



THE **FOOD**
REVOLUTION
GROUP

2019

ANNUAL REPORT

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

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The financial report is presented in Australian dollars.

Corporate directory

Directors

Norman Li

John Florey

Matthew Bailey

Minna (Norman) Rong

Joe Zhou

Chairman

CEO and Managing Director

Non-executive director

Non-executive director

Director Finance

Postal Address

20 Heaths Court, Mill Park, VIC 3082

ASX code: FOD

Share Registry

Advanced Share Registry

Auditors

Hall Chadwick

Level 40, 2 Park Street, Sydney, NSW 2000

Australian Securities

Exchange Centre

20 Bridge Street, Sydney, NSW 2000

Solicitors

DWF Law

600 Bourke Street, Melbourne, VIC 3000

Web Address/Corporate Governance Statement

www.thefoodrevolutiongroup.com.au

**The Food Revolution Group Limited (ABN 20 150 015 446)
and Controlled Entities
The Food Revolution Group Annual Report 2019**

Chairman's Message

Welcome to the 2019 Annual Report for The Food Revolution Group (ASX: FOD), reflecting on a year in which our Company continued to grow its status as one of Australia's largest beverage and functional food manufacturers and distributors, and has taken important steps to position our Company for future growth, particularly in international markets.

The Food Revolution Group manufactures and distributes high quality juices and beverages, kombuchas, fibres, cold-pressed oils and waters at our processing facilities in Mill Park, Victoria. We sell products under our own brands, which include The Juice Lab, Original Black Label, The Bucha Shop, Bush Tucker, Thirsty Brothers and Fruit Farm..

In September 2018 we signed a Chinese distribution agreement with Careline Australia Pty Ltd and \$20.25 million strategic investment in The Food Revolution Group This aims to expand our sales into China, where we see massive growth potential. Through the deal, subject to shareholder approval, Careline will be incentivised to rapidly grow FOD's sales through distribution and product expansion from ~A\$35 million to at least A\$100 million over the next three to five years via the issue of up to 190 million Performance Shares.

Entry into the Chinese market has been a huge long-term goal for The Food Revolution Group. Working with Careline is an important opportunity that will give us unprecedented access to the Chinese market. Careline has established a deep and proven understanding of Chinese consumers in its 20-plus years in business, and it has a growing sales network of more than 10,000 sales agents which will allow us to market our products directly to Chinese buyers. We are really excited about this new partnership and look forward to providing more details as we build our distribution and sales in China.

Subsequent to year end, The Food Revolution Group Limited acquired the Original Juice Co Black Label brand and brand assets, which consists of the well-known Original Juice Black Label (OBL) brand, from Golden Circle.

Golden Circle is a subsidiary company of Kraft Heinz.

Golden Circle has produced high-quality fruit juices in Australia under the OBL brand for nearly two decades. The brand was originally founded in Melbourne in 1988. The brand is forecast to deliver a significant portion of the Company's sales during FY2020.

OBL is trademarked for domestic sales in Australia as well as export markets in Asia and New Zealand. FOD plans to use its established distribution networks through South East Asia, including China, Hong Kong and Singapore, to grow the brand's annual sales. The Company expects that through revitalising such a long term iconic Australian brand it can generate significant traction through its growing distribution footprint in China.

Our acquisition of Original Juice Co Black Label brand will see a new chapter commence in our Company's history. Original Juice Co Black Label has an established, solid market here in Australia and building on that it will give The Food Revolution Group a new larger springboard and allows us to open up new opportunities in international markets, such as China.

We can use our leading technology and experience gleaned from creating our own juice ranges to innovate the Original Juice Co product range, and we are well funded to pursue growth, having secured a \$20.25 million strategic investment from Careline Australia. Since announcing this investment last year, we have been able to grow our capabilities and distribution into China.

The Company plans to release new products during the second half of FY20 and is working to complete a state-of-the-art dry room facility to produce high-end, high-margin functional gels and powder sachets. These planned new products have generated a lot of interest, particularly in the China market, with more than 100 potential customers visiting FOD's Mill Park facility for discussions.

"We have also built a new and stronger management team over the past year and we are set to move into new platforms. Our major shareholders are very supportive of these opportunities to build FOD's long-term sustainable growth by investing in our people and our plant and equipment.

A further highlight of 2019 was the launch of our Bush Tucker juices and this proved a popular addition to our product line. We also added new products to existing lines including The Juice Lab and Thirsty Brothers.

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

Chairman's Message

The year ahead will also see us launch more new products currently in development including supplements, which we expect will boost our sales significantly in the Australian market. We expect The Food Revolution Group to capitalise on its opportunities for further growth in 2020 as we follow through on our plans, and I hope you will share the journey with us.

Norman Li



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OPERATING &
FINANCIAL REVIEW

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

Financial report for the year ended 30 June 2019

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 and fruit waters 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 were conducted in Australia.

Significant Changes to Activities

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

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 \$32,047,013 and net revenues after trading terms, volume rebates and other claims (**trading terms**) were \$29,271,328. Trading terms generally apply in respect of sales of product into the grocery channel.

Gross Profit

The gross profit margin for the year was 29% compared to the prior year of 40%.

Gross margins have been positively impacted by the launch of several branded products and negatively impacted by the change in product mix as well as the increase in cost of fruit and ingredients.

Expenses

Expenses as % to Net Revenue increased to 53.0% compared to 35.5% of Sales in FY2018 due primarily to an increase in operating costs.

	2019	2018
	\$	\$
Employment costs	4,497,238	4,363,319
Administrative costs	2,330,218	2,603,656
Operating costs including one -off costs*	7,473,458	4,206,920
Marketing costs	1,214,231	586,806
Total	15,515,145	11,760,701
% Net Revenue	53.0%	35.5%

* The one-off costs include \$3,334,000 for settlement of an account with Heinz.

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

OPERATING AND FINANCIAL REVIEW

	2019	2018
	\$	\$
Statutory (loss)/ profit after tax	(15,752,701)	2,221,712
Income tax expense/ (benefit)	1,303,270	(1,159,623)
Depreciation, amortisation and write-offs	2,051,500	1,598,049
Finance costs	840,391	626,993
Impairment on financial and non-financial assets	6,092,328	1,246,679
Normalised EBITDA	(5,465,212)	4,533,810

Cash flow

The cash balance at year end increased to \$3,045,578 from the prior year balance of \$1,856,475.

Debt

Borrowings have decreased by \$3,419,135 from \$10,990,568 to \$7,571,433 during the year.

Financial Position

The net assets of the consolidated Group have decreased by \$6,210,471 from 30 June 2018 to \$13,772,496 in 2019. This increase is largely due to impairments and write-downs of financial and non-financial assets.

The directors believe the Group is in a 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 1 November 2018, Norman Li was appointed Executive Chairman of the company.
- On 1 February 2019 Bill Nikolovski resigned as CEO and John Florey was appointed as CEO.
- On 1 February 2019, Joe Zhou was appointed as a Director of the Company.

The Group signed a binding subscription deed with Careline Australia Pty Ltd (Careline) and its founder and CEO Dr Tao (Norman) Li that will see strategic investors headed by Careline and Dr Norman Li invest up to \$20.25 million in the Company. This was approved by shareholders at the Extraordinary General Meeting on 14 June 2019. The parties have also entered a distribution agreement to expand FOD's sales into China.

Refer to the ASX Announcement Notice of Extraordinary General Meeting dated 10 May 2019 for further details.

Events after the Reporting Period

On 3 September 2019, The Food Revolution Group Limited acquired the Original Juice Co Black Label brand and brand assets, which consists of the well-known Original Juice Black Label (OBL) brand, from Golden Circle.

Golden Circle is a subsidiary company of Kraft Heinz.

