Oliver's Real Food Limited

ABN 33 166 495 441

Appendix 4D and Interim Financial Report

For the half year ended 31 December 2018

oliver's™

FEED YOUR GOOD

Fresh. Natural. Organic.

Oliver’s Real Food Limited

Oliver’s Real Food Limited and Controlled Entities
ABN 33 166 495 441

Appendix 4D and Interim Financial Report
For the half year ended 31 December 2018

Oliver's Real Food Limited

Oliver's Real Food Limited and Controlled Entities
ABN 33 166 495 441

Appendix 4D and Interim Financial Report
For the half year ended 31 December 2018

Reporting period

Current reporting period	Half year ended 31 December 2018
Previous reporting period	Half year ended 31 December 2017

Results for Announcement to the market:

- **Revenue increased by 3.9% to $18.3m**
- **Gross margin was 72.6%**
- **EBITDAI loss was $3.5m and underlying EBITDAI loss was $2.9m**

Revenue and Net Profits

	Half-Year ended 31-Dec-18 $'000s	Half-Year ended 31-Dec-17 $'000s	Variance %
Revenue from ordinary activities	**18,253**	**17,562**	3.9%
Earnings before interest, taxes, depreciation and amortisation and impairments (EBITDAI) *	**(3,553)**	993	
Net profit after tax	**(11,535)**	**(127)**	
Earnings per share (dollars)			
- Basic	**(0.05)**	**(0.00)**	
- Diluted	**(0.05)**	**(0.00)**	

	As at 31-Dec-18	As at 31-Dec-17
Net Assets (per share)	**$0.06**	$0.11
Net Tangible Assets (per share)	**$0.04**	$0.07

* EBITDAI is a financial measure which is not prescribed by the Australian Accounting Standards ("AAS") and represents the profit/loss under AAS adjusted for specific non-cash and significant items. The directors consider EBITDAI to reflect the core earnings of the consolidated entity. A reconciliation between EBITDA and profit after income tax for the half years ended 31 December 2018 and 31 December 2017 are set out below:

	Half year ended 31 Dec 2018	Half year ended 31 Dec 2017
	$'000s	$'000s
Net profit after tax - Reported	($11,535)	($127)
Tax expenses	($31)	($13)
Profit before tax	($11,566)	($140)
Depreciation and amortisation expenses	$1,206	$1,092
Finance costs, net of interest income	$53	$41
EBITDA	($10,306)	$993
Impairment of trade debtors	$200	
Impairment of fixed assets	$3,908	-
Impairment of intangibles (other than goodwill)	$120	-
Impairment of goodwill	$2,524	-
EBITDAI	**($3,553)**	**$993**
One-off items		
Professional fees (post IPO)	-	$109
Staff restructuring costs	-	$28
CEO transition costs	$171	-
Provision for onerous lease	$500	-
Underlying EBITDAI	**($2,882)**	**$1,130**

Dividends

No dividend was declared or paid during the reporting period.

Commentary on the results

Revenue for the half year to December 2018 increased by 3.9% to $18.3 m.

Gross margin for the half year was 72.6% compared to 75.6% for the same period last year.

EBITDAI was a loss of $3,553,042 as compared to EBITDAI of $992,994 on prior year. Underlying EBITDAI for the period was a loss of $2,881,915 which excludes one off expenses that are not considered to form the ordinary part of business.

Depreciation and Amortisation marginally up from $1.1m to $1.2m resulting from new stores opened.

The company operated a total of 28 company-owned quick service restaurants throughout the half-year.

The company's cash balance was $3.5m as at the balance sheet date.

