2,450,706); (b) the group's loss making ingredient and New Zealand business (which are proposed to be restructured/divested); (c)

the group having a level of investment in overhead to support and build a significant increase in sales that is expected to occur as a result of expansion into domestic and export markets; and (d) expenditure on product development, training, sample runs etc. Relevantly, FOD has proven that its cost structure is robust (gross profit margins of 38.7%) so the group expects to generate positive cash flow from operations as volume and sales increase. Notwithstanding the above, FOD continues to actively manage its overhead to right size this cost base for near term and medium term growth opportunities.

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### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated Group 2016 \$000	2015 \$000
Revenue	3	19,972,412	17,311,991
Cost of sales		12,240,603	(11,019,430)
<b>Gross profit</b>		7,731,809	6,292,561
Other income	3	4,655,456	4,104,017
Employment costs		(4,733,770)	(4,030,045)
Administration expenses		(2,904,444)	(1,960,513)
Marketing costs		(886,714)	(124,239)
Operating costs		(4,443,253)	(2,627,908)
Depreciation and amortisation		(1,539,813)	(1,585,541)
Finance costs		(1,518,527)	(1,463,821)
Relocation costs	4	(278,163)	(2,251,850)
RTO related transaction costs	4	(560,347)	-
Share based payments expense	4	(1,026,252)	
Other expenses		-	(123,013)
Goodwill Impairment	4	(2,570,430)	-
Loss on asset write down	4	(12,166)	-
<b>Loss before income tax</b>		(8,086,614)	(3,770,352)
Tax expense		-	-
<b>Loss for the year</b>		(8,086,614)	(3,770,352)
<b>Other comprehensive income</b>			
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>			
Exchange differences on translating foreign operations, net of tax		4,414	53,504
<b>Other comprehensive income/(loss) for the year</b>		4,414	53,504
<b>Total comprehensive loss for the year</b>		(8,082,200)	(3,716,848)
Loss attributable to:			
Members of the parent entity		(8,086,614)	(3,770,352)
Non-controlling interest		-	-
		<b>(8,086,614)</b>	<b>(3,770,352)</b>
Total comprehensive loss attributable to:			
Members of the parent entity		(8,082,200)	(3,716,848)

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### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated Group	
		2016 \$000	2015 \$000
Non-controlling interest		-	-
		(8,082,200)	(3,716,848)
<b>Earnings per share</b>			
Basic earnings per share (cents)		(6.65)	(3.03)
Diluted earnings per share (cents)		(6.65)	(3.03)

The accompanying notes form part of these financial statements.

# The Food Revolution Group Limited

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,301,232	983,649
Trade and other Receivables	5	4,430,969	2,411,107
Inventories	6	3,140,251	1,166,143
Other assets		69,051	4,357
<b>TOTAL CURRENT ASSETS</b>		<b>9,941,504</b>	<b>4,565,256</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	7	9,553,402	10,300,388
Intangible assets	8	8,620,519	768,811
Other assets		176,101	100,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>18,350,023</b>	<b>11,169,199</b>
<b>TOTAL ASSETS</b>		<b>28,291,526</b>	<b>15,734,455</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade & other payables	9	6,254,965	3,481,699
Provisions	10	438,968	278,175
Borrowings	11	3,000,000	8,158,112
Deferred consideration liability	12	2,495,237	1,289,784
Current tax liabilities	13	-	(36)
<b>TOTAL CURRENT LIABILITIES</b>		<b>12,189,170</b>	<b>13,207,734</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	10	93,565	14,674
Borrowings	11	-	1,498,357
Deferred consideration liability	12	6,600,000	7,100,001
Deferred tax liabilities	13	469,530	469,530
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>7,163,095</b>	<b>9,082,562</b>
<b>TOTAL LIABILITIES</b>		<b>19,352,265</b>	<b>22,290,296</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>8,939,261</b>	<b>(6,555,841)</b>
<b>EQUITY</b>			
Issued capital		33,912,361	11,040,000
Foreign currency translation reserve	14	39,553	46,262
Options reserve	14	526,252	-
Revaluation surplus	15	1,095,570	1,095,570
Retained profits (Accumulated losses)		(26,634,474)	(18,737,673)
<b>TOTAL EQUITY</b>		<b>8,939,261</b>	<b>(6,555,841)</b>

The accompanying notes form part of these financial statements.



