



THE **FOOD**
REVOLUTION
GROUP

ABN 20 150 015 446

INTERIM REPORT

31 DEC 2017



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

Interim Financial Report

APPENDIX 4D – INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Results for Announcement to the Market

Key Information	Half-year Ended 31 December 2017 \$	Half-year Ended 31 December 2016 \$	% Change
Revenue from ordinary activities	17,111,812	15,431,586	11%
Profit after tax from ordinary activities attributable to members	34,351	1,889,384	-98%
Net profit attributable to members	34,351	1,889,384*	

* includes \$1.82M R&D tax income, \$0.23M gain on sale of Roxdale , \$1.01M income tax benefit and a loss from discontinued operations of \$1.13M.

Dividends Paid and Proposed

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

Explanation of Key Information and Dividends

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

Net Tangible Assets per Share

	Half-year Ended 31 December 2017 Cents/Share	Half- Year Ended 31 December 2016 Cents/Share
Net tangible assets per share	2.23	0.46

Control Gained or Lost over Entities in the Half-year

No changes.

Dividend Reinvestment Plans

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

Investments in Associates and Joint Ventures

Not applicable.

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group (Group) for the half-year ended 31 December 2017.

Directors

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

Bill Nikolovski	Chief Executive Officer and Managing Director
Matthew Bailey	Non-executive Director
Hong Wang	Non-executive Director (resigned 30 November 2017)
Minna (Norman) Rong	Non-executive Director
Graham Duff	Non-executive Director, Chairman

Principal Activities

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

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

The Group's operations are conducted in Australia .

Review of Operations

After a three year period of doubling our revenue and divesting business units the company has taken the time to consolidate its business and focus on its core business.

We have now divested our mining assets.

We have strengthened our management team with some key appointments, namely John Fitzgerald to Chief Financial Officer, Bhavya Grover to General Manager of operations and Pragya Seghal in our product development team.

We continue to invest in innovation and develop new products, brands and flavours to ensure our products are on trend. We will continue to replace products that don't perform with new products.

We have developed a range of new products that we will look to launch in 2018 including some new categories.

We also spent a significant time in looking at our cost structure. We have reduced our cost by over \$1M for the half compared to last period.

We have had negotiations with Banks to restructure our loan agreements and give us the additional working capital.

A key part of this was revaluing our plant and equipment. The plant and Equipment were valued by an independent external valuer to \$18.0M from \$7.9M.

DIRECTORS' REPORT

Operating Results

– Revenue

Net sales were \$17.1M which was a 11% increase over the prior period.

At the end of last financial year, Coles changed its billing system to now exclude rebates. As result gross sales which included a rebate will be lower but net sales will be the same. To compare sales growth on a YoY basis net sales is a better measure.

The growth in net sales was driven by sales through its Thirsty Brothers division and its own branded products grew by 38% to \$7M over the same period last year. The company launched a new Kombucha juice product and also entered into the inhome market selling 1.5 litre and 2 litre juices during the half.

Copacking and ingredients sales decreased by 4% on a YoY basis. While sales declined by 4% the mix of work also changed resulting in lower margin work.

Warehousing and other sales also increased by 30% on a YOY basis.

Sales of concentrates stopped due to the sale of these assets. Sales last period were \$0.12M.

– Gross profit

The gross profit reached \$6.7M or 39% of Net Sales . Gross margins continue to be healthy.

The gross margin was down compared to prior period mainly due to: mix of sales and with the divestment of the LTC business unit, we are now buying this juice rather than just taking up the direct cost.

– Overhead

Expenses from operations decreased as a % of sales from 48% to 37%.

We have seen administrative expenses reduce by 45% on a YOY basis.

Employment costs increased by 4% on a YOY basis due to wage increases and strengthening the team.

Operating costs reduced by 8% on a YOY basis.

The company has not yet finalised its R&D rebate. It should be noted that last years figures include a R&D credit of \$1.83M.

