



Oliver's Real Food Ltd
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15 March 2022
ASX Announcement

Oliver's Real Food Limited (ASX:OLI) ("Company") PRIOR YEAR ADJUSTMENTS AND HALF YEAR RESULTS

Further to the announcement on 28 February 2022, and in the interests of continuous disclosure, the company would like to update shareholders as to the following:

Impairments

1. OLI received an information request from ASIC regarding 'reversals of impairments' at 30 June 2021 and their interpretation of AASB16, which stated specifically:
 - a. Under paragraph 110 of AASB136, an entity only estimates the recoverable amount of an asset when there are indications that an impairment loss recognised in prior periods may no longer exist or may have decreased.
 - b. Paragraph 111 of AASB136 also contains the minimum external and internal sources of information that entities should consider when determining whether any of these indications are present.
 - c. In ASIC's view, the impairment loss reversal should not have been recognised because there is no indication that the impairment loss(es) recognised in prior periods no longer exists.
2. Therefore, the OLI board has decided to wind back the reversal of impairment recognized at 30 June 2021 as a prior period adjustment in the 2022 half year results. This will increase retained losses by approximately \$4.5m being Right of Use Assets for \$3.7m and Fixed Assets by \$0.8m.
3. This issue has been part of the reason for OLI not reporting its half-year results by 28 February 2022, as required, as the Board considered the need to get these figures correct, in consultation with our auditors, prior to releasing our final results.
4. Furthermore, the Board is currently assessing further impairment to be

recorded in the period ended 31 December 2021, as a result of the poor trading conditions due to Covid 19 impacts and related lockdowns experienced in the half year. Our preliminary assessment of this is a further impairment of \$3.8m and is based on management's best estimate of cash flow forecasts that take into account a conservative recovery as trading conditions improve and lingering impacts from the pandemic soften over the 2022 calendar year.

Goodwill

In 2017 an amount of \$500,000 was brought to account as Brand IP, which was transferred from a related entity and is considered Goodwill, which must be written off over its useful life, in accordance with Accounting Standards. The goodwill is being written off as a prior period adjustment as it should have been written off in 2020 with other intangible assets.

Warrants

On 29 September 2020, the Company entered into a loan facility agreement with Pure Asset Management for \$5m. The Company also issued warrants in conjunction with the loan facility.

The key terms of the loan facility included Interest being calculated on a daily basis at 10.5% p.a. payable quarterly in arrears; and a term of three years.

The key terms of the warrants were:

- a. Tranche A warrants can be exercised at any time during the term of the loan for 37.5m shares, and
- b. Tranche B warrants can be exercised during the term of the loan once shareholder approval has been obtained, for 10m shares.

The loan facility represents a financial liability pursuant to accounting standard AASB132 "Financial Instruments Presentation" and the warrants are a derivative liability under AASB9 "Financial Instruments", which dictate the following:

- a. The financing arrangement is not a compound financial instrument and would not be bifurcated between a financial liability and equity component. Instead, the whole instrument should initially be treated as a liability in the financial statements of the Company. This liability comprises two components being the host debt liability and a derivative liability component for the conversion feature of the warrants.
- b. The derivative liability should be fair valued on initial inception and at each reporting date with any movement in fair value charged/credited directly to profit or loss. The value of the derivative liability for the conversion feature on initial inception was \$774,389.
- c. Of the \$5m loan, at initial recognition is a net debt of \$4,225,611 (\$5,000,000 less \$774,389 derivative liability).
- d. The value of the derivative liability as at 30 June 2021 was \$651,827. Therefore, for the year ended 30 June 2021 there was a fair value movement through profit or loss of a gain of \$122,562.

The summary of the effect on the financial statements at 30 June 2021 should have been:

Loan Liability (reported at \$5,000,000)	\$4,719,443
Interest expense	(\$494,312)
Fair value movement gain	\$122,562
Total Profit & Loss effect	\$371,750

The valuation at 31 December 2021 is underway and should be completed shortly, which will enable the company to finalise the half year accounts.

Please note all of the above numbers are subject to final audit and may change.

This ASX release has been authorised by the Board of Directors.

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About Oliver's Real Food Limited (ASX:OLI)

Oliver's Real Food Limited (**Oliver's**) listed on the ASX on 21 June 2017. Over its 15-year operating history, Oliver's has established a significant market position providing a health fast food alternative for travellers on Australia's major arterial highways. Oliver's Real Food is the world's first "certified organic fast-food chain" and provides its customers with premium quality, "real" food that is fresh, natural, & free from additive and preservatives. Oliver's is a conscious business that understands, and is committed to, the interdependency of "all stakeholders" including our customers, investors, team members, suppliers, the environment, and the communities in which we operate.

www.oliversrealfood.com.au.