



**THE FOOD
REVOLUTION
GROUP**

ASX Announcement

30 September 2016

FY2016 Full Year Statutory Accounts

The Food Revolution Group Limited (ASX: FOD, “the Company”) is pleased to lodge its audited accounts for the 2016 financial year.

FOD advises that following the completion of the Audited Financial Report for the year ended 30 June 2016, changes to the results and financial position reported in the Preliminary Final Report lodged with ASX on 31 August 2016 were identified. These changes have been reflected in the Audited Financial Report. The material changes are as follows:

- The assessment of the fair value of brands arising from the acquisition of Thirsty Brothers Pty Ltd (“TB”) from \$7,614,999 to \$6,914,999, resulting in a corresponding decrease in issued capital from \$33,912,361 to \$33,162,361.
- The write-back of deferred tax liabilities from \$469,530 to \$nil, following the reverse acquisition of FOD, leading to a decrease in goodwill impairment from \$2,570,430 to \$2,100,900.
- The adjustment to the purchase consideration for the reverse acquisition of FOD, resulting in a reduction of goodwill impairment by \$1,224,164 (from \$2,100,900 to \$876,736) with the corresponding decrease in issued capital by the same amount (from \$33,162,361 to \$31,938,197).
- The reclassification of Roxdale Foods Limited as a disposal group held for sale and discontinued operations. There is no impact on the loss after income tax for the year ended 30 June 2016.

Further details regarding the above amendments are provided in the Audited Financial Report.

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

Financial report for the year ended 30 June 2016

OPERATING AND FINANCIAL REVIEW

Principal Activities

The principal activities of the consolidated group (**Group**) during the financial year were:

- the manufacture of a range of functional juices, fibres, infused fruits, fruit waters, infused waters and bioactives for sale as branded products and/or 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 new functional food products and ingredients.

The Group's operations are conducted in Australia and New Zealand.

Significant Changes to Activities

During the year, the Group successfully launched a number of new branded products into the domestic grocery channel.

The Group also completed a significant capital raising and reverse takeover transaction in February 2016 to effect the ASX listing of functional food and beverage company, LangTech International Pty Ltd (**LangTech**).

There were no other significant changes in the nature of the consolidated Group's principal activities during the financial year.

Operating Results

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 (including discontinued operations). 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 Group and are expected to grow materially over the medium to long term.

Gross Profit

The gross profit margin for the year was 38.7% compared to the prior year of 36.3% (including discontinued operations).

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 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.

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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 for its ingredient and New Zealand businesses. The results for this year are shown in the below table (including discontinued operations).

	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
Total	12,968,181	8,742,705

Profit

The loss for year (including discontinued operations) was \$6,214,230 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 \$
One off and non-recurring costs	
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	876,736
Loss on asset write down	51,404
Total	4,088,959
Reported profit (loss) from operations	(\$6,214,230)
Total Normalisations	4,088,959
Normalised gain (loss)	(\$2,125,271)
Depreciation and amortisation	1,539,813
Interest and tax	1,518,527
Normalised EBITDA	933,069

Underlying EBITDA for the year was \$933,069 (including an adjustment of \$178,690 made subsequent to 31 August 2016 relating to the re-allocation of Roxdale Foods Limited equity to income – previous underlying EBITDA of \$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);

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(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.

Financial Position

The net assets of the consolidated Group have increased by \$15,214,633 from 30 June 2015 to \$8,658,792 in 2016. This increase is largely due to the following factors:

- Repayment of GIM borrowings following completion of the February reverse takeover and capital raising transaction;
- The purchase of Thirsty Brothers and resulting increase in brand value; and
- An increase in working capital in the business as a result of increased sales

The Group's February capital raising (\$12m gross proceeds), together with the conversion of some debt into equity (\$1.5m), has enabled the Group to reduce its borrowings by \$6,656,469, from \$9,656,469 as at 30 June 2015 to \$3,000,000 as at 30 June 2016.

The directors believe the Group is in a strong and stable financial position to expand and grow its current operations.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

- On 11 February 2016, the company issued 120,000,000 ordinary shares at \$0.10 each to raise \$12,000,000 of gross proceeds from strategic and retail investors.
- On 11 February 2016, the company issued 120,000,000 ordinary shares (at \$0.10 each) and 220,000,000 performance shares/rights to acquire 100% of LangTech International Pty Ltd.
- On 11 February, the company issued a further 38,750,000 ordinary shares (at \$0.10 each) as a result of the conversion of a \$2.7m convertible note and the payment of facilitation shares.

The above events occurred to effect the reverse takeover and capital raising transaction in February 2016 and resulted in the Group becoming an ASX listed functional food and beverage manufacturer.

Events after the Reporting Period

Subsequent to balance date:

- On 2 August 2016, the Group announced that 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.
- On 8 August 2016, 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.
- On 8 August 2016, FOD drew down a further \$1m of the facility established with GIM (as described in Note 19) such that Facility A has been fully drawn down as at the date of this report.
- On 29 September 2016, Heinz and LTI agreed to amend the payment schedule for certain assets as referred to in Note 20.

Future Developments, Prospects and Business Strategies

Current areas of strategic focus of the Group include the following:

- Continuing to develop the Group's positioning as a leading, innovative, and disruptive functional food and beverage company in the Australian market place;

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- Expansion into export markets
- Expansion into complementary product categories

These areas of strategic focus, together with the current strategy of continuous improvement and adherence to quality control in existing markets, are expected to assist in the achievement of the consolidated Group's long-term goals and development of new business opportunities. Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is considered speculative.

Environmental Issues

The consolidated Group's operations are not subject to significant environmental regulations under the laws of the Commonwealth and state.

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DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to herein as the Group) consisting of The Food Revolution Group Limited and its controlled entities for the financial year ended 30 June 2016. The information in the preceding operating and financial review forms part of this directors' report for the financial year ended 30 June 2016 and is to be read in conjunction with the following information:

General Information

Directors

The following persons were directors of The Food Revolution Group Limited during or since the end of the financial year up to the date of this report:

Bill Nikolovski – Chief Executive Officer and Managing Director

Matthew Bailey – Non Executive Director

Hong Wang – Non Executive Director

Minna (Norman) Rong – Non Executive Director

Graham Duff – Non Executive Chairman (appointed 31/08/2016)

Domenic Martino – Non Executive Chairman (resigned 31/08/2016)

Simon O'Loughlin – Non Executive Chairman (resigned 11/02/2016)

Jaroslav (Jarek) Kopias – Non Executive Director (resigned 11/02/2016)

Donald Stephens – Non Executive Director (resigned 11/02/2016)

Particulars of each current director's experience and qualifications are set out later in this report.

Dividends Paid or Recommended

No dividends were paid or declared during the financial year.

Indemnifying Officers or Auditor

During or since the end of the financial year, no indemnities have been given and no agreements have been entered into to indemnify, and no insurance premiums have been paid or have been agreed to be paid.

Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Hall & Chadwick for non-audit services provided during the year ended 30 June 2016:

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	\$
Advisory services	9,090
Other compliance related services	1,500
	<u>10,590</u>

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 17 of the financial report.

Options

At the date of this report, the unissued ordinary shares of The Food Revolution Group Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
22/11/2012	22/11/2016	\$1.90	200,000
24/06/2012	24/06/2017	\$2.00	100,000
11/02/2016	30/06/2018	\$0.12	7,351,622
			<u>7,651,622</u>

Option holders do not have any rights to participate in any issues of shares or other interests of the company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period, other than as disclosed in the remuneration report.

For details of options issued to directors and executives as remuneration, refer to the remuneration report.

During the year ended 30 June 2016, no ordinary shares of The Food Revolution Group Limited were issued on the exercise of options granted. No further shares have been issued since year-end. No amounts are unpaid on any of the shares.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Information Relating to Current Directors and Company Secretary

Bill Nikolovski	–	Chief Executive Officer and Managing Director
Experience	–	Board member since 11 February 2016. Prior board member of LangTech International Pty Ltd
Interest in Shares and Options	–	7,507,825 ordinary shares (directly and indirectly held) and 56,009,390 performance shares in The Food Revolution Group Limited
Special Responsibilities	–	N/a
Directorships held in other listed entities during the three years prior to the current year	–	None
Matthew Bailey	–	Non Executive Director
Experience	–	Board member since 11 February 2016
Interest in Shares and Options	–	5,000,000 ordinary shares (indirectly held) and 50,000,000 performance shares in The Food Revolution Group Limited
Special Responsibilities	–	Sales and Marketing leadership
Directorships held in other listed entities during the three years prior to the current year	–	None

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entities during the three years prior
to the current year

Hong Wang	–	Non Executive Director
Experience	–	Board member since 11 February 2016
Interest in Shares and Options	–	7,500,000 ordinary shares (directly held) in The Food Revolution Group Limited
Special Responsibilities	–	China market growth
Directorships held in other listed– entities during the three years prior to the current year	–	None
Norman Rong	–	Non Executive Director
Experience	–	Board member since 11 February 2016
Interest in Shares and Options	–	Nil
Special Responsibilities	–	China market growth
Directorships held in other listed– entities during the three years prior to the current year	–	None
Graham Duff AM	–	Non Executive Chairman
Experience	–	Board member since 31 August 2016
Interest in Shares and Options	–	Nil
Special Responsibilities	–	Corporate Governance
Directorships held in other listed– entities during the three years prior to the current year	–	None
Dean Fraser	–	Company Secretary
Experience	–	Company secretary since 11 February 2016. Prior company secretary of LangTech International Pty Ltd
Interest in Shares and Options	–	4,086,958 ordinary shares and 1,502,347 performance shares in The Food Revolution Group Limited (indirectly held)
Special Responsibilities	–	Chief Financial Officer and General Counsel
Directorships held in other listed– entities during the three years prior to the current year	–	None

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Meetings of Directors

During the financial year, 5 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Bill Nikolovski ⁽¹⁾	3	3
Matthey Bailey ⁽¹⁾	3	3
Hong Wang ⁽¹⁾	3	2
Norman Rong ⁽²⁾	1	1
Domenic Martino ⁽¹⁾	3	3
Simon O'Loughlin ⁽³⁾	2	2
Jaroslaw (Jarek) Kopias ⁽³⁾	2	2
Donald Stephens ⁽³⁾	2	2

Notes:

1. Appointed as a director 11 February 2016
2. Appointed as a director 3 May 2016
3. Resigned as a director 11 February 2016

At this time there is no separate Board committees as all matters usually delegated to such committees are addressed by the Board as a whole.