As disclosed in the trading update on 30 January 2019, the Sales revenue for this period, whilst marginally higher than the previous year, was lower than the Company's internal forecast. EBITDA was also short of the forecast. The shortfalls in both Revenue and EBITDA are attributed to a range of factors, being:

1. Weaker retail spending generally in the Christmas and holiday period, with trading in Oliver's stores being not as strong as expected,
2. Initiatives to improve foot traffic leading into the peak holiday period, including the repricing of products to address negative customer sentiment, new product introductions, and the introduction of value combo offerings designed to improve the customer value proposition, did not translate into increased revenue to the extent anticipated,

3. Roadworks diversions at flagship stores negatively impacting performance in key stores, especially in the peak trading period,
4. The Company bringing forward the planned refurbishment of its flagship store at Wyong, resulting in reduced trading for a 12 days period in December,
5. Several recently opened stores that failed to deliver the sales as forecast, including during the first peak trading period for those stores, resulting in the decision to close some of these underperforming stores (namely Dubbo and Coomera to date), and taking provisions against the carrying value of others,
6. The new personnel and operational costs added to the Company in anticipation of increased revenues from existing and recently opened stores , including store labour, new Brisbane warehouse & kitchen facilities and head office support services to facilitate anticipated revenue growth added to the cost structure for the Company, but that increased cost was not offset by planned sales performance and operational efficiencies during the peak trading period,
7. Further unexpected landlord delays in opening the Coffs Harbour southbound store meant forecast peak period income for this location did not materialise, and
8. The proceeds from the pro-rata rights issue conducted in November 2018 fell well short of expectations, and the directors were unable to place the shortfall, there by constraining the capital available for further growth initiatives including opening of additional stores.

As a result of these factors, the directors have taken the position that some goodwill and other intangibles in select business operations, property plant & equipment of prior year and recently closed stores and other facilities and certain receivables should be impaired. The total of these impairments, treated as non-cash adjustments to the balance sheet, is $6.752m. The directors do not anticipate any further impairments at year end, and as a result the $15.7m in Net Assets (Net Assets per share of $0.06) and Net Tangible Assets per Share of $0.04 now more accurately reflects the carrying value of the business assets going forward.

Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report. The review report is attached as part of the Interim Financial Report and include emphasis of matter paragraphs in respect of Onerous Lease Provisions and Going Concern.

Events After the Current reporting period

- The company closed its stores located at Dubbo (NSW) and Coomera (QLD)
- Mark Richardson resigned as a director and Chairman

Interim Financial Report

The interim financial report of Oliver’s Real Food Limited for the half year ended 31 December 2018 is attached.

Katherine Hatzis
Director

Greg Madigan
CEO

Date: 28 February 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Oliver's Real Food Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Review of operations

Revenue for the half year to December 2018 was $18.3m, an increase of 3.9% from $17.6m in the half year to December 2017.

Gross margin for the half year was 72.6% compared to 75.6% for the same period last year.

Earnings before depreciation, amortisation, interest, tax and impairments (EBITDAI) were a loss of $3,553,042. Underlying EBITDAI for the period was a loss of $2,881,915 which excludes one off expenses that are not considered to form the ordinary part of business.

The loss for the consolidated entity after providing for income tax and impairments amounted to $11,534,632 (*31 December 2017: loss of $127,410*).

The company operated a total of 28 company-owned quick service restaurants throughout the half-year.

As disclosed in the trading update on 30 January 2019, the Sales revenue for this period, whilst marginally higher than the previous year, was lower than the Company's internal forecast. EBITDA was also short of the forecast. The shortfalls in both Revenue and EBITDA are attributed to a range of factors, being:

1. Weaker retail spending generally in the Christmas and holiday period, with trading in Oliver's stores being not as strong as expected,
2. Initiatives to improve foot traffic leading into the peak holiday period, including the repricing of products to address negative customer sentiment, new product introductions, and the introduction of value combo offerings designed to improve the customer value proposition, did not translate into increased revenue to the extent anticipated,
3. Roadworks diversions at flagship stores negatively impacting performance in key stores, especially in the peak trading period,
4. The Company bringing forward the planned refurbishment of its flagship store at Wyong, resulting in reduced trading for a 12 days period in December,
5. Several recently opened stores that failed to deliver the sales as forecast, including during the first peak trading period for those stores, resulting in the decision to close some of these underperforming stores (namely Dubbo and Coomera to date), and taking provisions against the carrying value of others,
6. The new personnel and operational costs added to the Company in anticipation of increased revenues from existing and recently opened stores , including store labour, new Brisbane warehouse & kitchen facilities and head office support services to facilitate anticipated revenue growth added to the cost structure for the Company, but that increased cost was not offset by planned sales performance and operational efficiencies during the peak trading period,
7. Further unexpected landlord delays in opening the Coffs Harbour southbound store meant forecast peak period income for this location did not materialise, and
8. The proceeds from the pro-rata rights issue conducted in November 2018 fell well short of expectations, and the directors were unable to place the shortfall, there by constraining the capital available for further growth initiatives including opening of additional stores.