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### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Issued Capital (Ordinary Shares)	Retained Earnings	Revaluation Surplus	Foreign Currency Translation	Options Reserve	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>	11,040,000	(14,977,641)	1,095,570	(4,662)	-	(2,846,733)
<b>Comprehensive income</b>						
Profit for the year		(3,770,352)				(3,770,352)
Other comprehensive income for the year				53,504		53,504
<b>Total comprehensive income for the year</b>		(3,770,352)	-	53,504		(3,716,848)
<b>Transactions with owners, in their capacity as owners, and other transfers</b>						
Transfers from retained earnings to foreign currency translation reserve		2,580		(2,580)		-
Adjustment in retained earnings		7,740				7,740
<b>Total transactions with owners, and other transfers</b>		10,320	-	(2,580)		7,740
<b>Balance at 30 June 2015</b>	11,040,000	(18,737,673)	1,095,570	46,262		(6,555,841)
<b>Balance at 1 July 2015</b>	11,040,000	(18,737,673)	1,095,570	46,262		(6,555,841)
<b>Comprehensive income</b>						
Profit for the year		(8,086,614)				(8,086,614)
Other comprehensive income for the year				4,414		4,414
<b>Total comprehensive income for the year</b>		(8,086,614)	-	4,414		(8,082,200)
<b>Transactions with owners, in their capacity as owners, and other transfers</b>						
Issue of ordinary shares to GIM	175,000					175,000
Issue of ordinary shares upon Santino loan conversion	1,500,000					1,500,000

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Issued Capital (Ordinary Shares)	Retained Earnings	Revaluation Surplus	Foreign Currency Translation	Options Reserve	Total
	\$	\$	\$	\$	\$	\$
Issue of ordinary shares upon purchase of Thirsty Brothers	4,079,489					4,079,489
Shares of legal acquirer at acquisition date	2,755,651					2,755,651
Issue of ordinary shares under Prospectus	12,000,000					12,000,000
Issue of ordinary shares upon convertible note conversion	2,700,000					2,700,000
Issue of facilitation shares	500,000					500,000
Share issue costs	(837,779)					(837,779)
Transfers from retained earnings to foreign currency translation reserve		11,123		(11,123)		-
Adjustment in retained earnings		178,690		-		178,690
Option Reserve					526,252	526,252
<b>Total transactions with owners, and other transfers</b>	<b>22,872,361</b>	<b>189,813</b>	<b>-</b>	<b>(11,123)</b>	<b>526,252</b>	<b>23,577,303</b>
<b>Balance at 30 June 2016</b>	<b>33,912,361</b>	<b>(26,634,474)</b>	<b>1,095,570</b>	<b>39,553</b>	<b>526,252</b>	<b>8,939,261</b>

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 2016

	Note	2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		17,728,431	17,899,379
Payments to suppliers and employees		(25,445,692)	(22,562,279)
Interest received		24,020	-
Finance costs		(1,423,291)	(1,463,821)
Net of R&D refund / government grants received and income tax paid		4,405,592	4,104,019
Net cash provided by operating activities	16	(4,710,940)	(2,022,702)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for intangibles		(192,662)	
Payment for property, plant and equipment		(1,207,924)	(1,265,598)
Net cash used in investing activities		(1,400,586)	(1,265,598)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares, net of transaction costs		11,337,221	-
Proceeds from borrowings		3,000,000	5,371,648
Repayment of borrowings		(8,158,112)	(885,000)
Receipt / (payment) of escrow deposits		1,250,000	(1,250,000)
Net cash provided by / (used in) financing activities		7,429,109	3,236,648
Net (decrease) increase in cash held		1,317,583	(51,652)
Cash and cash equivalents at beginning of financial year		983,649	1,035,301
Cash and cash equivalents at end of financial year		2,301,232	983,649