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REMUNERATION REPORT

Remuneration Policy

The remuneration policy of The Food Revolution Group Limited (**FOD or the Company**) has been designed to align key management personnel (**KMP**) objectives with shareholder and business objectives by providing a fixed remuneration component and having regard to the current incentive to achieve revenue and earnings milestones pursuant to the performance shares issued to KMP as part of the acquisition of LangTech International Pty Ltd (**LangTech**) by the Company. The Board has also established an employee share option plan (**ESOP**) as part of the reverse takeover transaction in February 2016. To date no options have been granted under the ESOP. The Board believes the current remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the consolidated Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated Group is as follows:

- The remuneration policy is to be developed by the Board after professional advice is sought from independent external consultants.
- All KMP receive a base salary or services fee (which is based on factors such as length of service and experience), superannuation, and become eligible ESOP participants (subject to Board invitation).
- Other performance incentives (such as bonuses) are generally only paid once predetermined key performance indicators (KPIs) have been met.
- Incentives in the form of ESOP options are intended to align the interests of KMP and the Company with those of the shareholders.
- The remuneration committee reviews KMP packages annually by reference to the consolidated Group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on performance of the Group versus budget together with individual performance. All bonuses and incentives must be linked to predetermined performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance/results leading to long-term growth in shareholder wealth.

KMP receive a superannuation guarantee contribution required by the government, which is currently 9.5% of the individual's average weekly ordinary time earnings (AWOTE).

Other than the entitlements provided under the Group's defined contribution superannuation arrangements, KMP do not receive any other retirement benefits.

All remuneration paid to KMP is valued at the cost to the company and expensed.

The Board's policy is to remunerate KMP (including non-executive directors) at market rates for time, commitment and responsibilities. The board currently determines payments to KMP and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting.

Options granted under the ESOP do not carry dividend or voting rights. The board is responsible for determining any conditions attaching to the options (including issue price, exercise price, vesting conditions, and conditions of exercise).

Engagement of Remuneration Consultants

The board did not engage any remuneration consultants during the financial year. The board will consider the appropriateness of appointing a remuneration consultant during FY17 to review the elements of KMP remuneration and to provide appropriate recommendations.

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REMUNERATION REPORT

Performance-based Remuneration

KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and, in some instances, relevant industry standards.

Performance in relation to the KPIs is assessed annually, with any KPI related bonuses being awarded based on achievement of the relevant KPIs (see below for further information regarding cash bonuses). Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, The Food Revolution Group Limited bases the assessment on audited figures and quantitative and qualitative data.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on KPIs, and the second being the establishment of an ESOP (under which KMP are eligible participants, subject to Board invitation) to encourage the alignment of personal and shareholder interests.

The Board is of the opinion that the above remuneration policy will enhance company performance going forward.

Since re-listing in February 2016 and up until 30 June 2016, the Company's share price has shown significant volatility, reaching a low of \$0.17 and a high of \$0.275. The Board has decided to increase and maintain promotional activity among analysts so as to increase investor awareness of the company and to stabilise the company's share price in line with a consistent and stable financial position.

Performance Conditions Linked to Remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of cash bonus reward schemes, in particular the incorporation of incentive payments based on the achievement of Group budgets. The Group does not currently have any cash bonus rewards schemes tied to the company's share price, preferring at this stage to align such cash bonus rewards to operational performance.

The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders.

The satisfaction of the KPIs is based on a review of the audited financial statements of the Group.

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Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, members of KMP of the consolidated Group. The table also illustrates the proportion of remuneration that was performance and non-performance based, having regard to the existing performance shares issued to KMP as part of the reverse takeover transaction in February 2016 together with the current shareholdings of KMP (see notes 1 to 3 below for further detail).

	Position Held as at 30 June 2016 and any Change during the Year	Contract Details (Duration and Termination)	Proportions of Elements of Remuneration Related to Performance (Other than Options Issued)		Proportions of Elements of Remuneration Not Related to Performance
			Non-salary Cash-based Incentives	Shares/ Units	Fixed Salary/ Fees
			%	%	%
Group KMP					
Bill Nikolovski ⁽¹⁾	Managing Director	Employment contract ⁽⁴⁾	-	-	100
Matthew Bailey ⁽¹⁾	Non Executive Director	NED appointment deed ⁽⁴⁾	-	-	100
Norman Rong ⁽²⁾	Non Executive Director	NED appointment deed ⁽⁴⁾	-	-	100
Hong Wang ⁽³⁾	Non Executive Director	NED appointment deed ⁽⁴⁾	-	-	100
Domenic Martino ⁽¹⁾	Chairman (resigned 31/8/16)	NED appointment deed ⁽⁴⁾	-	-	100
Dean Fraser ⁽¹⁾	CFO	Services contract ⁽⁴⁾	-	-	100

Notes:

1. Mr Nikolovski, Mr Bailey, Mr Martino and Mr Fraser (via Fortis Corporate Advisory Pty Ltd) hold A Class, B Class and C Class performance shares in the company. While these performance shares do not form part of such persons KMP's remuneration (rather they were issued to such persons as part of the acquisition of their respective shareholding in LangTech), these performance shares only convert to ordinary shares in FOD upon the achievement of certain revenue and EBITDA milestones. Accordingly, the Board believes such persons have adequate performance incentives, notwithstanding that this incentive originates from the sale of LangTech rather as remuneration for services provided.
2. Mr Rong represents Shenzhen Youngheng Biotechnology Co Limited (**SYB**), a substantial shareholder of FOD. As representative of one of the company's largest shareholders, the Board believes Mr Rong has adequate performance incentives by virtue of SYB's shareholding.
3. Mr Wang is a material shareholder in FRG. The Board believes Mr Wang has adequate performance incentives by virtue of his material shareholding.
4. Each contract is for an unspecified term. The employment contract for Mr Nikolovski can be terminated upon 3 months notice. The services contract for Fortis Corporate Advisory can be terminated upon 1 months notice.

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The employment terms and conditions of all KMP are formalised in contracts of employment, director appointment deeds or services contracts (as the case may be).

Terms of employment generally requires that KMP's are provided with a minimum of 1 months' notice (and up to 3 months' notice) prior to termination of such person's contract. KMP who are directors cannot be terminated by the company, other than in accordance with the Corporations Act 2001 (Cth). Termination payments are not payable on resignation or termination.

Changes in Directors and Executives Subsequent to Year-end

On 31 August 2016, Mr Domenic Martino resigned as a director and Chairman of the Company.

On 31 August 2016, Mr Graham Duff was appointed as a director and Chairman of the Company.

Remuneration Expense Details for the Year Ended 30 June 2016

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the consolidated Group. Such amounts have been calculated in accordance with Australian Accounting Standards.

Table of Benefits and Payments for the Year Ended 30 June 2016

		Short-term Benefits				Post-employment Benefits		Long-term Benefits		Equity-settled Share-based Payments(2)(3)		Cash-settled Share-based Payments	Termination Benefits	Total
		Salary, Fees and Leave	Profit Share and Bonuses	Non-monetary	Other	Super-annuation	Other	Incentive Plans	LSL	Shares/ Units	Options/ Rights			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Group KMP														
Bill Nikolovski	2016	257,423	-	-	24,506	29,600	-	-	7,349	-	-	-	-	318,878
	2015	216,599	-	-	17,100	18,779	-	-	3,330	-	-	-	-	255,807
Matthew Bailey(1)	2016	80,897	-	-	-	9,102	-	-	21,441	-	-	-	-	111,440
	2015	-	-	-	-	-	-	-	-	-	-	-	-	-
Norman Rong	2016	-	-	-	-	-	-	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	-	-	-	-	-	-	-
Hong Wang	2016	-	-	-	-	-	-	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	-	-	-	-	-	-	-
Domenic Martino	2016	37,497	-	-	-	-	-	-	-	-	-	-	-	37,497
	2015	-	-	-	-	-	-	-	-	-	-	-	-	-
Dean Fraser	2016	212,899	-	-	-	-	-	-	-	-	-	-	-	212,899
	2015	200,917	-	-	-	-	-	-	-	-	-	-	-	200,917
Total KMP														
	2016	588,716	-	-	24,506	38,702	-		28,790					680,714
	2015	417,516	-	-	17,100	18,779	-		3,330					456,724

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Notes

1. Matthew Baily is an employee of Thirsty Brothers Pty Ltd (which was acquired by the Group on 11 February 2016). Mr Bailey was appointed as a director of FOD on 11 February 2016. The table above captures Mr Bailey's remuneration since 11 February 2016, being the date the Group obtained control of Thirsty Brothers.
2. Options over LangTech shares issued to Bill Nikolovski and Fortis Corporate Advisory Pty Ltd (of which Dean Fraser is a director) were issued under an employee share option plan established by the LangTech in June 2014. At the time of issue, the value of the ordinary shares in LangTech was assessed to be nil given certain double liquidation preference rights held by preference shareholders. Accordingly, as the value of ordinary shares was nil, so to was the value of options over ordinary shares. The double liquidation preference mechanism was removed as part of the reverse takeover transaction on 11 February 2016. All options were exercised on 11 February 2016 and converted into LangTech shares, which were then acquired by FOD as part of the reverse takeover transaction. No options are outstanding as at 30 June 2016.
3. Ordinary shares and performance shares in FOD were issued to Mr Nikolovski, Mr Bailey, Mr Martino and Mr Fraser as part of the reverse takeover transaction on 11 February 2016. These securities were issued to such persons as part of the acquisition of their respective shareholding in LangTech and are accordingly not included in the above table. To the extent such securities were issued to Mr Nikolovski and Mr Fraser, these securities were assessed to have nil value per note 2 above.