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

OPERATING AND FINANCIAL REVIEW

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 and Asian marketplaces;
- 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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DIRECTOR'S
REPORT

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

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 2019. The information in the preceding operating and financial review forms part of this directors' report for the financial year ended 30 June 2019 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:

Tao (Norman) Li – Executive Chairman since November 1, 2018

John Florey - CEO and Managing Director since February 1, 2019

Matthew Bailey – Non-Executive Director

Minna (Norman) Rong – Non-Executive Director

Qu (Joe) Zhou – Director since February 1, 2019

Bill Nikolovski – CEO and Managing Director resigned February 1, 2019

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 2019:

	\$
- Advisory services	<u>5,000</u>

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

DIRECTORS' REPORT

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 17 of the financial report.

Options

During the year the following options lapsed:

Grant Date	Date of Expiry	Exercise Price	No.
19/02/2016	30/06/2018	\$0.12	1,625,000
6/12/2018	19/02/2019	\$0.12	1,867,000
			3,492,000

During the year the following options issued:

Grant Date	Date of Expiry	Exercise Price	No.
1/02/2019	1/02/2023	\$0.11	2,000,000

During the year the following options were exercised:

Grant Date	Date of Expiry	Exercise Price	No.
6/12/2018	28/12/2018	\$0.12	250,000
6/12/2018	07/12/2018	\$0.12	133,000
6/12/2018	15/02/2019	\$0.12	3,476,622
			3,859,622

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

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

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 Officers

Norman Li	–	Executive Chairman
Experience	–	Board member since 1 November 2018
Interest in Shares and Options	–	165,000,000 ordinary shares (directly and indirectly held) and 190,000,000 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

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

DIRECTORS' REPORT

Matthew Bailey	–	Non- Executive Director
Experience	–	Board member since 11 February 2016
Interest in Shares and Options	–	47,990,000 ordinary shares (directly and indirectly held) 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
Joe Zhou	–	Director
Experience	–	Board member since 1 February 2019
Interest in Shares and Options	–	Nil
Special Responsibilities	–	Finance and cross border transactions with suppliers and customers in China
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
John Fitzgerald	–	Chief Financial Officer and Company Secretary
Experience	–	Company Secretary since 16 August 2017
Interest in Shares and Options	–	Nil
Special Responsibilities	–	Chief Financial Officer
Directorships held in other listed entities during the three years prior to the current year	–	None
John Florey	–	Chief Executive Officer and Managing Director
Experience	–	Board Member since 1 February 2019
Interest in Shares and Options	–	590,000 ordinary shares and 2,000,000 options in The Food Revolution Group Limited
Special Responsibilities	–	None
Directorships held in other listed entities during the three years prior to the current year	–	None

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

DIRECTORS' REPORT

Meetings of Directors

During the financial year, 6 meetings of directors were held. Attendances by each director during the year were as follows:

	Number eligible to attend	Number attended
Norman Li ⁽¹⁾	3	3
Matthey Bailey	6	6
John Florey ⁽²⁾	2	2
Norman Rong	6	5
Joe Zhou ⁽²⁾	2	2
Bill Nikolovski ⁽³⁾	4	4

Notes:

1. Appointed 1 November 2018
2. Appointed 1 February 2019
3. Resigned 1 February 2019

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



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RENUMERATION
REPORT

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

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 FY20 to review the elements of KMP remuneration and to provide appropriate recommendations.

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.

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

REMUNERATION REPORT

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 2019, the Company's share price has shown significant volatility, reaching a low of \$0.039 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.

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

REMUNERATION REPORT

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 together with the current shareholdings of KMP (see notes 1 to 5 below for further detail).

Group KMP	Position Held as at 30 June 2019 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
			%	%	%
Norman Li	Chairman since Nov 01, 2018 ⁽¹⁾	Appointment deed	-	-	-
John Florey	CEO Managing Director since Feb 01, 2019 ⁽²⁾	Employment contract	20	-	80
Matthew Bailey	Non-Executive Director ⁽³⁾	Appointment deed	-	-	100
Norman Rong	Non-Executive Director ⁽⁴⁾	Appointment deed	-	-	100
Joe Zhou	Director since Feb 01, 2019 ⁽⁵⁾	Employment contract	-	-	100
Bill Nikolovski	Resigned as CEO on Feb 01, 2019	Employment contract	-	-	100
John Fitzgerald	CFO ⁽⁶⁾	Employment contract	-	-	100

Notes:

1. Mr. Li holds 190 million performance shares in the Company. While these performance shares do not form part of Mr. Li's remuneration (rather they were issued to Mr. Li as part of his Share Subscription Deed), these performance shares only convert to ordinary shares in FOD upon the achievement of certain revenue milestones.
2. The employment contract for Mr. Florey is a 5-year contract to 31 January 2024. This contract can be terminated with 6 months notice by either party. Mr Florey is granted with 2 million options per year each for one ordinary share at an exercise price of 11 cents.
3. Mr. Bailey represents Food Innovators Pty. Ltd. (FI), a substantial shareholder of FOD. As representative of one of the Company's largest shareholders, the Board believes Mr. Bailey has adequate performance incentives by virtue of FI's shareholding.
4. Mr. Rong represents Shenzhen Youngheng Biotechnology Co. Ltd., a substantial shareholder of FOD.
5. The employee's contract for Mr. Zhou is for an unspecified term. It can be terminated by either party with 3 months' notice.
6. The employment contract for Mr. Fitzgerald is for an unspecified term. It can be terminated by either party with one month's notice.

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).

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

Terms of employment generally requires that KMP's are provided with a minimum of 1 months' notice (and up to 6 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, with the exception of Mr. Florey, who is entitled to termination payment of 6 months' salary.

REMUNERATION REPORT

Remuneration Expense Details for the Year Ended 30 June 2019

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 2019

		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	2018	477,671	-	-	24,533	45,379	-	-	43,579	-	-	-	-	591,162
	2019	356,620	-	-	14,894	30,253	-	-	58,653	-	-	-	-	460,420
Matthew Bailey	2018	25,000	-	-	-	-	-	-	-	-	-	-	-	25,000
	2019	25,000	-	-	-	-	-	-	-	-	-	-	-	25,000
Norman Rong	2018	25,000	-	-	-	-	-	-	-	-	-	-	-	25,000
	2019	-	-	-	-	-	-	-	-	-	-	-	-	-
Joe Zhou	2018	-	-	-	-	-	-	-	-	-	-	-	-	-
	2019	49,507	-	-	-	4,026	-	-	-	-	-	-	-	53,533
Norman Li	2018	-	-	-	-	-	-	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-	-	-	-	-	-	-
John Fitzgerald	2018	177,394	-	-	-	2,606	-	-	-	-	-	-	-	180,000
	2019	155,000	-	-	-	25,000	-	-	-	-	-	-	-	180,000
John Florey	2018	50,000	-	-	-	4,750	-	-	-	-	-	-	-	54,750
	2019	370,000	-	-	-	26,124	-	-	-	-	90,561	-	-	486,685
Total KMP	2018	875,065	-	-	24,533	52,735	-	-	43,579	-	-	-	-	995,912
	2019	956,127	-	-	14,894	85,403	-	-	58,653	90,561	-	-	-	1,205,638

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.