DIRECTORS' REPORT

– Profit

The profit before tax was \$122,780 for the half-year and a EBITDA of \$1.06M .

EBITDA (Reconciliation)

	2017
Statutory profit before tax	122,780
Add: Depreciation and amortisation	639,709
Add: Finance costs	255,685
Add: RTO related transaction costs	37,723
Statutory EBITDA	1,055,897

– Tax

The group consolidates for tax purposes. This has resulted in unrestricted prior year losses as at the end of the half-year. This corresponds to a deferred tax asset of \$0.6M. As the group revalued its plant and equipment as at 31 December 2017 upwards by \$10M according to an independent market valuation, the deferred tax liability at half-year end amounts to \$2.9M. Additionally the tax rate reduced from 30% to 27.5% triggering an adjustment to the income tax expense.

– Financial position

The net assets of the consolidated group have increased by \$7.6M since 30 June 2017 to \$18M at 31 December 2017. This is largely due to a revaluation of plant and equipment and profits from the group's operations. Net tangible assets have increased from \$2.1M to \$9.7M.

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on the following page for the half-year ended 31 December 2017.

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



Chairman

Graham Duff AM

Dated this 28 th day of February 2018

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

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

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2017 there have been no contraventions of:

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

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

Drew Townsend

DREW TOWNSEND
Partner
Dated: 28 February 2018

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Accounting Firms

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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 HALF-YEAR ENDED 31 DECEMBER 2017

		Consolidated Group	
	Note	Half-year Ended 31 December 2017 \$	Half-year Ended 31 December 2016 \$
Continuing operations			
Revenue		17,111,812	15,431,586
Cost of sales		(10,443,772)	(7,291,140)
Gross profit		6,668,040	8,140,446
Other income		602,311	2,262,585
Administrative expenses		(1,064,262)	(1,928,736)
Depreciation and amortisation		(639,709)	(731,762)
Employment costs		(2,654,396)	(2,543,090)
Finance costs		(255,685)	(291,104)
Marketing expenses		(318,029)	(471,650)
Operating costs		(2,177,767)	(2,354,516)
RTO related transaction costs		(37,723)	(51,654)
Other expenses		-	(22,012)
Profit before income tax		122,780	2,008,507
Income tax (expense)/ benefit		(88,429)	1,013,111
Profit from continuing operations		34,351	3,021,618
Loss from discontinued operations		-	(1,132,234)
Profit for the period		34,351	1,889,384
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of plant and equipment, net of tax		7,658,188	-
Exchange differences on translating foreign operations, net of tax		-	11,161
Transfer to profit or loss upon disposal		-	(50,714)
Total other comprehensive income for the period		7,658,188	(39,553)
Total comprehensive income for the period		7,692,539	1,849,831
Basic and diluted earnings per share		Cents	Cents
- continuing and discontinued operations		0.01	0.51
- continuing operations		0.01	0.81
- discontinued operations		-	(0.30)

The accompanying notes form part of these financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	Consolidated Group	
		As at 31 December 2017	As at 30 June 2017
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		888,669	1,042,894
Trade and other receivables		9,970,112	8,059,362
Inventories		2,559,339	2,484,325
Other assets		441,822	64,550
TOTAL CURRENT ASSETS		13,859,942	11,651,131
NON-CURRENT ASSETS			
Plant and equipment	5	17,985,007	7,898,306
Intangible assets	6	8,377,724	8,219,271
Deferred tax assets		564,162	652,591
Other assets		108,291	107,615
TOTAL NON-CURRENT ASSETS		27,035,184	16,877,782
TOTAL ASSETS		40,895,126	28,528,914
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		9,244,377	7,017,249
Borrowings	7	2,982,123	3,056,918
Provisions		585,937	500,111
Deferred consideration liability	8	6,997,576	600,000
TOTAL CURRENT LIABILITIES		19,810,013	11,174,248
NON-CURRENT LIABILITIES			
Deferred tax liability		2,904,830	-
Deferred consideration liability		-	6,879,241
Provisions		120,602	108,253
TOTAL NON-CURRENT LIABILITIES		3,025,432	6,987,494
TOTAL LIABILITIES		22,835,445	18,161,772
NET ASSETS		18,059,681	10,367,142
EQUITY			
Issued capital	9	31,938,197	31,938,197
Options reserve		526,252	526,252
Revaluation surplus		8,753,758	1,095,570
Accumulated losses		(23,158,526)	(23,192,877)
TOTAL EQUITY		18,059,681	10,367,142