Securities Received that Are Not Performance-related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

Cash Bonuses, Performance-related Bonuses and Share-based Payments

The terms and conditions relating to options and bonuses granted as remuneration during the year to KMP are as follows:

	Remuneration Type	Grant Date	Grant Value \$	Reason for Grant (Note 1)	Percentage Vested/Paid during Year % (Note 2)	Percentage Forfeited during Year %	Percentage Remaining as Unvested %	Expiry Date for Vesting or Payment	Range of Possible Values Relating to Future Payments
Group KMP									
2016									
Dean Fraser	Options	1/12/2015	0	See Note 1	100%	0%	0%	N/a	N/a
2015									
Bill Nikolovski	Options	19/12/2014	0	See Note 1	100%	0%	0%	N/a	N/a

Note 1 Options over LangTech International Pty Ltd shares were issued to Bill Nikolovski and Fortis Corporate Advisory Pty Ltd (of which Dean Fraser is a director) under an employee share option plan established by the LangTech in June 2014. All options issued entitled the holder to one ordinary share in LangTech for each option exercised. At the time of issue, the value of the ordinary shares in LangTech was assessed to be nil given certain double liquidation preference rights held by preference shareholders. Accordingly, as the value of ordinary shares was nil, so to was the value of options over ordinary shares. The double liquidation preference mechanism was removed as part of the reverse takeover transaction on 11 February 2016. All options were exercised on 11 February 2016 and converted into LangTech shares, which were then acquired by FOD as part of the reverse takeover transaction which completed on 11 February 2016. No options are outstanding as at 30 June 2016.

Note 2 The dollar value of the percentage vested/paid during the period has been reflected in the Table of Benefits and Payments. As noted above, this value was nil.

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

REMUNERATION REPORT

Options and Rights Granted as Remuneration

Group	Balance at Beginning of Year	Grant Details			Exercised	Lapsed	Balance at End of Year
		Issue Date	No.	Value \$ (Note 1)	No.	No.	
					(Note 2)		
KMP							
Bill Nikolovski	800,000		-	-	800,000	-	-
Matthew Bailey	-		-	-	-	-	-
Norman Rong	-		-	-	-	-	-
Hong Wang	-		-	-	-	-	-
Domenic Martino	-		-	-	-	-	-
Dean Fraser	-	1/12/2015	200,000	-	200,000	-	-
	800,000		200,000	-	1,000,000	-	-

	Balance at End of Year No.	Vested			Unvested
		Exercisable No.	Unexercisable No.	Total at End of Year No.	Total at End of Year No.
Group KMP					
Bill Nikolovski	-	-	-	-	-
Matthew Bailey	-	-	-	-	-
Norman Rong	-	-	-	-	-
Hong Wang	-	-	-	-	-
Domenic Martino	-	-	-	-	-
Dean Fraser	-	-	-	-	-
	-	-	-	-	-

Note 1 The fair value of options granted as remuneration was assessed to be nil, on the basis that the equity in LangTech was assessed to be nil (due to the preference share capital structure), as described above.

Note 2 All options exercised resulted in the issue of ordinary shares in LangTech on a 1:1 basis.

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

REMUNERATION REPORT

Description of Options/Rights Issued as Remuneration

Details of the options granted as remuneration to those KMP listed in the previous table are as follows:

Grant Date	Issuer	Entitlement on Exercise	Dates Exercisable	Exercise Price \$	Value per Option at Grant Date \$	Amount Paid/ Payable by Recipient \$
19/12/2014	LangTech	Ordinary and preference shares in LangTech	Upon vesting, including reverse takeover	0.01	Nil	8,000
1/12/2015	As above	Ordinary shares in LangTech	As above	0.01	Nil	2,000

Option values at grant date were determined by valuing the ordinary shares in LangTech, which was assessed to be nil given certain double liquidation preference rights held by preference shareholders. Accordingly, as the value of ordinary shares was nil, so to was the value of options over ordinary shares.

KMP Shareholdings – Ordinary shares

The number of ordinary shares in FOD held by each KMP of the Group during the financial year is as follows:

	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year(1)	Balance at End of Year
Bill Nikolovski ⁽²⁾	-	-	-	7,507,825	7,507,825
Matthew Bailey	-	-	-	5,000,000	5,000,000
Norman Rong	-	-	-	-	-
Hong Wang	-	-	-	7,500,000	7,500,000
Domenic Martino ⁽²⁾	-	-	-	53,822,380	53,822,380
Dean Fraser ⁽²⁾	-	-	-	4,086,958	4,086,958
	-	-	-	77,917,163	77,917,163

Note

- Other changes during the year comprise: (i) the issue of FOD ordinary shares to KMP; (ii) the issue of A Class, B Class and C Class performance shares to KPM (excluded from the above table, but included in the table below); (iii) the conversion of a convertible note in LangTech held by Mr Nikolovski and Mr Wang into ordinary shares of FOD as part of the reverse takeover transaction; and (iv) the acquisition of FOD ordinary shares by Mr Fraser pursuant to the February 2016 capital raising. The ordinary shares and performance shares referred to under (i) and (ii) above were issued to Mr Nikolovski, Mr Bailey, Mr Martino and Mr Fraser as part of the acquisition of their respective shareholdings in LangTech.
- Includes ordinary shares held by related parties of Mr Nikolovski, Mr Martino and Mr Fraser (ie AubInvest Pty Ltd, Fanucci Pty Ltd/Lang Technologies Pty Ltd, and Fortis Corporate Advisory Pty Ltd, respectively).

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

REMUNERATION REPORT

KMP Shareholdings – Performance shares

The number of performance shares in FOD held by each KMP of the Group during the financial year is as follows:

	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year(1)	Balance at End of Year
Bill Nikolovski ⁽²⁾	-	-	-	56,009,390	56,009,390
Matthew Bailey	-	-	-	50,000,000	50,000,000
Norman Rong	-	-	-	-	-
Hong Wang	-	-	-	-	-
Domenic Martino ⁽²⁾	-	-	-	55,586,854	55,586,854
Dean Fraser ⁽²⁾	-	-	-	1,502,347	1,502,347
	-	-	-	163,098,592	163,098,592

Note:

1. Other changes during the year comprise the issue of A Class, B Class and C Class performance shares to KMP. These performance shares were issued to Mr Nikolovski, Mr Bailey, Mr Martino and Mr Fraser as part of the acquisition of their respective shareholdings in LangTech.
2. Includes performance shares held by related parties of Mr Nikolovski, Mr Martino and Mr Fraser (ie AubInvest Pty Ltd, Fanucci Pty Ltd/Lang Technologies Pty Ltd, and Fortis Corporate Advisory Pty Ltd, respectively).

Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

Other Transactions with KMP and/or their Related Parties

There were no other transactions conducted between the Group and KMP or their related parties, apart from those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors:



Bill Nikolovski, Director

Dated: 30 September 2016

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

**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

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx: (612) 9263 2800

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been no contraventions of:

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



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



Drew Townsend

Partner

Dated: 30 September 2016

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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 YEAR ENDED 30 JUNE 2016

	Note	Consolidated Group 2016 \$	2015 \$
Continuing operations			
Revenue	3	19,736,469	17,007,199
Cost of sales		(11,338,089)	(9,855,944)
Gross profit		8,398,380	7,151,255
Other income	3	4,655,456	4,104,017
Employment costs	4	(4,616,274)	(3,946,972)
Administration expenses		(2,651,738)	(1,757,233)
Marketing costs		(881,685)	(109,342)
Operating costs		(4,249,826)	(2,426,888)
Depreciation and amortisation	4	(1,503,484)	(1,569,622)
Finance costs	4	(1,517,798)	(1,463,263)
Relocation costs		(278,163)	(2,251,850)
RTO related transaction costs		(560,347)	-
Share based payments expense	27	(1,026,252)	-
Other expenses		-	(123,013)
Goodwill Impairment	16a	(876,736)	-
Loss on asset write down		(12,166)	-
Loss before income tax		(5,120,633)	(2,392,911)
Tax expense	5	-	-
Loss from continuing operations		(5,120,633)	(2,392,911)
Loss from discontinued operations	24	(1,093,597)	(1,377,441)
Loss for the year		(6,214,230)	(3,770,352)
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		4,414	53,504
Other comprehensive income/(loss) for the year		4,414	53,504
Total comprehensive loss for the year		(6,209,816)	(3,716,848)

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 YEAR ENDED 30 JUNE 2016

	Note	Consolidated Group	
		2016	2015
		\$	\$
Loss per share			
Loss per share (cents per share, basic and diluted)	8	(5.11)	(25.48)
Loss per share (cents per share, basic and diluted) on continuing operations	8	(4.21)	(16.17)
Loss per share (cents per share, basic and diluted) on discontinued operations	8	(0.90)	(9.31)