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

REMUNERATION REPORT

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	Issued during the Year	Released from Escrow during the Year	Other Changes during the Year	Balance at End of Year
Bill Nikolovski ⁽¹⁾	42,513,302	-	-	(42,513,302) ⁽²⁾	-
Matthew Bailey ⁽¹⁾	47,000,000	990,000	-	-	47,990,000
Norman Rong	-	-	-	-	-
Norman Li ⁽¹⁾	-	165,000,000	-	-	165,000,000
John Florey	-	590,000	-	-	590,000
Joe Zhou	-	-	-	-	-
	89,513,302	166,580,000	-	(42,513,302)	213,580,000

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	Lapsed during the Year	Issued during the Year	Other Changes during the Year	Balance at End of Year
Bill Nikolovski ⁽¹⁾	22,503,913	(22,503,913)	-	-	-
Matthew Bailey ⁽¹⁾	10,000,000	(10,000,000)	-	-	-
Norman Rong	-	-	-	-	-
Norman Li ⁽¹⁾	-	-	190,000,000	-	190,000,000
John Florey	-	-	-	-	-
Joe Zhou	-	-	-	-	-
	32,503,913	(32,503,913)	190,000,000	-	190,000,000

Note:

¹ Includes shares held by related parties of Mr Li, Mr Nikolovski and Mr Bailey

² Resigned as CEO on 1 Feb 2019

³

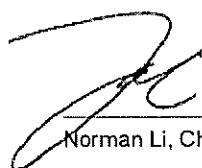
Other Equity-related KMP Transactions

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:



Norman Li, Chairman

Dated: 26 September 2019



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AUDITOR'S
INDEPENDENCE
DECLARATION

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

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of The Food Revolution Group Limited. As the lead audit partner for the audit of the financial report of The Food Revolution Group Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of 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: 26 September 2019

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STATEMENT OF PROFIT OR LOSS

OR OTHER COMPREHENSIVE INCOME

**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 2019**

	Note	Consolidated Group 2019 \$	2018 \$
Net Revenue	3	29,271,328	33,124,645
Cost of sales		(20,814,612)	(19,918,067)
Gross profit		8,456,627	13,206,578
Other income	3	1,828,301	3,158,663
Employment costs	4	(4,497,238)	(4,363,319)
Administration expenses		(2,330,218)	(2,603,656)
Marketing costs		(1,214,231)	(586,806)
Operating costs		(7,473,458)	(4,206,920)
Depreciation, amortisation and write-offs	4	(2,051,500)	(1,598,049)
Finance costs	4	(840,391)	(626,993)
RTO related transaction costs		(143,523)	(70,730)
Impairment on non-financial assets	12	(3,470,131)	(380,772)
Impairment on financial assets	9	(2,622,197)	(865,907)
Share-based payments		(90,561)	-
(Loss)/ profit before income tax		(14,449,431)	1,062,089
Income tax (expense)/ benefit	19	(1,303,270)	1,159,623
(Loss)/ profit for the year		(15,752,701)	2,221,712
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Gain on revaluation of plant and equipment, net of tax		264,075	7,394,113
Other comprehensive income for the year		264,075	7,394,113
Total comprehensive income for the year		(15,488,626)	9,615,825
Basic and diluted earnings per share (cents)			
- Basic and diluted (loss) earnings per share in cents	7	(3.25)	0.51

The accompanying notes form part of these financial statements.



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STATEMENT OF
FINANCIAL POSITION

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Consolidated Group 2019	2018
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	3,045,578	1,856,475
Trade and other receivables	9	3,408,244	5,164,621
Inventories	10	2,615,521	2,960,842
Other assets	13	87,825	368,241
TOTAL CURRENT ASSETS		<u>9,157,168</u>	<u>10,350,179</u>
NON-CURRENT ASSETS			
Plant and equipment	11	17,089,474	17,358,242
Intangible assets	12	5,970,023	8,868,848
Deferred tax assets	19	2,649,897	3,457,046
TOTAL NON-CURRENT ASSETS		<u>25,709,394</u>	<u>29,684,136</u>
TOTAL ASSETS		<u>34,866,562</u>	<u>40,034,315</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	9,941,665	5,133,342
Provisions	16	896,900	913,326
Borrowings	17	7,571,433	3,848,622
Deferred consideration liability	18	-	7,141,946
TOTAL CURRENT LIABILITIES		<u>18,409,998</u>	<u>17,037,236</u>
NON-CURRENT LIABILITIES			
Provisions	16	34,173	132,744
Deferred tax liabilities	19	2,649,895	2,881,368
TOTAL NON-CURRENT LIABILITIES		<u>2,684,068</u>	<u>3,014,112</u>
TOTAL LIABILITIES		<u>21,094,066</u>	<u>20,051,348</u>
NET ASSETS		<u>13,772,496</u>	<u>19,982,967</u>
EQUITY			
Issued capital	20	41,402,075	31,938,197
Options reserve	26	90,561	526,252
Revaluation reserve	26	8,753,758	8,489,683
Accumulated losses		<u>(36,473,898)</u>	<u>(20,971,165)</u>
TOTAL EQUITY		<u>13,772,496</u>	<u>19,982,967</u>

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 2019

	Issued Capital (Ordinary Shares)	Accumulated Losses	Revaluation Reserve	Options Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2017	31,938,197	(23,192,877)	1,095,570	526,252	10,367,142
Comprehensive income					
Profit for the year	-	2,221,712	-	-	2,221,712
Other comprehensive income for the year	-	-	7,394,113	-	7,394,113
Total comprehensive income for the year	-	2,221,712	7,394,113	-	9,615,825
Total transactions with owners, and other transfers	-	-	-	-	-
Balance at 30 June 2018	31,938,197	(20,971,165)	8,489,683	526,252	19,982,967
Balance at 1 July 2018	31,938,197	(20,971,165)	8,489,683	526,252	19,982,967
Comprehensive income					
Loss for the year	-	(15,752,701)	-	-	(15,752,204)
Other comprehensive income for the year	-	-	264,075	-	264,075
Total comprehensive income for the year	-	(15,752,701)	264,075	-	(15,488,129)
Total transactions with owners, and other transfers					
Issuance of shares	8,724,440	-	-	-	8,724,440
Exercise of options	739,438	-	-	(276,284)	463,154
Options lapsed – transferred to accumulated losses	-	249,968	-	(249,968)	-
Share-based payments transaction	-	-	-	90,561	90,561
Total transactions with owners, and other transfers	9,463,878	249,968	-	(435,691)	9,278,155
Balance at 30 June 2019	41,402,075	(36,473,898)	8,753,758	90,561	13,772,496

The accompanying notes form part of these financial statements.



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STATEMENT OF
CASH FLOWS

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Group 2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		29,962,379	40,017,753
Payments to suppliers and employees		(31,064,294)	(37,506,273)
Interest received		12,226	-
Finance costs		(840,391)	(626,993)
Net cash provided by operating activities	8a	(1,930,080)	1,884,487
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for intangible assets		(1,097,358)	(1,124,248)
Proceeds from sale of plant and equipment		8,000	-
Payment for plant and equipment		(1,559,918)	(401,067)
Net cash (used in) investing activities		(2,649,276)	(1,525,315)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		21,772,661	3,805,000
Repayment of borrowings		(25,191,796)	(3,350,591)
Proceeds from issuance of shares, net of transaction costs		9,187,594	-
Net cash provided by financing activities		5,768,459	454,409
Net increase in cash held		1,189,103	813,581
Cash and cash equivalents at beginning of financial year		1,856,475	1,042,894
Cash and cash equivalents at end of financial year		3,045,578	1,856,475

The accompanying notes form part of these financial statements.



NO

NOTES TO THE
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 2019

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 26 September 2019 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. As at 30 June 2019, the Group had a net current liability position of \$9,252,830 and for the year ended 30 June 2019, the Group delivered a loss after tax of \$15,752,701 and had a cash flow deficit from operating activities of \$1,930,080.

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.

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

In September 2018, a share subscription deed was signed with Dr Norman Li and Careline Australia Pty Ltd (Careline). Careline Australia Pty Ltd and its founder and CEO Dr Tao (Norman) Li which will see strategic investors headed by Careline and Dr Norman Li invest up to \$20.25 million in the Company (subject to shareholder approval). The transaction was approved by shareholders at the Extraordinary General Meeting on 14 June 2019. The parties have also committed to enter a distribution agreement to expand Group's sales into China.

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

Careline is incentivised to rapidly grow Group's sales through distribution and product expansion from A\$35 million to at least A\$500 million over the next three to five years via the issue of up to 190 million Performance Shares. Further details are outlined below.

Pursuant to the subscription deed, Careline and/ or its nominees will invest up to \$20.25 million via the issue of 375 million ordinary shares at an issue price of \$0.054 per share. The investment will be made via the following five tranches:

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going concern

Subsequent to 30 June 2019, the Group has received \$5,400,000 as Tranche 4 of Careline investment.

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 14.

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c. Fair Value of Assets and Liabilities

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 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 are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated impairment losses and accumulated depreciation for plant and equipment.

Increases in the carrying amount arising on revaluation of plant and equipment are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Office equipment

Office 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 office 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 office 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

e. Plant and Equipment

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	15 years (Straight line Method)
Plant and equipment	15 years (Straight line method)
Office equipment	3 years (Straight line 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.