The accompanying notes form part of these financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Consolidated Group	Note	Ordinary Share Capital	Returned Earnings	Foreign Currency Translation Reserve	Revaluation Surplus	Options Reserve	Total
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2016		31,938,197	(24,940,780)	39,553	1,095,570	526,252	8,658,792
Comprehensive income							
Profit for the period		-	1,889,384	-	-	-	1,889,384
Other comprehensive income for the period		-	-	(39,553)	-	-	(39,553)
Total comprehensive income for the period		-	1,889,384	(39,553)	-	-	(39,553)
Total transactions with owners and other transfers		-	-	-	-	-	-
Balance at 31 December 2016		31,938,197	(23,051,396)	-	1,095,570	526,252	10,508,623
Balance at 1 July 2017		31,938,197	(23,192,877)		1,095,570	526,252	10,367,142
Comprehensive income							
Profit for the period		-	34,351	-	-	-	34,351
Other comprehensive income for the period		-	-	-	7,658,188	-	7,658,188
Total comprehensive income for the period		-	34,351	-	7,658,188	-	7,692,539
Total transactions with owners and other transfers		-	-	-	-	-	-
Balance at 31 December 2017		31,938,197	(23,158,526)	-	8,753,758	526,252	18,059,681

The accompanying notes form part of these financial statements.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Consolidated Group	
	Half-year Ended 31 December 2017	Half-year Ended 31 December 2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	15,803,373	15,313,885
Payments to suppliers and employees	(14,823,608)	(17,053,078)
Interest received	-	21,760
Finance costs	(212,145)	(291,104)
R&D refund/ government grants received and income tax paid	-	1,060,802
Net cash provided by/(used in) operating activities	<u>767,620</u>	<u>(947,735)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(184,784)	(24,241)
Proceeds of plant and equipment	(137,061)	(178,807)
Proceeds from disposal of Roxdale	-	1,048,890
Net cash (used in)/provided by investing activities	<u>(321,845)</u>	<u>845,842</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	3,585,693
Repayment of borrowings	(600,000)	(5,000,000)
Net cash (used in) financing activities	<u>(600,000)</u>	<u>(1,414,307)</u>
Net decrease in cash held	(154,225)	(1,516,201)
Cash and cash equivalents at beginning of period	<u>1,042,894</u>	<u>2,301,232</u>
Cash and cash equivalents at end of period	<u><u>888,669</u></u>	<u><u>785,032</u></u>

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Basis of Preparation**

These general purpose interim financial statements for half-year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of The Food Revolution Group Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 28 February 2018.

b. **Accounting Policies**

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

Research and development funding

Research and development funding received under the Commonwealth Government's Research and Development Tax Incentive Regime are recognised as other income once it is probable that the Group will receive the benefit.

The Group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

c. **Going Concern**

The financial statements have been prepared on the going concern basis, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. During the half-year ended 31 December 2017, the Group had a net current liability position of \$5,950,071.

The directors believe that the Group has enough funding to meet its ongoing financial commitments and has recently accepted an indicative offer for debtor financing and is evaluating equipment refinancing as well as other capital raising options. The directors believe this will enable the Group to fund its debt repayment as and when it falls due.

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 underlying profit of the group's continuing operations are positive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

d. **Critical Accounting Estimates and Judgements**

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

Recognition of deferred tax assets and deferred tax liabilities

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

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

Estimated fair values of plant and equipment

The judgements and estimates made in determining the fair values of plant and equipment that are recognised and measured at fair value in the financial statements are provided in Note 10 below.