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

**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.

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 as a result of its planned restructure of its ingredients and New Zealand businesses, together with its current sales traction into the Australian grocery channel;
- There were a number of one-off, non-recurring costs during FY16 (amounting to \$5,782,654) which will not recur going forward;
- The group expect to receive \$3.8m cash upon settlement of the transaction with the purchaser of its New Zealand business;
- The forecast cash balance of the group at the end of September 2017 is expected to be \$6.4m.

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 2016.

**Segment reporting**

For management purposes, the group is organised into four operating segments, namely branded product operations, bottling operations, ingredient operations, and New Zealand operations. 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 3: REVENUE**

**a. Revenue**

	2016	2015
	\$	\$
Gross sales	21,084,034	17,311,991
Less trading terms	(\$559,242)	0
Less volume rebates and other claims	(\$552,381)	0
Revenue	<u>19,972,412</u>	<u>17,311,991</u>

Gross sales for the group were \$21,084,034 and revenues after trading terms were \$19,972,412. FOD reports revenues (rather than gross sales) but is currently reviewing this policy.

**b. Other income**

	2016	2015
	\$	\$
R&D funding	3,605,556	4,104,017
Insurance proceeds	1,025,880	-
Interest income	24,020	-
Total other income	<u>4,655,456</u>	<u>4,104,017</u>

**NOTE 4: EXPENSES**

**a. Relocation costs**

Relocation costs comprise the cost of moving FOD's Laverton operations to Mill Park.

**b. Transaction costs**

Transaction costs in FY16 comprised advisory fees on FOD's pre RTO and RTO capital raising, RTO related transaction costs and costs associated with repayment and establishment of GIM's debt facilities. In total these amounted to \$1,317,466 (excluding share based payments expense).

**c. Share based payments expense**

Share based payments expense comprises the value (cost) of securities issued, as at the date of the grant, as payments for products or services.

**d. Goodwill impairment**

The goodwill impairment in FY16 occurred as a result of the RTO of Crest Minerals Limited by LangTech International Pty Ltd, and FOD's decision to fully impair such goodwill on the basis that FOD's mining interests are non core for the business going forward.

**e. Loss on asset write down**

The Loss on asset write down in FY16 occurred as a result of FOD's decision to write down certain non core mining related assets.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### NOTE 5: TRADE AND OTHER RECEIVABLES

	2016	2015
	\$	\$
CURRENT		
Trade receivables	4,245,047	1,131,029
Other receivables	185,922	30,079
Escrow deposit	-	1,250,000
TOTAL TRADE AND OTHER RECEIVABLES	<u>4,430,969</u>	<u>2,411,107</u>

#### NOTE 6: INVENTORIES

	2016	2015
	\$	\$
Work in Progress	1,379,414	916,382
Raw Materials	855,788	131,542
Finished Goods	905,049	118,219
TOTAL INVENTORIES	<u>3,140,251</u>	<u>1,166,143</u>

#### NOTE 7: PLANT AND EQUIPMENT

	2016	2015
	\$	\$
Plant and Equipment at cost	14,465,241	13,825,567
Less: accumulated depreciation	<u>(5,080,860)</u>	<u>(3,585,196)</u>
	9,384,380	10,240,371
Leasehold Improvements at cost	108,767	46,831
Less: accumulated depreciation	<u>(28,955)</u>	<u>(24,514)</u>
	79,812	22,317
Office Equipment at cost	105,196	62,269
Less: accumulated depreciation	<u>(15,986)</u>	<u>(24,569)</u>
	89,210	37,700
TOTAL PLANT AND EQUIPMENT	<u>9,553,402</u>	<u>10,300,388</u>