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 Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) 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. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability cannot be reclassified.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

g. Financial Instruments

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in 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 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

g. Financial Instruments

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Impairment

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (eg amounts due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: *Financial Instruments*:

- the general approach
- the simplified approach

General approach

Under the general approach, at each reporting period, the Group assesses whether the financial instruments are credit-impaired, and if:

- the credit risk of the financial instrument has increased significantly since initial recognition, the Group measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; or
- there is no significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

g. Financial Instruments

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: *Revenue from Contracts with Customers* and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i. Intangibles Other than Goodwill

Brand names

Brand names have been recognised on the 2016 acquisition of Thirsty Brothers Pty Ltd and is treated with an indefinite useful life. 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 are 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 amortisation and impairment losses. Intellectual property is amortised over the life of the patents they relate.

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 re-measurements 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

n. Revenue and Other Income

Revenue recognition

Sale of branded products

The Group manufactures a range of functional juices, fibres, infused fruits and fruit waters for sale as branded products to wholesalers and retailers. Revenue is recognised when control of the products has transferred to the customer. For such transactions, this is when the products are delivered to the customers. Volume discounts can be provided with the sale of these items, depending on the volume of aggregate sales made to certain eligible customers. Revenue from these sales is based on the price stipulated in the contract, net of the estimated volume discounts. The volume discounts are estimated using historical experience and applying the expected value method. Revenue is then only recognised to the extent that there is a high probability that a significant reversal of revenue will not occur.

Where there are expected volume discounts payable to customers for sales made until the end of the reporting period, a contract liability is recognised.

A receivable is recognised when the goods are delivered. The Group's right to consideration is deemed unconditional at this time, as only the passage of time is required before payment of that consideration is due. There is no significant financing component because sales (which include those with volume discounts) are made within a credit term of 30 to 60 days.

Co-packaging and logistic services

The Group provides co-packaging and logistic services to customers and manages the internal supply chain in distributing manufactured products. In relation to the co-packaging and logistic transportation services to customers, revenue is recognised at the point of time when the service is provided. On average, the performance obligation service is provided within 30 to 60 days.

Other income

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 loss allowance. Refer to Note 1(g) for further discussion on the determination of impairment losses.

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 the assets at fair value.

s. Comparative Figures

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

t. 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 relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. Refer to Note 12(h) for further details regarding management's impairment assessment.

The provision for impairment of brands and goodwill was assessed to be \$2,500,000 as at 30 June 2019.

Key judgements

(i) *Provision for loss allowance of receivables*

The provision for loss allowance of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by considering the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

The allowance for loss allowance of trade and other receivables was assessed to be \$3,698,713 as at 30 June 2019.

(ii) *Recoverability of deferred tax assets*

Deferred tax assets are recognised for deductible temporary difference and unused tax losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences and unused tax losses. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits which may lead to impairment of the deferred tax asset.

(iii) *Valuation of plant and equipment*

Critical judgements are made by the group in respect of the fair value of plant and equipment. The fair value of plant and equipment is reviewed by management with reference to 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

u. New and Amended Accounting Policies Adopted by the Group

Initial application of AASB 9: *Financial Instruments*

AASB 9 replaces the "incurred loss" impairment model in AASB 139 Financial Instruments: Recognition and Measurement with a forward-looking expected credit loss (ECL) model. It is no longer necessary for a loss event to occur before an impairment loss is recognised under the new model. Under the ECL model, the Group assesses on a forward-looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The new impairment model applies to financial assets at amortised cost and contract assets under AASB 15: Revenue from Contracts with Customers. The application of the new standard results in a change in accounting policy.

The Group applies the simplified approach as permitted by AASB 9, which requires the recognition of lifetime expected losses for accounts receivable and contract assets from initial recognition of such assets. At every reporting date, the Group reviews and adjusts its historically observed default rates based on current conditions and changes in the future forecasts. As regards to other receivables, the Group applies the general approach as permitted by AASB 9, which requires impairment to be measured using the 12-month expected credit loss method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime expected credit loss is adopted.

The adoption of AASB 9 has had no material impact on the results and financial position of the Group for the current and prior years.

The measurement categories for all financial liabilities remain the same, the carrying amount for all financial liabilities at 1 July 2018 have not been impacted by the initial application of AASB 9.

The Group did not designate or re-designate any financial asset or financial liability at fair value through profit or loss at 1 July 2018.

Initial application of AASB 15: *Revenue from Contracts with Customers*

AASB 15 provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group has selected to use modified retrospective approach in adopting AASB 15 which recognises the cumulative effect of initial application through opening retained earnings as at 1 July 2018. No adjustment was applied to the opening retained earnings as the cumulative effect is not material.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Group has chosen not to early-adopt AASB 16. However, the Group has conducted a preliminary assessment of the impact of this new Standard, as follows.

A core change resulting from applying AASB 16 is that most leases will be recognised on the balance sheet by lessees as the standard no longer differentiates between operating and finance leases. An asset and a financial liability are recognised in accordance to this new Standard. There are, however, two exceptions allowed: short-term and low-value leases.

The accounting for the Group's operating leases will be primarily affected by this new Standard.

AASB 16 will be applied by the Group from its mandatory adoption date of 1 July 2019. The comparative amounts for the year prior to first adoption will not be restated, as the Group has chosen to apply AASB 16 retrospectively with cumulative effect. While the right-of-use assets for property leases will be measured on transition as if the new rules had always been applied, all other right-of-use assets will be measured at the amount of the lease liability on adoption (after adjustments for any prepaid or accrued lease expenses).

The Group's non-cancellable operating lease commitments amount to \$13,632,584 as at the reporting date. Of this \$13,632,584, approximately \$183,084 of short-term leases will be recognised as expense in profit or loss on a straight-line basis.

The Group has performed a preliminary impact assessment and has estimated that on 1 July 2019, the Group expects to recognise the right-of-use assets and lease liabilities of approximately \$9,103,555 (after adjusting for prepayments and accrued lease payments recognised as at 30 June 2019).

Following the adoption of this new Standard, the Group's net profit after tax is expected to decrease by approximately \$157,024 in 2020.

Given that the Group's activities as a lessor will not be materially impacted by this new Standard, the Group does not expect any significant impact on its financial statement from a lessor perspective. Nonetheless, starting from 2020, additional disclosures will be required.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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.

	2019	2018
	\$	\$
Statement of Financial Position		
ASSETS		
Current assets	3,080,137	609,324
Non-current assets	30,016,025	20,195,065
TOTAL ASSETS	<u>33,096,163</u>	<u>20,804,389</u>
LIABILITIES		
Current liabilities	9,326,590	4,395,159
Non-current liabilities	-	-
TOTAL LIABILITIES	<u>9,326,590</u>	<u>4,395,159</u>
EQUITY		
Issued capital	29,890,886	20,427,008
Accumulated losses	(7,381,562)	(5,677,717)
Option reserve	1,260,248	1,659,939
TOTAL EQUITY	<u>23,769,572</u>	<u>16,409,230</u>
Statement of Profit or Loss and Other Comprehensive Income		
Total (loss)/ profit	<u>(1,858,775)</u>	<u>2,680,834</u>
Total comprehensive income	<u>(1,858,775)</u>	<u>2,680,834</u>

Guarantees

The company has a bank guarantee of \$590,589 (2018: \$590,589) as security bond for the office lease.

Contingent liabilities

There are no contingent liabilities as at 30 June 2019 and 30 June 2018.