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 30 JUNE 2016

	Note	2016 \$	2015 \$
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	9	2,301,232	983,649
Trade and other Receivables	10	4,377,113	2,411,107
Inventories	11	2,583,626	1,166,143
Other assets	14	69,051	4,357
Current tax assets	21		36
Assets held for sale	24	822,479	-
TOTAL CURRENT ASSETS		10,153,501	4,565,292
NON-CURRENT ASSETS			
Plant and equipment	12	9,341,405	10,300,388
Intangible assets	13	7,870,519	768,811
Other assets	14	176,101	100,000
TOTAL NON-CURRENT ASSETS		17,388,025	11,169,199
TOTAL ASSETS		27,541,526	15,734,491
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Trade & other payables	17	6,187,766	3,481,699
Provisions	18	376,209	278,175
Borrowings	19	3,000,000	8,158,112
Deferred consideration liability	20	2,495,237	1,289,784
Liabilities held for sale	24	129,957	-
TOTAL CURRENT LIABILITIES		12,189,169	13,207,770
NON-CURRENT LIABILITIES			
Provisions	18	93,565	14,674
Borrowings	19	-	1,498,357
Deferred consideration liability	20	6,600,000	7,100,001
Deferred tax liabilities	21	-	469,530
TOTAL NON-CURRENT LIABILITIES		6,693,565	9,082,562
TOTAL LIABILITIES		18,882,734	22,290,332
NET ASSETS/(LIABILITIES)		8,658,792	(6,555,841)
<u>EQUITY</u>			
Issued capital	22	31,938,197	11,040,000
Foreign currency translation reserve	31	39,553	46,262
Options reserve	31	526,252	-
Revaluation surplus	31	1,095,570	1,095,570
Retained profits (Accumulated losses)		(24,940,780)	(18,737,673)
TOTAL EQUITY		8,658,792	(6,555,841)

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 YEAR ENDED 30 JUNE 2016

	Issued Capital (Ordinary Shares)	Retained Earnings	Revaluation Surplus	Foreign Currency Translation	Options Reserve	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014	11,040,000	(14,977,641)	1,095,570	(4,662)	-	(2,846,733)
Comprehensive income						
Loss for the year		(3,770,352)				(3,770,352)
Other comprehensive income for the year				53,504		53,504
Total comprehensive income for the year		(3,770,352)	-	53,504		(3,716,848)
Transactions with owners, in their capacity as owners, and other transfers						
Transfers from retained earnings to foreign currency translation reserve		2,580		(2,580)		-
Adjustment in retained earnings		7,740				7,740
Total transactions with owners, and other transfers		10,320	-	(2,580)		7,740
Balance at 30 June 2015	11,040,000	(18,737,673)	1,095,570	46,262		(6,555,841)
Balance at 1 July 2015	11,040,000	(18,737,673)	1,095,570	46,262		(6,555,841)
Comprehensive income						
Loss for the year		(6,214,230)				(6,214,230)
Other comprehensive income for the year				4,414		4,414
Total comprehensive income for the year		(6,214,230)	-	4,414		(6,209,816)
Transactions with owners, in their capacity as owners, and other transfers						
Issue of shares (net of transaction costs)	20,398,197					20,398,197
Transfers from retained earnings to foreign currency translation reserve		11,123		(11,123)		-

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

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
	\$	\$	\$	\$	\$	\$
Share based payment expense	500,000	-	-	-	526,252	1,026,252
Total transactions with owners, and other transfers	20,898,197	11,123	-	(11,123)	526,252	21,424,449
Balance at 30 June 2016	31,938,197	(24,940,780)	1,095,570	39,553	526,252	8,658,792

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 YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
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	26	(4,710,940)	(2,022,702)
CASH FLOWS FROM INVESTING ACTIVITIES			
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)
CASH FLOWS FROM FINANCING ACTIVITIES			
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	9	2,301,232	983,649

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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*.

The financial statements were authorised for issue on 30 September 2016 by the directors of the company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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 2016, the Group incurred a loss after tax of \$6,214,230 and incurred cash outflows from operating activities of \$4,710,940.

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 its current sales traction into the Australian grocery channel;
- There were a number of one-off, non-recurring costs during FY16 (amounting to \$4,088,959) which will not recur going forward;
- The forecast cash balance of the Group at the end of September 2017 is expected to be \$6.4m.
- The Group has a net current asset deficiency (current assets less current liabilities) of \$2,035,668. This includes the \$3m GIM working capital facility described in Note 19, and which has a 4 year term. This facility is treated as a current liability due to the half yearly “clean down” mechanism under which the balance of the facility must be reduced to nil for 10 business days, after which it can then be redrawn. Excluding this working capital facility, the Group would have a net current asset surplus of \$964,332.

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.

a. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (The Food Revolution Group Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 15.

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

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

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

The consolidated financial statements have been prepared using reverse acquisition accounting. In reverse acquisition accounting, the cost of the business combination is deemed to have been incurred by the legal subsidiary, Langtech International Pty Ltd (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent, The Food Revolution Group Limited (the acquiree for accounting purposes).

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

b. Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

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

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

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 deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The Food Revolution Group Limited (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to member of the tax consolidated group.

c. **Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

d. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products

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

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

includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

e. **Plant and Equipment**

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(h) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a diminishing value basis over the asset's useful life to the consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	10 years (Diminishing value method)
Plant and equipment	7 years (Diminishing value method)
Office equipment	7 years (Diminishing value method)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

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

f. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

g. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

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For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

h. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

i. Intangibles Other than Goodwill

Brand

Brand has been recognised on the acquisition of Thirsty Brothers Pty Ltd with indefinite useful lives. The brand names relate to established products with strong market penetration into the Australian grocery channel. The brand names operate in a stable industry with a strong positioning in the functional beverage market. The brand is not amortised, instead the brand is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Product development costs

Product development costs will be amortised over 10 years, or where the product line is discontinued, the balance will be written off during that financial period.

Intellectual property

Intellectual property is recognised at cost of acquisition when incurred. Intellectual property has a useful life of 20 years, and is carried at cost less any accumulated depreciation and impairment losses. Intellectual property is amortised over the life of the patents it relates to.

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

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

j. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

k. Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Equity-settled compensation

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

l. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

m. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less.

n. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method.

All revenue is stated net of the amount of goods and services tax.

o. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(g) for further discussion on the determination of impairment losses.

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

p. **Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

q. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

r. **Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income (or where there was increased expenditure as a result of the grant, are credited to the appropriate expense item) over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

s. **Assets held for sale**

Non-current assets and disposal groups are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as "held for sale" occurs when: management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

A discontinued operation is a component of an entity, being a cash-generating unit (or a group of cash generating units), that either has been disposed of, or is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with the view to resale.

Impairment losses are recognised for any initial or subsequent write-down of an asset (or disposal group) classified as held for sale to fair value less costs to sell. Any reversal of impairment recognised on classification as held for sale or prior to such classification is recognised as a gain in Consolidated Profit or Loss and Other Comprehensive Income in the period in which it occurs.

t. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

u. **Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

(i) *Impairment – general*

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of

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relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. Refer to Note 13(b) for further details regarding management's impairment assessment.

Key judgements

(i) *Provision for impairment of receivables*

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

v. **New Accounting Standards for Application in Future Periods**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may not have an impact on the Group's financial instruments.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

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The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-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-to-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;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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

NOTE 2: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2016 \$	2015 \$
Statement of Financial Position		
ASSETS		
Current assets	6,674	736,789
Non-current assets	13,739,086	22,679
TOTAL ASSETS	13,745,760	759,468
LIABILITIES		
Current liabilities	411,028	24,278
Non-current liabilities	-	-
TOTAL LIABILITIES	411,028	24,278
EQUITY		
Issued capital	20,427,008	5,819,787
Accumulated losses	(8,788,215)	(6,254,284)
Option reserve	1,695,939	1,169,687
TOTAL EQUITY	13,334,732	735,190
Statement of Profit or Loss and Other Comprehensive Income		
Total profit	(2,533,931)	(3,361,730)
Total comprehensive income	(2,533,931)	(3,361,730)

Guarantees

There are no guarantees as at 30 June 2016 and 30 June 2015.

Contingent liabilities

There are no contingent liabilities as at 30 June 2016 and 30 June 2015.

Contractual capital commitments

There are no contingent liabilities and capital commitments as at 30 June 2016. While contingent liabilities and contractual capital commitments existed as at 30 June 2015, these were disclosed in the financial statements for the year ended 30 June 2015.