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### NOTE 8: INTANGIBLE ASSETS

	2016	2015
	\$	\$
Intellectual Property	345,698	295,294
Less: Amortisation	(235,799)	(230,716)
Brands	7,664,999	-
Product Development Costs	142,259	-
Goodwill	702,268	702,268
Formation Expenses	1,095	1,965
<b>TOTAL INTANGIBLE ASSETS</b>	<b>8,620,519</b>	<b>768,811</b>

#### NOTE 9: TRADE AND OTHER PAYABLES

	2016	2015
	\$	\$
Trade Creditors	3,768,815	2,169,667
Accruals and other payables	2,486,149	1,312,032
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>6,254,965</b>	<b>3,481,699</b>

#### NOTE 10: PROVISIONS

	2016	2015
	\$	\$
<b>CURRENT</b>		
Annual Leave	438,968	278,175
<b>NON CURRENT</b>		
Long Service Leave	93,565	14,674
<b>TOTAL PROVISIONS</b>	<b>532,533</b>	<b>292,849</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

**NOTE 11: BORROWINGS**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
Loan – Generation (a)	3,000,000	8,158,112
	<u>3,000,000</u>	<u>8,158,112</u>
<b>NON-CURRENT</b>		
Loan – Generation (a)	-	-
Loan – Santino	-	1,498,357
	<u>-</u>	<u>1,498,357</u>
<b>TOTAL BORROWINGS</b>	<u>3,000,000</u>	<u>9,656,469</u>

(a) During the year FOD repaid its term loan with GIM Credit (Luxembourg) S.à.r.l (“GIM”), using funds raised from its capital raising in February 2016, and entered into a new facility with GIM. The key terms and conditions of the new facility are as follows:

- The total facility is for \$8m comprising a \$4m revolving credit facility (Facility A) and a \$4m term loan facility (Facility B). As at the date of this report, Facility A has been fully drawn down.
- The interest rate is 7.5% pa, with interest payable quarterly.
- The term of Facility A facility is 4 years (with 6 monthly clean down periods under which the balance of the facility must be reduced to nil for 10 business days). The term of Facility B will be agreed and determined at the time of any draw down. Facility B will be available for use at any time within 18 months of it being established.
- The loan is secured over all of the Group’s current and future assets.
- Each facility contains detailed conditions precedent to draw down. The facilities are financial covenant lite 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**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
Deferred Consideration Liability (a)	2,495,237	1,289,784
	<u>2,495,237</u>	<u>1,289,784</u>
<b>NON-CURRENT</b>		
Deferred Consideration Liability (a)	6,600,000	7,100,001
	<u>6,600,000</u>	<u>7,100,001</u>
<b>TOTAL DEFERRED CONSIDERATION LIABILITY</b>	<u>9,095,237</u>	<u>8,389,785</u>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**NOTE 12: DEFERRED CONSIDERATION LIABILITY (continued)**

(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 are currently proposing to amend the payment schedule for the above assets such that:

(A) the remaining \$1.9m (plus accrued interest) owing in relation to the above assets would be paid (i) \$300,000 in September 2016; (ii) \$700,000 on 15<sup>th</sup> December 2016; (iii) \$300,000 (plus accrued interest) on 15 April 2017; and (iv) \$600,000 (plus accrued interest) on 15 July 2017; and

(B) the final payment for the above assets of \$6.6m plus accrued interest is to be paid 30 September 2018. Given the above payment deferral, FOD proposes to provide a second ranking security over its current and future assets to Heinz (in subordination to the GIM facility). Given the above, \$2,495,237 has been classified as current.

**NOTE 13: TAX**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
NON-CURRENT		
Deferred Tax Liabilities	469,530	469,530

**NOTE 14: FOREIGN CURRENCY TRANSLATION AND OPTIONS RESERVES**

The foreign currency translation reserve records exchange differences arising on translation of the foreign controlled subsidiary, Roxdale Foods Limited.