NOTE 2: PROFIT FOR THE PERIOD

Consolidated Group	
Half-year Ended 31 December 2017	Half-year Ended 31 December 2016
\$	\$

The following revenue and expense items are relevant in explaining the financial performance for the interim period in the prior year:

Research and development funding	-	1,828,719
Net gain on disposal of investment in controlled entity	-	230,582

NOTE 3: DIVIDENDS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 4: OPERATING SEGMENTS

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

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

NOTE 5: PLANT AND EQUIPMENT

	Consolidated Group	
	As at 31 December 2017	As at 30 June 2017
	\$	\$
Plant and equipment:		
At fair value as at 31 December 2017 (at cost as at 30 June 2017)	17,868,500	14,224,303
Accumulated depreciation	-	(6,388,472)
	<u>17,868,500</u>	<u>7,835,831</u>
Office equipment:		
At cost	248,897	163,809
Accumulated depreciation	(132,390)	(101,334)
Office equipment:	<u>116,507</u>	<u>62,475</u>
Total plant and equipment	<u>17,985,007</u>	<u>7,898,306</u>

a. **Movements in Carrying Amounts**

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

	Plant and Equipment	Office Equipment	Total
	\$	\$	\$
Consolidated Group			
Balance at 30 June 2017	7,835,831	62,475	7,898,306
Additions	51,973	85,088	137,061
Depreciation expense	(582,322)	(31,056)	(613,378)
Revaluation surplus	10,563,018	-	10,563,018
Balance at 31 December 2017	<u>17,868,500</u>	<u>116,507</u>	<u>17,985,007</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 6: INTANGIBLE ASSETS

	Consolidated Group	
	As at 31 December 2017	As at 30 June 2017
Intellectual property:		
Cost	222,339	222,339
Accumulated impairment losses	(144,770)	(144,460)
Net carrying amount	77,569	77,879
Brands:		
Cost	6,914,998	6,914,998
Accumulated amortisation and impairment losses	-	-
Net carrying amount	6,914,998	6,914,998
Product development costs:		
Cost	707,815	523,031
Accumulated amortisation and impairment losses	(26,021)	-
Net carrying amount	681,794	523,031
Goodwill:		
Cost	702,268	702,268
Accumulated impairment losses	-	-
Net carrying amount	702,268	702,268
Formation expenses:		
Cost	1,095	1,095
Accumulated impairment losses	-	-
Net carrying amount	1,095	1,095
Total intangible assets	8,377,724	8,219,271

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 6: INTANGIBLE ASSETS

a. **Movements in Carrying Amounts**

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

	Goodwill	Brand	Intellectual property	Product development costs	Formation expenses	Total
	\$	\$	\$	\$	\$	\$
Consolidated Group:						
Balance at 1 July 2017	702,268	6,914,998	77,879	523,031	1,095	8,219,271
Additions	-	-	-	184,784	-	184,784
Amortisation charge	-	-	(310)	(26,021)	-	(26,331)
Balance at 31 December 2017	702,268	6,914,998	77,569	681,794	1,095	8,377,724

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 7: BORROWINGS

	As at 31 December 2017	As at 30 June 2017
	\$	\$
CURRENT		
Secured liabilities:		
Loan – GIM	2,982,123	3,056,918
Total current borrowings	<u>2,982,123</u>	<u>3,056,918</u>

Loan from GIM is secured, bears 7.5% interest p.a. and repayable within six months from the date of disbursement. The carrying amounts of non-current assets pledged as security are general security over all current and future assets amounting to \$40,895,126.

NOTE 8: DEFERRED CONSIDERATION LIABILITY

	As at 31 December 2017	As at 30 June 2017
	\$	\$
CURRENT		
Deferred consideration liability	6,997,576	600,000
	<u>6,997,576</u>	<u>600,000</u>
NON-CURRENT		
Deferred consideration liability	-	6,879,241
	<u>-</u>	<u>6,879,241</u>
Total deferred consideration liability	<u>6,997,576</u>	<u>7,479,241</u>

On 29 September 2016, the Group entered into a revised repayment schedule with Golden Circle/Heinz to fund the juicing assets at Laverton and bottling assets at Mill Park.