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

NOTE 3: REVENUE AND OTHER INCOME

	Note	Consolidated Group	
		2016 \$	2015 \$
a. Revenue from continuing operations			
Gross sales		20,848,092	17,007,199
– Less trading terms		(559,242)	-
– Less volume rebates and other claims		(552,381)	-
Sales revenue		19,736,469	17,007,199
Other revenue:			
– R&D funding:		3,605,556	4,104,017
– Insurance proceeds		1,025,880	-
– Other income		24,020	-
		4,655,456	4,104,017
Total revenue from continuing operations		24,391,925	21,111,216

NOTE 4: EXPENSES

	Note	Consolidated Group	
		2016	2015
		\$	\$
Loss before income tax includes the following specific expenses:			
a.	Employment costs		
–	wages and salaries	3,640,084	3,327,450
–	other employee related expenses	976,190	619,522
		4,616,274	3,946,972
b.	Depreciation and amortisation		
–	depreciation expenses	1,498,401	1,566,846
–	amortisation expenses	5,083	2,776
		1,503,484	1,569,622
c.	Finance costs		
–	interest expenses	1,039,847	1,460,221
–	fees incurred on GIM loan	455,000	-
–	other finance charges	22,951	3,042
		1,517,798	1,463,263

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

NOTE 5: TAX EXPENSE

	Note	Consolidated Group	
		2016 \$	2015 \$
a. Amounts recognised in profit or loss:			
Current tax expense		-	-
Deferred tax expense / (benefit)		-	-
Total income tax expense / (benefit)		-	-
b. The prima facie tax on loss from ordinary activities before income tax, is reconciled to income tax as follows:			
(Loss) before tax		(6,214,230)	(3,770,352)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2015: 30%)		(1,864,269)	(1,131,106)
Add:			
Tax effect of:			
– non-allowable items		410,726	653,374
– qualifying R&D expenditure		1,421,518	2,310,498
– capital gain on deconsolidation		450,263	-
– non deductible share based payments		307,876	-
– goodwill impairment		263,021	-
		2,853,404	2,963,872
Less:			
Tax effect of:			
– R&D income		(1,081,667)	(1,231,205)
– Deductible borrowing costs not in accounting loss		(71,543)	(69,711)
– Deductible capital items not in accounting loss		(302,400)	-
– tax losses transferred from controlled entities		-	-
– Recoupment of prior year tax losses not previously brought to account		-	(366,653)
Less: Timing difference not recognised		(434,536)	(77,021)
Add: Deferred tax assets not recognised		901,011	-
Less: R&D offset		-	(88,176)
		(1,455,610)	(1,667,569)
Prima facie tax benefit on loss attributable to entity*		-	-

*No deferred tax assets have been recognised as yet since it is currently not probable that future taxable profit will be available to realise the asset. Potential deferred tax assets on carry forward losses amount to \$3,788,012 (2015: \$264,515)

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

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2016.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2016	2015
	\$	\$
Short-term employee benefits	613,222	434,615
Post-employment benefits	38,702	18,779
Other long-term benefits	28,790	3,330
Share-based payments	-	-
Total KMP compensation	680,714	456,724

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current-year's estimated costs of providing for the Group's superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

NOTE 7: AUDITOR'S REMUNERATION

	Consolidated Group	
	2016	2015
	\$	\$
Remuneration of the auditor for:		
– audit of the financial statements	48,500	29,000
– other audit and advisory services	10,590	2,350
	59,090	31,350

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

NOTE 8: EARNINGS PER SHARE

		Consolidated Group	
		2016	2015
		\$	\$
Basic and diluted loss per share			
a.	Loss from continuing operations attributable to the ordinary equity holders of the Company	(5,120,633)	(2,392,911)
	Loss from discontinued operations attributable to the ordinary equity holders of the Company	(1,093,597)	(1,377,441)
	Loss attributable to the ordinary equity holders of the Company	(6,214,230)	(3,770,352)
		No.	No.
b.	Weighted average number of shares used as the denominator		
	Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	121,656,059	14,800,000
Loss per share			
	Basic and diluted from continuing operations (cents)	(4.21)	(16.17)
	Basic and diluted from discontinued operations (cents)	(0.90)	(9.31)
	Loss per share (cents) – basic and diluted	(5.11)	(25.48)

NOTE 9: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group	
		2016	2015
		\$	\$
Cash at bank and on hand		2,301,232	983,649
		2,301,232	983,649

NOTE 10: TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group	
		2016	2015
		\$	\$
CURRENT			
Trade receivables		4,191,191	1,131,029
Other receivables		185,922	30,078
Escrow deposit		-	1,250,000
Total current trade and other receivables		4,377,113	2,411,107

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

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

a Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 10. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group.

H.J. Heinz and Woolworths were significant trade debtors as at 30 June 2016 accounting for \$2,660,229 and \$950,640 respectively (2015: \$919,888 and \$nil respectively).

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross Amount \$	Past Due and Impaired \$	Past Due but Not Impaired (Days Overdue)			Within Initial Trade Terms \$
			< 30 \$	31–60 \$	> 60 \$	
2016						
Trade and term receivables	4,191,191	-	1,568,937	455,651	348,851	1,817,751
Other receivables	185,922	-	-	-	-	185,922
Escrow deposit	-	-	-	-	-	-
Total	4,377,113	-	1,568,937	455,651	348,851	2,003,673
2015						
Trade and term receivables	1,131,029	-	69,682	51,828	95,110	914,409
Other receivables	30,078	-	-	-	-	30,078
Escrow deposit	1,250,000	-	-	-	-	1,250,000
Total	2,411,107	-	69,682	51,828	95,110	2,194,489

b. Collateral Pledged

Security over all of the Group's current and future assets (including receivables) has been provided to GIM. Refer to Note 15b for further details.

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

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

NOTE 11: INVENTORIES

	Note	Consolidated Group	
		2016	2015
		\$	\$
CURRENT			
At cost:			
Work in progress		1,379,414	916,382
Raw materials		299,163	131,542
Finished goods		905,049	118,219
		2,583,626	1,166,143
At net realisable value:			
Work in progress		1,379,414	916,382
Raw materials		299,163	131,542
Finished goods		905,049	118,219
		2,583,626	1,166,143

NOTE 12: PLANT AND EQUIPMENT

	Consolidated Group	
	2016	2015
	\$	\$
Plant and Equipment		
Plant and equipment:		
At cost	14,221,169	13,831,811
Accumulated depreciation	(4,968,180)	(3,585,196)
	9,252,989	10,246,615
Leasehold improvements:		
At cost	-	46,831
Accumulated depreciation	-	(24,514)
	-	22,317
Office equipment:		
At cost	99,521	56,025
Accumulated depreciation	(11,105)	(24,569)
Leased plant and equipment:	88,416	31,456
Total plant and equipment	9,341,405	10,300,388

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 financial year:

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

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

	Leasehold Improvements \$	Plant and Equipment \$	Office Equipment \$	Total \$
Consolidated Group:				
Balance at 1 July 2014	10,486,525	25,053	46,110	10,557,688
Additions	1,266,557	-	7,324	1,273,881
Depreciation expense	(1,560,827)	(2,736)	(21,978)	(1,585,541)
Write-off of assets	54,360	-	-	54,360
Balance at 30 June 2015	10,246,615	22,317	31,456	10,300,388
Additions	1,033,429	61,936	3,993	1,099,358
Acquisitions through business combinations (Note 16)	-	-	119,139	119,139
Depreciation expense	(1,487,669)	-	(21,231)	(1,508,900)
Reduction in carrying value from grant income	(400,000)	-	-	(400,000)
Other adjustments	(7,995)	(4,441)	(44,147)	(56,583)
Transferred to assets held for sale	(131,391)	(79,812)	(794)	(211,997)
Balance at 30 June 2016	9,252,989	-	88,416	9,341,405

NOTE 13: INTANGIBLE ASSETS

	Note	Consolidated Group 2016 \$	2015 \$
Intellectual property:			
Cost		345,698	295,294
Accumulated impairment losses		(235,799)	(230,716)
Net carrying amount		109,899	64,578
Brands:			
Cost	16b	6,914,999	-
Accumulated amortisation and impairment losses		-	-
Net carrying amount		6,914,999	-
Product development costs:			
Cost		142,259	-
Accumulated amortisation and impairment losses		-	-
Net carrying amount		142,259	-
Goodwill:			
Cost		702,268	702,268
Accumulated impairment losses		-	-
Net carrying amount		702,268	702,268

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

NOTE 13: INTANGIBLE ASSETS

	Note	Consolidated Group	
		2016	2015
		\$	\$
Formation expenses:			
Cost		1,094	1,965
Accumulated impairment losses		-	-
Net carrying amount		1,094	1,965
Total intangible assets		7,870,519	768,811

(a) Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial years are set out below:

	Goodwill	Brand	Intellectual property	Product development costs	Other intangible assets	Total
	\$	\$	\$	\$	\$	\$
Consolidated Group:						
Balance at 1 July 2014	702,268	-	33,515	-	919	736,702
Additions	-	-	33,839	-	1,046	34,885
Amortisation charge	-	-	(2,776)	-	-	(2,776)
Impairment losses	-	-	-	-	-	-
Balance at 30 June 2015	702,268	-	64,578	-	1,965	768,811
Acquisition through business combinations (Note 16)	876,736	6,914,999	-	-	-	7,791,735
Additions	-	-	50,404	142,259	-	192,663
Amortisation charge	-	-	(5,083)	-	-	(5,083)
Adjustments	-	-	-	-	(871)	(871)
Impairment losses	(876,736)	-	-	-	-	(876,736)
Balance at 30 June 2016	702,268	6,914,999	109,899	142,259	1,094	7,870,519

(b) Impairment disclosures

The recoverable amounts of the consolidated entity's goodwill, brand and plant and equipment have been determined by a value-in-use calculations using a discounted cash flow model, based on a 12-month projection period approved by management and extrapolated for a further 4 years by using key assumptions.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The Group had revenue and cost growth rates of 5% per annum and a discount rate of 12%.

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

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

NOTE 14: OTHER ASSETS

	Consolidated Group	
	2016	2015
	\$	\$
CURRENT		
Prepayments	69,051	4,357
	69,051	4,357
NON-CURRENT		
Prepayments	76,101	-
Rental bond	100,000	100,000
	176,101	100,000
	245,152	104,357

NOTE 15: INTERESTS IN SUBSIDIARIES

a. Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group		Proportion of Non-controlling Interests	
		2016	2015	2016	2015
		%	%	%	%
LangTech International Pty Ltd	Australia	100	-	-	-
Roxdale Foods Limited	New Zealand	100	-	-	-
LangTech Citrus Pty Ltd	Australia	100	-	-	-
LangTech Bottling Pty Ltd	Australia	100	-	-	-
Australia's Garden (HK) Limited (i)	Hong Kong	100	-	-	-
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

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

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

b. Significant Restrictions

Other than the following, there are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group:

LangTech International Pty Ltd has entered into a working capital and term loan facility with GIM Credit (Luxembourg) S.à.r.l ("GIM") as described in Note 19. Facility A was drawn down as to \$4m as at the date of this report. The facility is secured by all of the Group's current and future assets via a security interest over personal property and via fixed and floating charge over all other property (including trade receivables, cash and cash equivalents). The facility contains detailed conditions precedent to draw down. The facility is financial covenant life in that once the funds have been drawn under the facility, there is no periodic (eg quarterly) financial covenant testing. Covenants imposed by GIM restrict asset disposals (other than with GIM's consent, or in the ordinary course of business, or in other limited circumstances), acquisitions (other than with GIM's consent or in other limited circumstances) and dividend payments (other than with GIM's consent or in other limited circumstances).