The options reserves records the value of options issued by the group.

**NOTE 15: REVALUATION SURPLUS**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Net gain on revaluation of plant and equipment – gross	1,565,100	1,565,100
Deferred tax	(469,530)	(469,530)
	<u>1,095,570</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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 16: CASH FLOW INFORMATION

	2016	2015
	\$	\$
<b>Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>		
Profit after income tax	(8,086,613)	(3,770,352)
Non-cash flows in profit:		
– Depreciation and amortisation	1,539,813	1,585,541
– Loss on asset written down	12,166	-
– Share based payments expense	1,026,252	-
– Goodwill impairment	2,570,430	-
Changes in assets and liabilities:		
– (increase)/decrease in receivables	(3,269,861)	587,388
– (increase)/decrease in other assets	(140,796)	56,904
– (increase)/decrease in inventories	(1,974,108)	(230,749)
– Increase/(decrease) in payables	2,934,059	(389,605)
– Increase/(decrease) in provisions	239,684	170,280
– (increase)/decrease in intangible assets (except brand and goodwill)	(157,203)	(32,109)
– (increase)/decrease in accrued interest in deferred consideration liability	595,237	-
	<u>(4,710,940)</u>	<u>(2,022,702)</u>

## The Food Revolution Group Limited

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### NOTE 17: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)	
		2016	2015
Parent Entity:			
The Food Revolution Group Ltd	Australia		
Subsidiaries of The Food Revolution Group Ltd:			
LangTech International Pty Ltd	Australia	100	100
Roxdale Foods Limited	New Zealand	100	100
LangTech Citrus Pty Ltd	Australia	100	100
LangTech Bottling Pty Ltd	Australia	100	100
Australia's Garden (HK) Limited (i)	Hong Kong	100	100
Treated Timber Remediation Pty Ltd (i)	Australia	-	33
Thirsty Brothers Pty Ltd	Australia	100	-
Shandong LangTech Food Technology Co Limited (i)	China	10	-

(i) The company did not trade during the financial year.

#### NOTE 18: LEASE COMMITMENTS

	2016	2015
	\$	\$
Non-cancellable operating lease commitments not capitalised in the financial statements		
Payable – minimum lease payments:		
– not later than 1 year	1,120,980	1,104,912
– later than 1 year but not later than 2 years	1,154,609	1,136,908
– later than 2 years	1,299,562	2,491,825
	3,575,151	4,733,645

#### NOTE 19: CONTINGENT LIABILITIES

There are no contingent liabilities at Balance Date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

**NOTE 20: CONTINGENT ASSETS**

As part of the arrangements with Heinz as disclosed under Note 12, FOD anticipates that it will receive a payment of \$600,000 from Heinz on or about 15 April 2017 as compensation for expenditure required to improve certain items of plant and equipment. While FOD anticipates that the above will occur, the likelihood of the event is not certain at this stage. Accordingly, this potential benefit has not been provided for in the accounts.

**NOTE 21: EVENTS AFTER BALANCE DATE**

Subsequent to balance date:

- FOD announced that it had signed a binding terms sheet to divest Roxdale Foods Limited and FOD's bioactives intellectual property, and to lease its LTC assets, to Gravity Solutions Global Pte Ltd to enable FOD to focus on branded product sales.
- FOD drew down a further \$1m of the facility established with GIM (as described in Note 11) such that Facility A has been fully drawn down as at the date of this report.
- The milestones for the conversion of the Class A Performance Shares and Class A Performance Rights were achieved resulting in the issue of 80,000,000 fully paid ordinary shares (on 2 August 2016) to the holders of such securities.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

**NOTE 22: COMPANY DETAILS**

The registered office and principal place of business of the company is:

20 Heaths Court

Mill Park, VIC, 3082