Contractual capital commitments

There are no contingent capital commitments as at 30 June 2019 and 30 June 2018.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3: REVENUE AND OTHER INCOME

	Consolidated Group	
	2019	2018
	\$	\$
Gross sales	32,047,013	35,627,680
– Less volume rebates and trading terms	(2,775,774)	(2,503,035)
Revenue	29,271,238	33,124,645
Other income:		
– Research and development funding	161,114	1,932,367
– Rent income	1,207,061	1,202,000
– Interest income	12,226	-
– Sundry income	447,900	24,296
Total other income	1,828,301	3,158,663
Total revenue and other income from continuing operations	31,099,539	36,283,308

NOTE 4: EXPENSES

	Consolidated Group	
	2019	2018
	\$	\$
(Loss)/ profit before income tax includes the following specific expenses:		
a. Employment costs		
– wages and salaries	4,044,917	3,580,582
– other employee related expenses	452,321	782,737
	4,497,238	4,363,319
b. Depreciation, amortisation and write-offs		
– depreciation and write-offs	1,828,686	1,504,150
– amortisation expenses	222,814	93,899
	2,051,500	1,598,049
c. Finance costs		
– interest expenses	805,885	366,181
– other finance charges	34,506	44,559
	840,391	626,993

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 5: 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 2019.

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

	2019 \$	2018 \$
Short-term employee benefits	971,021	899,598
Post-employment benefits	85,403	52,735
Other long-term benefits	58,653	43,579
Share-based payments	90,561	-
-Total KMP compensation	1,205,638	995,912

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.

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

NOTE 6: AUDITOR'S REMUNERATION

	Consolidated Group	
	2019 \$	2018 \$
Remuneration of the auditor for:		
- audit and review of the financial statements	71,000	69,000
- advisory services	5,000	3,500
	76,000	72,500

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 7: EARNINGS PER SHARE

		Consolidated Group	
		2019	2018
		\$	\$
Basic and diluted loss per share			
a.	(Loss) / profit attributable to the ordinary equity holders of the Company	(15,752,701)	2,221,712
		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	484,298,504	434,064,903
Earnings per share			
	Earnings per share (cents) – basic and diluted	(3.25)	0.51

NOTE 8: CASH AND CASH EQUIVALENTS

		Consolidated Group	
		2019	2018
		\$	\$
	Cash at bank and on hand	3,045,578	1,856,475
		<u>3,045,578</u>	<u>1,856,475</u>

a. Cash Flow Information

		Consolidated Group	
		2019	2018
		\$	\$
Reconciliation of Cash Flow from Operations with (Loss)/ Profit after Income Tax			
	(Loss)/ profit after income tax	(15,752,701)	2,221,712
	Depreciation, amortisation and write-offs	2,051,500	1,598,049
	Gain on disposal of plant and equipment	(8,000)	-
	Impairment of financial assets	2,622,197	865,907
	Impairment of non-financial assets	3,470,131	380,772
	Share-based payments	90,561	-
	Changes in operating assets and liabilities:		
-	Trade and other receivables	(865,820)	2,028,834
-	Trade and other payables	4,808,323	(1,883,906)
-	Inventories	345,321	(476,517)
-	Other assets	280,416	(196,077)
-	Provisions	(114,997)	437,706
-	Deferred tax assets/liabilities	1,142,989	(3,091,993)
		<u>(1,930,080)</u>	<u>1,884,487</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 2019

NOTE 9: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2019	2018
	\$	\$
CURRENT		
Trade receivables	5,327,008	4,440,188
Less: provision for impairment	(1,795,390)	(135,907)
	3,531,618	4,304,281
Other receivables	1,779,949	1,802,340
Less: provision for impairment	(1,903,323)	(942,000)
Total current trade and other receivables	3,408,244	5,164,621

a. Expected Credit Loss – Credit Impaired

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2019 is determined as follows. These expected credit losses also incorporate forward-looking information.

	Current	>30 days past due	>60 days past due	>90 days past due	Total
Consolidated Group	\$	\$	\$	\$	\$
2019					
Expected loss rate	0.18%	0.18%	15.95%	100.00%	
Trade receivables (gross)	2,428,325	534,818	682,698	1,681,167	5,327,008
Loss allowance provision	(4,371)	(963)	(108,889)	(1,681,167)	(1,795,390)
Total	2,423,954	533,855	573,809	-	3,531,618
2018					
Expected loss rate	0.18%	0.18%	0.92%	11.43%	
Trade receivables (gross)	2,258,048	452,535	634,661	1,094,944	4,440,188
Loss allowance provision	(4,064)	(815)	(5,839)	(125,189)	(135,907)
Total	2,253,984	451,720	628,822	969,755	4,304,281

b. Credit Risk

The Group has a significant concentration of credit risk arising from its ordinary course of business due to its relatively small customer base. The class of assets described as "trade and term receivables" is considered to be the main source of credit risk related to the Group.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables is estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current and forecast directions of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery (eg when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over one year past due, whichever occurs earlier).

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 9: TRADE AND OTHER RECEIVABLES

c. Collateral Pledged

Security over all of the Group's current and future assets (including receivables) has been provided to Greensill Capital UK Limited. Refer to Note 14b for further details.

d. Movements in Provision of Impairment

	Consolidated Group	
	2019	2018
	\$	\$
At the beginning of the reporting period	1,077,907	212,000
Impairment losses recognised	2,622,197	865,907
Write-offs	(1,391)	-
At 30 June	3,698,713	1,077,907

NOTE 10: INVENTORIES

	Consolidated Group	
	2019	2018
	\$	\$
CURRENT		
At cost and net realisable value:		
Work in progress	872,802	1,050,392
Raw materials	1,506,344	1,544,602
Finished goods	236,375	365,848
	2,615,521	2,960,842

NOTE 11: PLANT AND EQUIPMENT

	Consolidated Group	
	2019	2018
	\$	\$
Plant and equipment – at fair value	19,615,371	18,131,398
Less: accumulated depreciation	(2,643,433)	(883,809)
	16,971,938	17,247,589
Office equipment – at cost	326,891	251,756
Less: accumulated depreciation	(209,355)	(141,103)
	117,536	110,653
TOTAL PLANT AND EQUIPMENT	17,089,474	17,358,242

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 11: PLANT AND EQUIPMENT

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:

	Plant and Equipment \$	Office Equipment \$	Total \$
Balance at 1 July 2017	7,835,831	88,416	7,898,306
Additions	211,786	189,281	401,067
Depreciation expense	(1,363,047)	(141,103)	(1,504,150)
Revaluation	10,563,019	-	10,563,019
Balance at 30 June 2018	17,247,589	110,653	17,358,242
Additions	1,484,782	75,136	1,559,918
Depreciation expense	(1,760,433)	(68,253)	(1,828,686)
Balance at 30 June 2019	16,971,938	117,536	17,089,474

b. Valuation of Plant and Equipment

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.

c. Impairment Disclosures

Refer to Note 12b for 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 2019

NOTE 12: INTANGIBLE ASSETS

	Consolidated Group	
	2019	2018
	\$	\$
Intellectual property – at cost	255,294	233,961
Less: amortisation	(191,738)	(176,742)
	<u>63,556</u>	<u>57,219</u>
Product development costs – at cost	1,781,823	1,635,657
Less: amortisation	(269,437)	(61,617)
Less: impairment	(724,280)	(380,772)
	<u>788,106</u>	<u>1,193,268</u>
Goodwill – at cost	702,268	702,268
Less: impairment	(702,268)	-
	<u>-</u>	<u>702,268</u>
Brand names – at cost	6,914,998	6,914,998
Less: Impairment	(1,797,732)	-
	<u>5,117,266</u>	<u>6,914,998</u>
Formation expenses	1,095	1,095
TOTAL INTANGIBLE ASSETS	<u>5,970,023</u>	<u>8,868,848</u>

a. Movements in Carrying Amounts

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 2017	702,268	6,914,998	77,879	523,031	1,095	8,219,271
Additions	-	-	11,622	1,112,626	-	1,124,248
Amortisation charge	-	-	(32,282)	(61,617)	-	(93,899)
Impairment Charge	-	-	-	(380,772)	-	(380,772)
Balance at 30 June 2018	702,268	6,914,998	57,219	1,193,268	1,095	8,868,848
Additions	-	-	21,334	1,076,024	-	1,097,358
Amortisation charge	-	-	(14,997)	(207,817)	-	(222,814)
R&D tax offset	-	-	-	(303,238)	-	(303,238)
Impairment charge	(702,268)	(1,797,732)	-	(970,131)	-	(3,470,131)
Balance at 30 June 2019	-	5,117,266	63,556	788,106	1,095	5,970,021

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 12: INTANGIBLE ASSETS

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 calculation 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 the key assumptions of business revenue and cost growth rates of 4% per annum and a discount rate of 12%.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. Following a detailed value-in-use impairment review of future cash flow projections, an impairment charge of \$2,500,000 has been recorded in the statement of profit or loss for 30 June 2019. This impairment charge has been allocated to goodwill \$702,268 and brand names \$1,797,732.