NOTE 16: BUSINESS COMBINATIONS

a. Reverse acquisition of The Food Revolution Group Limited ("FOD")

On 11 February 2016, Crest Minerals Limited ("Crest") acquired 100% of the issued capital of Langtech International Pty Ltd ("Langtech"), a company focusing on manufacturing juice and other beverage and selling branded products to major supermarkets. The acquisition was seen as an opportunity to use the existing listed company structure of the Company and provide existing shareholders of Crest the opportunity to participate in the significant future opportunities of Langtech.

On 15 February 2016, Crest changed its name to The Food Revolution Group Limited ("the Company" or "FRG").

The acquisition was achieved by issuing 120,000,000 ordinary shares (Note 22a) and 220,000,000 performance shares/rights (Notes 22b & 22c) in FRG to existing shareholders of Langtech. Following completion, the previous shareholders of Crest held 6.5% and shareholders of Langtech held 93.5% of the Group respectively. As a consequence of this and other factors, for accounting purposes the acquisition is accounted for as a reverse acquisition.

Note	Fair Value \$
Purchase consideration:	<u>1,531,487</u>
Less:	
Cash and cash equivalents	11,109,752
Other assets	1,371,219
Trade and other payables	(494,523)
Subscriptions received in advance	(11,800,000)
Other liabilities	(1,227)
Deferred tax	469,530
Fair value of net assets at acquisition date	<u>654,752</u>
Goodwill	<u><u>876,736</u></u>

The acquisition resulted in goodwill of \$876,736 which has been written off in the year ended 30 June 2016.

As part of the Share Purchase Deed entered into between FRG and the shareholders of Langtech, the Company agreed to issue three different classes of performance shares and rights to the vendors of Langtech which are subject to specific milestones. At the date of acquisition there was a 75%, 40% and 20% probability that the first, second and third milestones would be achieved, respectively. A discount rate of approximately 2.5% was applied to determine the present value of the performance shares at the date of acquisition.

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

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

b. Acquisition of Thirsty Brothers Pty Ltd ("TB")

On the same date as the event of reverse acquisition between Langtech and Crest, Langtech acquired 100% of the issued capital of Thirsty Brothers Pty Ltd ("TB"), a company possessing a trading business and a number of brands, from Food Innovators Pty Ltd.

	Note	Fair Value \$
Purchase consideration:		
- ordinary shares ⁽ⁱ⁾		500,000
- performance shares ⁽ⁱⁱ⁾		2,829,489
		3,329,489
Less:		
Cash and cash equivalents		91,549
Inventories		79,592
Trade and other receivables ⁽ⁱⁱⁱ⁾		385,859
Trade and other payables ⁽ⁱⁱⁱ⁾		(1,792,510)
Borrowings		(2,100,000)
Provisions		(250,000)
Brand		6,914,999
Fair value of net assets/(liabilities) at acquisition date		3,329,489

(i) The consideration paid to acquire Thirsty Brothers Pty comprised \$500,000 of ordinary shares in FOD (together with the performance shares described in (ii) below). The fair value of the shares has been determined based on the market value of the shares at the date of acquisition.

(ii) The consideration paid to acquire Thirsty Brothers Pty Ltd also comprised \$2,829,489 of performance shares in FOD.

The performance shares (of which there are 3 classes) are subject to 3 specific milestones. At the date of acquisition there was a 75%, 40% and 20% probability that the first, second and third milestones would be achieved, respectively. A discount rate of approximately 2.5% was applied to determine the present value of the performance shares at the date of acquisition.

(iii) Receivables and payables have been included at their fair value. The directors believe that these were fully recoverable and no provision for impairment is required.

(iv) No goodwill has been created as a result of the acquisition of Thirsty Brothers given the brand focussed nature of the business and the future economic benefits that are expected to be derived from these brands.

Revenue of Thirsty Brothers Pty Ltd included in the consolidated revenue of the Group since the acquisition date on 12 February 2016 amounted to \$4,199,368. Profit of Thirsty Brothers Pty Ltd included in consolidated profit of the Group since the acquisition date amounted to \$404,484.

Had the results of Thirsty Brothers Pty Ltd been consolidated from 1 July 2015, revenue of the consolidated Group would have been \$21,391,660 and consolidated loss would have been \$(10,042,892) for the year ended 30 June 2016.

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

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

NOTE 17: TRADE AND OTHER PAYABLES

Note

Consolidated Group

	2016	2015
	\$	\$
CURRENT		
Trade payables	3,701,617	2,169,667
Accruals and other payables	2,486,149	1,312,032
	<u>6,187,766</u>	<u>3,481,699</u>

Trade payables are unsecured and are generally paid within 30 (and up to 90 days) from date of invoice.

NOTE 18: PROVISIONS

Consolidated Group

	2016	2015
	\$	\$
Employee benefits - current	376,209	278,175
Employee benefits - non-current	93,565	14,674
	<u>469,774</u>	<u>292,849</u>

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements, and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service (which is nil for FY2015 and FY2016). Based on past experience, the Group does not expect the full amount of annual leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

NOTE 19: BORROWINGS

Note

Consolidated Group

	2016	2015
	\$	\$
CURRENT		
Secured liabilities:		
Loan – GIM	3,000,000	8,158,112
Total current borrowings	<u>3,000,000</u>	<u>8,158,112</u>

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

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

NON-CURRENT

Unsecured liabilities:

Santino loan		-	1,498,357
Total non-current borrowings		-	1,498,357
Total borrowings	30	3,000,000	9,656,469

a. Total current and non-current secured liabilities:

Loan – GIM	3,000,000	8,158,112
	3,000,000	8,158,112

b. The carrying amounts of non-current assets pledged as security are:

General security over all current and future assets	27,541,526	15,734,455
	27,541,526	15,734,455

c. Collateral provided

Refer to Note 15b for a description of the security provided to GIM.

d. Maturity of loan

Maturity Date – Current GIM Facility	Interest Rates %	Consolidated Group	
		2016 \$	2015 \$
31 March 2020	7.5	3,000,000	-
		3,000,000	-

NOTE 20: DEFERRED CONSIDERATION LIABILITY

	2016 \$	2015 \$
CURRENT		
Deferred consideration liability (a)	2,495,237	1,289,784
	2,495,237	1,289,784
NON-CURRENT		
Deferred consideration liability (a)	6,600,000	7,100,001
	6,600,000	7,100,001
Total Deferred Consideration Liability	9,095,237	8,389,785

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

NOTE 20: DEFERRED CONSIDERATION LIABILITY

(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 totalling \$595,237) owing in relation to the above assets would be paid (i) \$300,000 in October 2016; (ii) \$700,000 on or before 15 December 2016; (iii) \$300,000 on or before 15 April 2017; and (iv) \$600,000 on or before 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 agreement was entered into post 30 June 2016, in accordance with AASB 101 *Presentation of Financial Statements*, such event has been disclosed as a non adjusting event in accordance with AASB 110 *Events after the Reporting Period*. Accordingly, the amount of \$2,495,237 has been classified as current.

NOTE 21: TAX

	Consolidated Group	
	2016	2015
	\$	\$
CURRENT		
Current tax receivable	-	36

	Opening Balance	Charged to Income	Acquisitions through business combinations	Closing Balance
	\$	\$		\$
NON-CURRENT				
Consolidated Group				
Deferred tax liabilities				
Tangible assets revaluation	469,530	-	-	469,530
Balance at 30 June 2015	469,530	-	-	469,530
Tangible assets revaluation	-	-	(469,530)	-
Balance at 30 June 2016	-	-	(469,530)	-

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

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

NOTE 22: ISSUED CAPITAL

	Consolidated Group	
	2016	2015
	\$	\$
294,064,871 (2015: 8,000,000) fully paid ordinary shares	31,242,066	4,240,000
Nil (2015: 6,800,000) fully paid series A preference shares	-	6,800,000
Performance Shares	520,241	-
Performance Rights	175,890	-
	<u>31,938,197</u>	<u>11,040,000</u>

	Consolidated Group	
	2016	2015
	No	No
a. Ordinary Shares		
At the beginning of the reporting period	8,000,000	8,000,000
Movements in ordinary shares:		
– 8 December 2015 (Issued for cash)	175,000	-
– 11 February 2016 (Options exercised)	1,000,000	-
– 11 February 2016 (Issued in settlement of a liability)	3,091,001	-
– 11 February 2016 (Issue of shares)	825,000	-
– 11 February 2016 (Elimination of Langtech International Pty Ltd shares on issue on acquisition)	(13,091,001)	-
– 11 February 2016 (Issue of shares to former shareholders of Langtech International Pty Ltd)	120,000,000	-
– 11 February 2016 (Public share offer)	120,000,000	-
– 11 February 2016 (Shares of the Food Revolution Group Limited (formerly Crest Minerals Limited) on acquisition)	15,314,871	-
– 11 February 2016 (Conversion of convertible notes to ordinary shares)	33,750,000	-
– 11 February 2016 (Facilitation shares)	5,000,000	-
At the end of the reporting period	<u>294,064,871</u>	<u>8,000,000</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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated Group	
	2016	2015
	No	No
b. Performance Shares		
At the beginning of the reporting period	-	-
Issue during the year	164,413,146	-
At the end of the reporting period	164,413,146	-

On 11 February 2016, as part of the reverse takeover transaction, The Food Revolution Group Limited issued 164,413,146 performance shares to certain vendors of LangTech International Pty Ltd.