The final payment of \$6,600,000 plus accrued interest is to be paid on or before 30 September 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 9: ISSUED CAPITAL

	Note	As at 31 December 2017 \$	As at 30 June 2017 \$
434,064,871 fully paid ordinary shares	a	31,676,066	31,676,066
56,838,811 performance shares	b	186,761	186,761
23,161,189 performance rights	c	75,370	75,370
		<u>31,938,197</u>	<u>31,938,197</u>

	No.	\$
a. Ordinary Shares		
Balance at 1 July 2017	434,064,871	31,676,066
Balance at 31 December 2017	<u>434,064,871</u>	<u>31,676,066</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.

	No.	\$
b. Performance Shares		
At the beginning/ end of reporting period (Class C)	<u>56,838,811</u>	<u>186,761</u>

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.

	No.	\$
c. Performance Rights		
At the beginning/end of the reporting period (Class C)	<u>23,161,189</u>	<u>75,370</u>

The C 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 \$10m or more. The C Class performance rights 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 10: FAIR VALUE MEASUREMENTS

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

a. **Valuation Techniques**

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

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

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

b. **Fair Value Hierarchy**

	Fair Value Measurements at 31 December 2017 Using:		
	Quoted Prices in Active Markets for Identical Assets \$ (Level 1)	Significant Observable Inputs Other than Level 1 Inputs \$ (Level 2)	Significant Unobservable Inputs \$ (Level 3)
Plant and equipment – at revalued amounts	-	-	17,868,500
Total non-recurring fair value measurements	-	-	17,868,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 10: FAIR VALUE MEASUREMENTS

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

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

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

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

	Plant and equipment
	\$
Balance at the beginning of the period	7,835,831
Additions	51,973
Depreciation expense	(582,322)
Revaluation surplus	10,563,018
	<hr/>
	17,868,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 11: CAPITAL AND LEASING COMMITMENTS

		Consolidated Group	
		As at 31 December 2017	As at 30 June 2017
		\$	\$
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	1,117,966	1,117,966
	– later than 1 year but not later than 2 years	584,052	1,040,854
	– later than 2 years	68,121	170,302
		<u>1,770,139</u>	<u>2,329,122</u>
	Operating lease commitments relate to the Group's Mill Park and Laverton facility leases, together with the lease of certain plant and equipment.		
b.	Capital Expenditure Commitments		
	There are no capital commitments as at 31 December 2017 and 30 June 2017.		

NOTE 12: CONTINGENT LIABILITIES

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

NOTE 13: EVENTS AFTER THE END OF THE INTERIM PERIOD

- The Group disposed of 9 mining tenements that it held at Majestic North, Western Australia on 16 February 2018 for a nominal amount. The transaction was not of a material nature but rather of a nature to avoid royalty liabilities, rent and other expenditure commitments associated with those leases. The Group no longer holds any title to mining leases.
- On 23 February 2018, the Group accepted an indicative offer for a Debtor Financing Facility in the vicinity of up to \$8M to provide working capital and improve its liquidity position. The directors believe that this will give the group more financial flexibility in growing its business. The Group is also currently evaluating an Equipment Financing preliminary proposal in the vicinity of \$4M.

DIRECTORS' DECLARATION

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

1. The financial statements and notes, as set out on pages 6 to 19, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



.....
Chairman, Graham Duff AM

Dated this 28 day of February 2018

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

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

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

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

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of The Food Revolution Group Limited and controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the period ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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 **PrimeGlobal**

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

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of The Food Revolution Group Limited and controlled entities is not in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the period ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

DB

DREW TOWNSEND

Partner

Dated: 28 February 2018



THE **FOOD**
REVOLUTION
GROUP