The carrying value for 30 June 2019 impairment assessment has been based on the value-in-use calculation. Any changes to the value-in-use calculation will have a direct impact on the carrying value and impairment.

NOTE 13: OTHER ASSETS

	Consolidated Group	
	2019	2018
	\$	\$
CURRENT		
Prepayments	87,825	268,241
Rental bond	-	100,000
	<u>87,825</u>	<u>368,241</u>

NOTE 14: 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	
		2019	2018	2019	2018
		%	%	%	%
LangTech International Pty Ltd	Australia	100	100	-	-
LangTech Citrus Pty Ltd	Australia	100	100	-	-
LangTech Bottling Pty Ltd	Australia	100	100	-	-
Thirsty Brothers Pty Ltd	Australia	100	100	-	-
New Age Beverages Pty Ltd	Australia	100	100	-	-
Shandong LangTech Food Technology Co Limited	China	10	10	-	-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 14: INTERESTS IN SUBSIDIARIES

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 Greensill Capital UK Limited (Greensill) as described in Note 17. The Facility was drawn down as to \$7.6 m 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 lite in that once the funds have been drawn under the facility, there is no periodic (eg quarterly) financial covenant testing. Covenants imposed by Greensill restrict asset disposals (other than with Greensill's consent, or in the ordinary course of business, or in other limited circumstances), acquisitions (other than with Greensill's consent or in other limited circumstances) and dividend payments (other than with Greensill's consent or in other limited circumstances).

NOTE 15: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2019	2018
	\$	\$
CURRENT		
Trade payables	4,524,150	3,926,373
Other payables and accruals	5,417,515	1,206,969
TOTAL TRADE AND OTHER PAYABLES	9,941,665	5,133,342

Trade payables are unsecured and are generally paid within 45 days (and up to 90 days) from date of invoice.

NOTE 16: PROVISIONS

	Consolidated Group	
	2019	2018
	\$	\$
CURRENT		
Employee benefits	896,900	913,326
NON-CURRENT		
Employee benefits	34,172	132,744
TOTAL PROVISIONS	931,072	1,046,070

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. 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 17: BORROWINGS

	Consolidated Group	
	2019	2018
	\$	\$
CURRENT		
Secured liabilities:		
Loan – Greensill facility	7,571,433	3,848,622
Total borrowings	7,571,433	3,848,622

a. The carrying amounts of non-current assets pledged as security are subject to general security over all current and future assets amounting to \$34,866,562 (2018: \$40,034,315).

b. Collateral provided

Refer to Note 14b for a description of the security provided to Greensill Capital UK Limited.

c. Maturity of loan – Greensill Facility

	Interest Rate	2019	2018
		\$	\$
27 February 2020	6.75%	7,571,433	3,848,622

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 18: DEFERRED CONSIDERATION LIABILITY

	Consolidated Group	
	2019	2018
	\$	\$
CURRENT		
Deferred consideration liability (a)	-	7,141,946
Total deferred consideration liability	-	7,141,946

(a) The deferred consideration liability was fully repaid on 21 December 2018.

NOTE 19: TAX

	Consolidated Group	
	2019	2018
	\$	\$
a. Amounts recognised in profit or loss:		
Deferred tax expense / (benefit)	1,613,800	(1,159,623)
Over provision in respect of prior years	(574,605)	-
Change in tax rate ⁽¹⁾	264,075	-
Total income tax expense / (benefit)	1,303,270	(1,159,623)
b. The prima facie tax on (loss)/ profit from ordinary activities before income tax, is reconciled to income tax as follows:		
(Loss)/ profit before tax	(14,449,431)	1,062,089
Prima facie tax (benefit)/ expense on (loss)/ profit from ordinary activities before income tax at 27.5% (2018: 30%)	(3,973,594)	318,627
Tax effect of:		
- Non-allowable items	999,149	-
- Over provision in respect of prior years	(574,605)	-
- Acquisition through business combinations	-	6,324
- R&D income not assessable	(44,527)	(465,478)
- Other allowable items	-	(20,195)
- Change in tax rate item ⁽¹⁾	264,075	-
- Recoupment of prior year tax losses not previously brought to account	-	(21,949)
- Deferred tax assets not recognised	1,641,689	(860,546)
- Write down to recoverable amounts	2,991,083	(116,406)
Prima facie tax expense/ (benefit) on (loss)/ profit attributable to entity	1,303,270	(1,159,623)

¹ Relates to adjustment to prior year asset revaluation arising from a change in tax rates.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 19: TAX

c. Deferred tax assets and liabilities

	Opening Balance	Recognised in profit or loss	Credited direct to equity	Recognised as reduction in product development costs	Acquisitions through business combination s	Closing Balance
	\$	\$	\$	\$	\$	\$
NON-CURRENT						
Consolidated Group						
Deferred tax liabilities						
Tangible assets revaluation	2,881,368	(231,476)				2,649,892
	2,881,368	(231,476)	-	-	-	2,649,892
Deferred tax assets						
Provisions	1,174,815	(1,174,815)	-	-	-	-
Carried forward tax offsets	1,855,571	(1,079,748)	-	301,603	-	1,077,426
Tax losses	426,660	1,145,810	-	-	-	1,572,470
	3,457,046	(1,108,753)	-	301,603	-	2,649,896

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 20: ISSUED CAPITAL

	Consolidated Group	
	2019	2018
	\$	\$
624,674,526 (2018: 434,064,871) fully paid ordinary shares	41,402,075	31,676,066
Performance shares	-	186,761
Performance rights	-	75,370
	<u>41,402,075</u>	<u>31,938,197</u>

NOTE 20: ISSUED CAPITAL

	Consolidated Group	
	2019	2019
	No.	\$
a. Ordinary Shares		
As at 30 June 2017/ 30 June 2018/ 1 July 2018	434,064,903	31,938,197
– Issue of shares – 26 September 2018	18,518,519	1,000,000
– Issue of shares – 1 November 2018	46,481,482	2,510,000
– Issue of shares – 18 June 2019	100,000,000	5,400,000
– Issue of shares – 21 June 2019	21,750,000	1,631,250
– Exercise of options	3,859,622	739,438
Less: transaction costs	-	(1,816,810)
As at 30 June 2019	<u>624,674,526</u>	<u>41,402,075</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.

	Consolidated Group	
	2019	2018
	No.	No.
b. Performance Shares		
At the beginning of the reporting period	56,838,811	56,838,811
Issued during the year	190,000,000	-
Lapsed during the year (Performance Shares Class C)	(56,838,811)	
At the end of the reporting period	<u>190,000,000</u>	<u>56,838,811</u>

On 18 June 2019, as part of the Careline strategic investment and Share Subscription Deed (SSD), The Food Revolution Group Limited issued 190,000,000 performance shares to Careline Australia Pty Ltd and/or its nominees.

As part of and in connection with the Strategic Investment, in addition to the 5 tranches of ordinary shares, Careline (or its nominees, the Trust and/or Y&L Investments) is to be issued 190,000,000 Performance Shares, for nil consideration, subject to FOD and Careline remain parties to the SDD.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 20: ISSUED CAPITAL

b. Performance Shares

The performance share will be convertible into one ordinary share in the Company, for nil consideration, on the achievement of the following milestones:

- 100,000,000 of the Performance Shares will convert to 100,000,000 ordinary shares if FOD's Introduced Revenue (as defined below) is at least \$60,000,000 in any consecutive 12-month period within the period from 1 July 2019 to 30 June 2022.
- a further 30,000,000 of the Performance Shares will convert to 30,000,000 ordinary shares if FOD's Introduced Revenue (as defined below) is at least \$160,000,000 in any consecutive 12-month period within the period from 1 July 2019 to 30 June 2022.
- a further 30,000,000 of the Performance Shares will convert to 30,000,000 ordinary shares if FOD's Introduced Revenue (as defined below) is at least \$315,000,000 in any consecutive 12-month period within the period from 1 July 2019 to 30 June 2023.
- a further 30,000,000 of the Performance Shares will convert to 30,000,000 ordinary shares if FOD's Introduced Revenue (as defined below) is at least \$465,000,000 in any consecutive 12-month period within the period from 1 July 2019 to 5 years from the date of issue of the Performance Shares.