These performance shares comprised 61,471,049 A Class performance shares, 46,103,286 B Class performance shares and 56,838,811 C Class performance shares. The A Class performance shares automatically convert into ordinary shares upon the Group achieving gross sales of at least \$1m per month for three consecutive months from branded product sales, where those sales achieve an average gross profit margin of at least 35%, and where the Group spends less than \$2m on marketing to achieve such sales. The B Class performance shares automatically convert into ordinary shares upon LangTech and its subsidiaries achieving an EBITDA run rate (calculated by extrapolating historic EBITDA over any given 6 month period over year) of \$5m or more. The B Class performance shares lapse if the run rate is not achieved by the earlier of release of the Group's results for financial year 2017 and 30 September 2017. The C Class performance shares automatically convert into ordinary shares upon LangTech and its subsidiaries achieving an EBITDA run rate (calculated by extrapolating historic EBITDA over any given 6 month period over year) of \$10m or more. The C Class performance shares lapse if the run rate is not achieved by the earlier of release of the Group's results for financial year 2018 and 30 September 2018.

On 2 August 2016, the Group announcement that the milestones for the conversion of the A Class performance shares had been met.

	Consolidated Group	
	2016	2015
	No	No
c. Performance Rights		
At the beginning of the reporting period	-	-
Issue during the year	55,586,854	-
At the end of the reporting period	55,586,854	-

On 11 February 2016, as part of the reverse takeover transaction, The Food Revolution Group Limited issued 55,586,854 performance rights to certain vendors of LangTech International Pty Ltd.

These performance rights comprised 18,528,951 A Class performance rights, 13,896,714 B Class performance rights and 23,161,189 C Class performance rights. The A Class performance rights automatically convert into ordinary shares upon the Group achieving gross sales of at least \$1m per month for three consecutive months from branded product sales, where those sales achieve an average gross profit margin of at least 35%, and where the Group spends less than \$2m on marketing to achieve such sales. The B Class performance rights automatically convert into ordinary shares upon LangTech and its subsidiaries achieving an EBITDA run rate (calculated by extrapolating historic EBITDA over any given 6 month period over year) of \$5m or more.

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

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

d. Series A Preference Shares

	Consolidated Group	
	2016 No	2015 No
At the beginning of the reporting period	6,800,000	6,800,000
Converted to ordinary shares	(6,800,000)	-
At the end of the reporting period	-	-

e. Options

- (i) For information relating to the Food Revolution Group employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 27.

f. Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The gearing ratios for the years ended 30 June 2016 and 30 June 2015 are as follows:

	Note	Consolidated Group	
		2016 \$	2015 \$
Total financial debt	19	3,000,000	9,656,469
Total deferred consideration	20	9,095,237	8,389,785
Less cash and cash equivalents	9	(2,301,232)	(983,649)
Net debt (including deferred purchase consideration)		9,794,005	17,062,605
Total equity		8,658,792	(6,555,841)
Total capital		18,452,797	10,506,764
Gearing ratio (net debt / net debt + equity)		53%	162%

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

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

NOTE 23: CAPITAL AND LEASING COMMITMENTS

	Note	Consolidated Group	
		2016	2015
		\$	\$
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		1,120,980	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
Operating lease commitments relate to the Group's Mill Park and Laverton facility leases, together with the lease of certain plant and equipment.			
c. Capital Expenditure Commitments			
There are no capital commitments as at 30 June 2016 and 30 June 2015.			

NOTE 24: ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

On 8 August 2016, FOD announced that it had signed a binding terms sheet to divest Roxdale Foods Limited ("Roxdale") to Gravity Solutions Global Pte Ltd to enable FOD to focus on branded product sales. Accordingly Roxdale Foods Limited is presented as a disposal group held for sale. The sale of the disposal group is expected to be completed in the next financial year.

At 30 June 2016, the disposal group was stated at lower of carrying value and fair value and comprised the following assets and liabilities:

	Consolidated
	2016
	\$
Assets and Liabilities held for sale	
Current Assets	
Trade and other receivables	53,856
Inventories	556,626
Plant and equipment	211,997
Assets held for sale	822,479
Current Liabilities	
Trade and other payables	67,198
Provisions	62,759
Liabilities held for sale	129,957

Roxdale incurred revenue of \$235,943 (2015: \$304,792) and recorded a loss after tax of \$1,272,287 (2015: \$1,377,441 loss) for the year ended 30 June 2016.

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

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

NOTE 25: OPERATING SEGMENTS

General Information

Identification of reportable 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 26: CASH FLOW INFORMATION

	Consolidated Group	
	2016	2015
	\$	\$
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(6,214,230)	(3,770,352)
Non-cash flows in profit:		
– Depreciation and amortisation	1,503,484	1,585,541
– Loss on asset written down	12,166	-
– Share based payments expense	1,026,252	-
– Goodwill impairment	876,736	-
– Other non-cash items from discontinued operations	178,690	-
Changes in assets and liabilities:		
– (increase)/decrease in receivables	(3,216,005)	587,388
– (increase)/decrease in other assets	(140,796)	56,904
– (increase)/ in inventories	(1,417,483)	(230,749)
– (decrease)/increase in payables	2,600,605	(421,714)
– Increase in provisions	176,925	170,280
– (decrease) in deferred tax liabilities	(469,530)	-
– decrease in accrued interest in deferred consideration liability	595,237	-
– (increase) in current assets and liabilities held for sale	(692,522)	-
Cash flows from operating activities	<u>(4,710,940)</u>	<u>(2,022,702)</u>

NOTE 27: SHARE-BASED PAYMENTS

- (i) On 11 February 2016, 7,351,622 unlisted share options and were issued to the Group's financial adviser and former directors of the Group as part of the completion of the capital raising and reverse takeover transaction. In addition, 5,000,000 ordinary shares were issued to the Group's financial adviser (or its nominee). These shares and options are escrowed until 16 February 2018. The options are unlisted and have an exercise price of \$0.12 per share and an expiry date of 30 June 2018.

The share based payments expense as a result of the above is \$1,026,252.

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

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

- (ii) There are nil shares and/or options granted to key management personnel as share based payments during financial year 2016 (2015: nil).

- (iii) The Group established The Food Revolution Group Share Option Plan Scheme (approved by shareholders on 15 December 2016) (**Plan**) to provide incentives to the employees of the Company and to recognise their contribution to the Company's success. The Plan is limited to directors, senior-executives and full or part-time employees of the Company or a related body corporate of the Company. The Directors are considering adopting a plan on broadly similar terms for contractors.

Under the Plan, the Board may offer to eligible persons the opportunity to receive such number of Options in the Company as the Board may decide and on terms set out in the rules of the Plan. Options granted under the Plan will be offered to participants in the Plan on the basis of the Board's view of the contribution of the eligible person to the Company.

Options may be issued with performance conditions, as determined by the board, which are required to be met before the Options vest (failing which the Options lapse). Options may be issued for nil or nominal consideration, and with an expiry date and exercise price, as determined by the board.

There have been no Options issued under the Plan as at the date of this report.

A summary of the movements of all Group options issues is as follows:

	Number	Weighted Average Exercise Price (\$)
Options outstanding as at 1 July 2014		
Granted	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2015		
Options brought into account from the reverse acquisition	605,003	1.84
Granted	7,351,622	0.12
Forfeited/Consolidated	(305,003)	1.74
Exercised	-	
Expired	-	
Options outstanding as at 30 June 2016	7,651,619	0.19
Options exercisable as at 30 June 2016	300,000	1.93
Options exercisable as at 30 June 2015	-	-

Nil options were exercised during the current year. 7,351,622 options were granted during the current year to the Group's financial adviser as part of the prospectus and reverse takeover transaction. These options are escrowed until 19 February 2018 and hence are not currently exercisable or transferable. No options were issued under the Plan.

The weighted average fair value of options granted during the year was \$526,252 (2015: \$nil). These values were calculated using the Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price:	\$0.12
Weighted average life of the option:	2.38 years
Expected share price volatility:	75%
Risk-free interest rate:	1.75%

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

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

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

NOTE 28: EVENTS AFTER THE REPORTING PERIOD

Other than the following, the directors are not aware of any significant events since the end of the reporting period.

On 2 August 2016, the Group announced that 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.

On 8 August 2016, 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.

On 8 August 2016, FOD drew down a further \$1m of the facility established with GIM (as described in Note 19) such that Facility A has been fully drawn down as at the date of this report.

On 29 September 2016, Heinz and LTI agreed to amend the payment schedule for certain assets as referred to in Note 20.

NOTE 29: RELATED PARTY TRANSACTIONS

Related Parties

a. **The Group's main related parties are as follows:**

(i) *Entities exercising control over the Group:*

The ultimate parent entity that exercises control over the Group is The Food Revolution Group, which is incorporated in Australia.

(ii) *Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 6.

(iii) *Other related parties:*

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

b. **Transactions with related parties:**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Balances and transactions between The Food Revolution Group Limited and its controlled entities which are related parties of the The Food Revolution Group Limited, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The following transactions occurred with related parties:

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

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

		Consolidated Group	
		2016	2015
		\$	\$
(ii)	<i>Professional services:</i>		
	Payment for professional services to entities associated with related parties	108,685	110,165
	Payables for professional services at reporting date	-	-

		Consolidated Group	
		2016	2016
		\$	\$
(iii)	<i>Loans:</i>		
	Interest charged by entities associated with related parties (Santino Loan)	1,643	105,934
	Loan balance at reporting date (Santino Loan)	-	1,498,357

NOTE 30: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries.