The Directors have assessed that the achievement on the milestones for the conversion to equity of the performance shares issued are unlikely to be achieved at 30 June 2019, therefore no share-based payment expense has been recognised in the 2019 year.

The previous C Class performance shares on issue would have automatically converted into ordinary shares upon The Food Revolution Group Limited 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 however the C Class performance shares lapsed on 7 September 2018 since the run rate was not achieved by the earlier of release of the Group's results for financial year 2018 and 30 September 2018.

	Consolidated Group	
	2019 No	2018 No
c. Performance Rights		
At the beginning of the reporting period	23,161,189	23,161,189
Lapsed during the year (Performance Rights Class C)	(23,161,189)	-
At the end of the reporting period	-	23,161,189

The previous C Class performance rights on issue would have automatically converted into ordinary shares upon the Food Revolution Group 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, however the performance rights lapsed since the run rate was not achieved by the earlier of release of the Group's results for financial year 2018 and 30 September 2018.

d. Options

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 balance date, refer to Note 23.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 20: ISSUED CAPITAL

e. 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 2019 and 30 June 2018 are as follows:

	Consolidated Group	
	2019	2018
	\$	\$
Total financial debt	7,571,433	3,848,622
Total deferred consideration	-	7,141,946
Less cash and cash equivalents	(3,045,578)	(1,856,475)
Net debt (including deferred purchase consideration)	4,525,855	9,134,093
Total equity	13,772,496	19,982,967
Total capital	18,298,351	29,409,962
Gearing ratio (net debt / net debt + equity)	25%	31%

NOTE 21: CAPITAL AND LEASING COMMITMENTS

	Consolidated Group	
	2019	2018
	\$	\$
a. Operating Lease Commitments		
Non-cancellable operating lease commitments not capitalised in the financial statements		
Payable – minimum lease payments:		
– not later than 1 year	941,784	1,257,113
– later than 1 year but not later than 5 years	4,564,987	4,600,233
– later than 5 years	8,125,813	8,607,556
	13,632,584	14,464,902

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 30 June 2019 and 30 June 2018.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 22: 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 23: SHARE-BASED PAYMENTS

- (i) In February 2019, there were options for 2 million shares at an exercise price of \$0.11 per share granted to the Chief Executive Officer as a share-based payment during financial year (2018: nil).

The options vest over the 12 months period; expire on 1 February 2023; have an exercise price of \$0.11 and have a fair value at grant date of \$217,346 based on the share price at grant date of \$0.14; a risk-free rate of 1.74%; a dividend yield of nil and a volatility of 112%.

The total expense arising from share-based payment transaction recognised during the year was \$90,561.

- (ii) 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 24: RELATED PARTY TRANSACTIONS

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 Limited, 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 5.

(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 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:

	Consolidated Group	
	2019	2018
	\$	\$
(i) <i>Professional services provided by related parties:</i>		
Payment for professional services to entities associated with related parties	851,888	463,770
Payables for professional services at reporting date	452,083	25,000
(iii) <i>Sale of Goods and Services to related parties:</i>		
Revenue from sale of goods and services provided to companies controlled by a director	-	(5,804,284)
Receivables for sale of goods and services provided at reporting date	-	(431,743)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 25: FINANCIAL RISK MANAGEMENT

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

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, is as follows:

	Note	Consolidated Group	
		2019	2018
		\$	\$
Financial assets			
Financial assets at amortised cost:			
– Cash and cash equivalents	8	3,045,578	1,856,475
– Trade and other receivables	9	3,408,244	5,164,621
Total financial assets		6,453,822	7,021,096
Financial liabilities			
Financial liabilities at amortised cost:			
– trade and other payables	15	9,941,665	5,133,342
– borrowings	17	7,571,433	3,848,622
– deferred consideration liability	18	-	7,141,946
Total financial liabilities		17,513,098	16,123,910

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.

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 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 significant concentrations of credit risk arising from its ordinary course of business due to its relatively small customer base. Details are provided in Note 9.

Trade and other receivables that are neither past due nor impaired are detailed in Note 9.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 25: FINANCIAL RISK MANAGEMENT

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.

Financial liabilities and financial assets maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$
Consolidated Group Financial liabilities due for payment								
Borrowings	7,571,433	3,848,622	-	-	-	-	7,571,433	3,848,622
Deferred consideration liability	-	7,141,946	-	-	-	-	-	7,141,946
Trade and other payables	9,941,665	5,133,342	-	-	-	-	9,941,665	5,133,342
Total expected outflows	17,513,098	16,123,910	-	-	-	-	17,513,098	16,123,910
Financial assets – cash flows realisable								
Cash and cash equivalents	3,045,578	1,856,475	-	-	-	-	3,045,578	1,856,475
Trade and other receivables	3,408,244	5,164,621	-	-	-	-	3,408,244	5,164,621
Total anticipated inflows	6,453,822	7,021,096	-	-	-	-	6,453,822	7,021,096
Net (outflow)/inflow on financial instruments	(11,059,276)	(9,102,814)	-	-	-	-	(11,059,276)	(9,102,814)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 25: FINANCIAL RISK MANAGEMENT

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 are cash, cash equivalents and borrowings.

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).

The Food Revolutions Group Limited's functional currency is Australian dollars.

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, the Group does not currently hedge.

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.

d. Fair Values

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 26: RESERVES

a. Revaluation reserve

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

b. Options reserve

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

	Consolidated Group	
	2019	2018
	\$	\$
Revaluation reserve		
Opening balance	8,489,683	1,095,570
Revaluation, net of tax	264,075	7,394,113
Closing balance	<u>8,573,758</u>	<u>8,489,683</u>
Options reserve		
Opening balance	526,252	526,252
Exercise of options	(276,284)	-
Lapsed of options – transfer to accumulated losses	(249,968)	-
Share-based payments expense	90,561	-
Closing balance	<u>90,561</u>	<u>526,252</u>

NOTE 27: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group has a bank guarantee of \$590,589 (2018: \$590,589) as security bond for the office lease.

At the date of this report, the Group is not aware of any reportable contingent liabilities as at 30 June 2019 and 30 June 2018.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 28: 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 30 June 2019 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	-	-	16,971,938
Total non-recurring fair value measurements	-	-	16,971,938

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 29: FAIR VALUE MEASUREMENTS

c. Valuation Techniques Used to Determine Level 3 Fair Values

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

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

d. Reconciliation of Recurring Level 3 Fair Value Measurements

	Plant and equipment
	\$
Balance at the beginning of the period	17,247,589
Additions	1,484,782
Depreciation expense	(1,760,433)
	<u>16,971,938</u>

NOTE 30: EVENTS AFTER THE REPORTING PERIOD

On 3 September 2019, The Food Revolution Group Limited acquired the Original Juice Co Black Label brand and brand assets, which consists of the well-known Original Juice Black Label (OBL) brand, from Golden Circle.

Golden Circle is a subsidiary company of Kraft Heinz.

Golden Circle has produced high-quality fruit juices in Australia under the OBL brand for nearly two decades. The brand was originally founded in Melbourne in 1988. The brand is forecast to deliver a significant portion of the Company's sales during FY2020.

OBL is trademarked for domestic sales in Australia as well as export markets in Asia and New Zealand. FOD plans to use its established distribution networks through South East Asia, including China, Hong Kong and Singapore, to grow the brand's annual sales. The Company expects that through revitalising such a long term iconic Australian brand it can generate significant traction through its growing distribution footprint in China.