The totals for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

		Note	Consolidated Group	
			2016	2015
			\$	\$
Financial assets				
	Cash and cash equivalents	9	2,301,232	983,649
	Trade and other receivables	10	4,377,113	2,411,107
	Total financial assets		6,678,345	3,394,756
Financial liabilities				
Financial liabilities at amortised cost:				
-	trade and other payables	17	6,187,766	3,481,699
-	borrowings	19	3,000,000	9,656,469
-	deferred consideration liability	20	9,095,237	8,389,785
	Total financial liabilities		18,283,003	21,527,953

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk and liquidity risk, and, to a lesser extent, market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

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

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

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), and ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 days (and up to 97 days) from the invoice date.

Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Group has no significant concentrations of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of trade and other receivables are provided in Note 10.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 10.

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

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

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

FINANCIAL LIABILITY AND FINANCIAL ASSET MATURITY ANALYSIS

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Consolidated Group	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Borrowings	3,000,000	8,158,112	-	1,498,357	-	-	3,000,000	9,656,469
Deferred consideration liability	2,495,237	1,289,784	6,600,000	7,100,001	-	-	9,095,237	8,389,785
Trade and other payables	6,187,766	3,481,699	-	-	-	-	6,187,766	3,481,699
Total expected outflows	11,683,003	12,929,595	6,600,000	8,598,358	-	-	18,283,003	21,527,953
Financial assets – cash flows realisable								
Cash and cash equivalents	2,301,232	983,649	-	-	-	-	2,301,232	983,649
Trade and other receivables	4,377,113	2,411,107	-	-	-	-	4,377,113	2,411,107
Total anticipated inflows	6,678,345	3,394,756	-	-	-	-	6,678,345	3,394,756
Net (outflow)/inflow on financial instruments	(5,004,658)	(9,534,839)	(6,600,000)	(8,598,358)	-	-	(11,604,658)	(18,133,197)

c. Market risk

(i) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the Group to interest rate risk cash and cash equivalents. The Group's current borrowings are at fixed rates of interest.

(ii) Foreign exchange risk

The Group has exposure to movements in foreign currency exchange rates through:

- Purchases of ingredients (where those ingredients are not available in Australia)
- Translations of net investments in foreign subsidiaries denominated in foreign currencies

The Food Revolutions Group Limited's functional currency is Australian dollars. For the Group's operating subsidiary in New Zealand (Roxdale Foods Limited), all income and expenses are conducted in New Zealand dollars, which operates as a natural hedge.

The Group imports a small amount of ingredients to meet demand (where those ingredients are not available in Australia), and accordingly has exposure to foreign currencies of those suppliers.

Given the Group's small foreign currency exposure (both in terms of its operating New Zealand entity and its purchases from overseas ingredient suppliers), the Group does not currently hedge.

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

Exposure to overseas debtors to foreign exchange risk is minimal as these transactions are primarily denominated in Australian dollars.

The Group has no open foreign exchange forward contracts at the end of the reporting period relating to highly probable forecast transactions and recognised financial assets and financial liabilities.

(iii) *Other price risk*

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors (other than those arising from interest rate risk or currency risk) for commodities.

The Group is exposed to commodity price risk through the purchase of fruit and other commodity ingredients, and the sale of commodity products (primarily concentrates). There were no hedges in place at the end of the reporting period.

Fair Values

The carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements are considered to approximate their fair values.

NOTE 31: RESERVES

A. Revaluation surplus

The revaluation surplus records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve.

B. Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

C. Option reserve

The option reserve records items recognised as expenses on valuation of employee share options or options issued as share based payments.

	Note	Consolidated Group	
		2016 \$	2015 \$
Revaluation surplus			
Opening balance		1,095,570	1,095,570
Movement in revaluation surplus		-	-
Closing balance		1,095,570	1,095,570
Foreign currency translation reserve			
Opening balance		46,262	(4,662)
Exchange differences on translation of foreign operations		(6,709)	50,924
Closing balance		39,553	46,262
Option reserve			
Opening balance		-	-
Share based payments during the year		526,252	-
Closing balance		526,252	-

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

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

NOTE 32: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities

As at the date of this report, the Group is not aware of any reportable contingent liabilities as at 30 June 2016 and 30 June 2015.

Contingent Assets

As part of the arrangements with Heinz as disclosed under Note 20, the Group anticipates that it will receive payment of \$600,000 from Heinz on or about 15 December 2016, to be set off against accumulated interest owing to Heinz at that point in time in respect of the deferred consideration liability, as compensation for expenditure required to improve certain items of plant and equipment. While the Group anticipate 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 33: COMPANY DETAILS

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

The Food Revolution Group Limited

20 Heaths Court

Mill Park, VIC, 3082

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 18 to 61, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated group;
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; and
3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.



Director

Bill Nikolovski

Dated this 30th day of September 2016

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

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

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx: (612) 9263 2800

Report on the Financial Report

We have audited the accompanying financial report of The Food Revolution Group Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

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

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

Auditor's Opinion

- a) In our opinion, the financial report of The Food Revolution Group Limited is in accordance with Corporations Act 2001, including:
- i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 9 to 16 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of The Food Revolution Group Limited for the year ended 30 June 2016 complies with s 300A of the *Corporations Act 2001*.



HALL CHADWICK
Level 40, 2 Park street
Sydney NSW 2000



Drew Townsend
Partner
Dated: 30 September 2016

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

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 21/09/2016:

1. Shareholding

a. Distribution of Shareholders

Category (size of holding):	Number	
	Holders	Quoted Shares
1 – 1,000	141	123,301
1,001 – 5,000	147	455,212
5,001 – 10,000	98	865,423
10,001 – 100,000	416	19,250,698
100,001 and over	161	353,370,269
	963	374,064,903

b. The number of shareholdings held in less than marketable parcels is 252.

c. The names of the substantial shareholders listed in the holding company's register are:

Shareholder:	Number	
	Ordinary	% of Voting Power
Fanucci Pty Ltd and Lang Technologies Pty Ltd	72,351,331	19.34%
Cleantech Australia Fund LP	55,594,002	14.86%
Shenzhen Youngheng Biotechnology Co Limited	55,000,000	14.70%
Food Innovators Pty Ltd	35,000,000	9.36%
Mr Blagoja (Bill) Nikolovski and Aubinvest Pty Ltd	19,510,955	5.22%

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called; otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Performance shares (and performance rights)

- These shares have no voting rights.

e. 20 Largest Shareholders – Ordinary Shares (Quoted on ASX)

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. CLEANTECH AUSTRALIA FUND LP	55,594,002	14.862
2. SHENZHEN YOUNGHENG BIOTECHNOLOGY CO LIMITED	55,000,000	14.703
3. FANUCCI PTY LTD	52,995,722	14.168

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

e. **20 Largest Shareholders – Ordinary Shares (Quoted on ASX)**

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
4. FOOD INNOVATORS PTY LTD	35,000,000	9.357
5. MR BLAGOJA NIKOLOVSKI	17,010,955	4.548
6. MS TANG FEI	12,500,000	3.342
7. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,521,201	2.813
8. LANG TECHNOLOGIES PTY LTD	9,915,609	2.651
9. CEGT TA PTY LTD	9,628,664	2.574
10. CEGT TB PTY LTD	9,628,663	2.574
11. MR CAI QUANSHENG	8,750,000	2.339
12. MR HONG WANG	7,500,000	2.005
13. FORTIS CORPORATE ADVISORY PTY LTD	4,587,740	1.226
14. TAYLOR COLLISON LIMITED	3,000,000	0.802
15. RIDGEPORT HOLDINGS PTY LTD	2,916,800	0.780
16. WELLINBAY PTY LTD	2,525,000	0.675
17. AUBINVEST PTY LTD	2,500,000	0.668
18. TORBAY 1 PTY LTD	2,080,000	0.556
19. PHOENICIAN GROUP LIMITED	2,000,000	0.535
20. AUST EXECUTOR TRUSTEES LTD	2,000,000	0.535
	303,901,618	81.243

2. The name of the company secretary is Dean Fraser.

3. The address of the principal registered office in Australia is 20 Heaths Court, Mill Park, Vic 3082. Telephone +61 3 9982 1451.

4. Registers of securities are held at the following addresses:

Victoria 20 Heaths Court, Mill Park

5. **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

6. **Unquoted Securities**

Ordinary Shares:

145,640,204 unquoted ordinary shares are on issue. 19,467,918 are held by 5 individual holders and are escrowed by ASX until 11 February 2017. 126,172,286 are held by 10 individual holders and are escrowed by ASX until 19 February 2018.

Performance Shares:

102,942,097 performance shares are on issue at the date of this report.

46,103,286 B Class performance shares are held by 6 individual holders of which 45,399,060 (4 individual holders) are ASX escrowed until 19 February 2018 and 704,226 (2 individual holders) are ASX escrowed until 11 February 2017.

56,838,811 C Class performance shares are held by 6 individual holders of which 55,665,102 (4 individual holders) are ASX escrowed until 19 February 2018 and 1,173,709 (2 individual holders) are ASX escrowed until 11 February 2017.

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

Performance Rights:

37,057,903 performance rights are on issue at the date of this report held by 3 individual holders (13,896,714 286 B Class performance rights and 23,161,189 C Class performance rights).

All performance rights are escrowed until 11 February 2017.

Options over Unissued Shares:

A total of 7,651,622 options are on issue held by 9 individual holders. These options are unlisted with 7,351,622 ASX escrowed until 19 February 2018. Nil options are on issue to directors and employees under The Food Revolution Group employee option plan.