On 6 September 2019, the Group has received \$5,400,000 as Tranche 4 of Careline investment.

NOTE 31: 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



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DIRECTORS'
DECLARATION

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

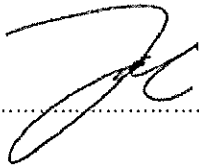
DIRECTORS' DECLARATION

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 21 to 66, 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 2019 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.

Executive

Chairman.....



Norman Li

Dated this 26th day of September 2019

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



IN

INDEPENDENT
AUDIT REPORT

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
AND CONTROLLED ENTITIES

SYDNEY

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

Opinion

We have audited the financial report of The Food Revolution Group Limited and controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of The Food Revolution Group Limited and controlled entities is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis of Opinion

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 about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's responsibility section of our report. We are independent of the Company in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporation Act 2001, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss after tax of \$15,752,701 during the year ended 30 June 2019 and, as of that date, the Group's current liabilities exceeded its current assets by \$9,252,830. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the year ended 30 June 2019. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Carrying value of non-current assets	
<i>Refer to Note 11 Plant and equipment, Note 12 Intangible assets and Note 1(t) Critical accounting estimates and judgements</i>	
<p>A substantial amount of the group's non-current assets relates to intangible assets amounting to \$5,970,023 and plant and equipment amounting to \$17,089,474 that are subject to an impairment assessment in accordance with AASB 136 "Impairment of Assets".</p> <p>The group's impairment assessment of non-current assets is considered a key audit matter as the valuation is judgemental and based on a number of assumptions, specifically cash flow projections, discount rates and terminal growth rates which are affected by future events and economic conditions.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We assessed management's determination of the group's cash-generating units ("CGUs"); • We involved Hall Chadwick's valuation experts to evaluate the methodologies used by the group and to review the mathematical accuracy of the cash flow forecasts; • We evaluated management's key assumptions used in the cash flow forecasts to determine the recoverability of non-current assets and agreed relevant data to supporting documents; • We challenged management on the key assumptions used in the cash flow forecasts by considering this information and evidence available to us internally and externally; • We evaluated the historical reliability of prior period cash flow forecasts including assessing this against the actual financial performance of the group; • We performed sensitivity analysis around the key assumptions of growth rates and discount rate used in the cash flow forecasts and assessed the sensitivity and likelihood of a change of these assumptions that either individually or collectively would result in the non-current assets to be impaired or otherwise;

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
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- We held discussion with management and reviewed the basis of impairment charges recognised during the year; and
- We assessed the adequacy of the group's disclosures in relation to the carrying value of intangible assets and plant and equipment.

Transactions associated with Careline Australia Pty Ltd

Refer to Note 20 Issued capital, Note 23 Share-based payments and Note 1 Going concern

As disclosed in Note 1 to the financial statements, the group entered into a share subscription deed and distribution agreement with Careline Australia Pty Ltd (Careline) to fund up to \$20.25 million for the group to expand its sales into China. The arrangement involved the issuance of ordinary and performance shares and the company incurred significant transaction costs attributable to the shares being issued to Careline.

Due to the significance of these arrangements and accounting complexity including judgement involved in accounting for share-based payment transactions, we have identified these transactions as a key audit matter.

Our procedures included, amongst others:

- Obtained and reviewed the key terms and conditions attached to the ordinary shares and performance shares issued;
- Evaluated management's assessment of the valuation and recognition of ordinary shares and performance shares issued;
- Reviewed the estimated fair value of performance shares using an option pricing model, including assessing the reasonableness of key inputs used in the model;
- Held discussions with management to understand the share-based payment transactions in place and evaluated management's assessment of the likelihood of meeting the performance conditions attached to the transactions;
- Verified underlying transaction costs related to the issue of shares and ensured these costs were appropriately accounted for; and
- Assessed the adequacy of the group's disclosures in relation to the issued capital and share-based payment transactions.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 Australia Accounting Standards and the Corporations Act 2001 and for such internal control as directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

**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
AND CONTROLLED ENTITIES**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the remuneration report included in pages 13 to 18 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of The Food Revolution Group Limited, for the year ended 30 June 2019, complies with s 300A of the Corporations Act 2001.

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Responsibilities

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.



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner
Dated: 26 September 2019



ASX

ADDITIONAL
INFORMATION

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 06/09/2019:

1. Shareholding a. Distribution of Shareholders

SPREAD OF HOLDINGS	NUMBER OF HOLDERS	NUMBER OF UNITS	% OF TOTAL ISSUED CAPITAL	
1 - 1,000	143	110,683	0.02%	1 - 1,000
1,001 - 5,000	262	928,371	0.13%	1,001 - 5,000
5,001 - 10,000	435	3,515,629	0.49%	5,001 - 10,000
10,001 - 100,000	973	39,709,337	5.48%	10,001 - 100,000
100,001 - 999,999,999,999	326	680,410,506	93.89%	100,001 - 999,999,999,999
TOTAL	2,139	724,674,526	100%	TOTAL

b. The number of shareholdings less than marketable parcels is 631.

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

Shareholder	Number Ordinary	% of Voting Power
Careline Australia Pty Ltd	118,518,519	16.35
Y&L Family Investments Pty Ltd	93,703,704	12.93
Shenzhen Youngheng Biotechnology Co Limited	55,000,000	7.59
Fanucci Pty Ltd	49,427,918	6.82
HSBC Custody Nominees	42,018,408	5.80
Matthew Bailey and Food Innovators Pty Ltd	47,990,000	6.62
Pacific International Management Fund Pty Ltd	52,777,778	7.28

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

Rank	Name	Units	% of Units
1	CARELINE AUSTRALIA PTY LTD	118,518,519	16.35
2	Y & L FAMILY INVESTMENTS PTY LTD <Y & L FAMILY A/C>	78,888,889	10.89
3	SHENZHEN YOUNGHENG BIOTECHNOLOGY CO LIMITED	55,000,000	7.59
4	FANUCCI PTY LTD <FANUCCI A/C>	49,427,918	6.82
5	FOOD INNOVATORS PTY LTD <FOOD INNOVATORS UNIT A/C>	45,000,000	6.21
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	42,018,408	5.8
7	PACIFIC INTERNATIONAL FUND MANAGEMENT PTY LTD <THE PI A/C>	40,740,741	5.62
8	VICTORIAN CLEAN TECHNOLOGY FUND PTY LTD	24,568,868	3.39
9	Y & L FAMILY INVESTMENTS PTY LTD <Y & L SUPER A/C>	14,814,815	2.04
10	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	13,538,574	1.87
11	PACIFIC INTERNATIONAL FUND MANAGEMENT PTY LTD <PI A/C>	12,037,037	1.66
12	LANG HOLDINGS PTY LTD	10,667,427	1.47
13	PONDEROSA INVESTMENTS (WA) PTY LTD <PONDEROSA INVESTMENT A/C>	10,094,769	1.39
14	GUANGZHOU FINANCIAL PTY LTD	10,000,000	1.38
15	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	6,262,498	0.86
16	FORTIS CORPORATE ADVISORY PTY LTD	4,563,327	0.63
17	TWENTY TEN ENTERPRISES PTY LTD <TWENTY TEN INVESTMENTS A/C>	4,340,811	0.6
18	LIGHTGLOW ENTERPRISES PTY LTD <PALOMA INVESTMENTS A/C>	4,177,900	0.58
19	GUAGAMELA PTY LTD <GAUGAMELA A/C>	4,000,000	0.55
20	FIRST TRUSTEE COMPANY (NZ) LIMITED <IAN ROGER MOORE A/C>	3,000,000	0.41
Totals: Top 20 holders of FOD ORDINARY FULLY PAID		551,660,501	76.13
Total Remaining Holders Balance		173,014,025	23.87
Total Holders Balance		724,674,526	100

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

2. The name of the company secretary is John Fitzgerald.
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:
20 Heaths Court, Mill Park, Victoria 3082
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:
Nil

Options over Unissued Shares:

Nil.

Nil options are on issue to directors and employees under The Food Revolution Group employee option plan.



THE **FOOD**
REVOLUTION
GROUP