As a result of these factors, the directors have taken the position that some goodwill and other intangibles in select business operations, property plant & equipment of prior year and recently closed stores and other facilities and certain receivables should be impaired. The total of these impairments, treated as non-cash adjustments to the balance sheet, is $6.752m. The directors do not anticipate any further impairments at year end, and as a result the $15.7m in Net Assets (Net Assets per share of $0.06) and Net Tangible Assets per Share of $0.04 now more accurately reflects the carrying value of the business assets going forward.

Directors

The following persons were directors of Oliver’s Real Food Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mark Anthony Richardson	Non-Executive Chairman (resigned on 25 February 2019)
Katherine Hatzis	Non-Executive Director
John Flower Diddams	Non-Executive Director
Peter Rodwell	Non-Executive Director

Dividends

No dividends were paid or proposed during the period.

Matters subsequent to the end of the Reporting Period

Refer to Note 8 to the financial statements for a summary of the significant events occurred after the end of the Reporting Period.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 23.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

Katherine Hatzis	Greg Madigan
Director	Chief Executive Officer

Dated: 28 February 2019

Oliver's Real Food Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated Half year ended 31 Dec 2018 $	Consolidated Half year ended 31 Dec 2017 $
Revenue from continuing operations		**18,252,555**	17,562,416
Other income		**41,300**	82,106
Expenses			
Raw materials and consumables used		**(4,999,879)**	(4,288,923)
Employee benefits expense		**(10,055,303)**	(7,067,470)
Occupancy expense		**(3,989,729)**	(2,597,553)
Other administration expenses		**(2,698,345)**	(2,692,789)
Provision for stock write off		**(100,000)**	-
Depreciation and amortisation expense		**(1,206,465)**	(1,091,887)
Finance costs		**(57,123)**	(45,949)
Impairment of trade debtors		**(200,000)**	-
Impairment of property, plant and equipment		**(3,908,435)**	-
Impairment of goodwill and other intangibles		**(2,644,437)**	-
Loss before income tax expense		**(11,565,861)**	(140,049)
Income tax expense		**31,229**	12,639
Loss after income tax expense for the period		**(11,534,632)**	(127,410)
Other comprehensive income			
Other comprehensive income for the period, net of tax		**-**	-
Total comprehensive loss for the period		**(11,534,632)**	(127,410)

Earnings per share			
Basic		**($0.05)**	($0.00)
Diluted		**($0.05)**	($0.00)

The accompanying notes form part of these financial statements

Oliver's Real Food Limited
Statement of financial position
As at 31 December 2018

	Note	Consolidated As at 31 Dec 2018 $	Consolidated As at 30 June 2018 $
Assets			
Current assets			
Cash and cash equivalents	3	**3,471,144**	2,858,960
Trade and other receivables		**307,696**	659,714
Inventories		**1,911,743**	2,095,246
Other assets		**334,376**	410,679
Total Current Assets		**6,024,959**	6,024,599
Non-current assets			
Property, plant and equipment	5	**11,350,710**	15,287,023
Deferred tax assets		**-**	-
Intangible assets	4	**6,087,054**	8,934,430
Other non-current assets		**508,073**	406,517
Total non-current assets		**17,945,837**	24,627,970
Total assets		**23,970,796**	30,652,569
Liabilities			
Current liabilities			
Trade and other payables		**4,331,588**	3,128,895
Borrowings	6	**1,384,477**	374,313
Other financial liabilities		**1,068,712**	494,089
Provisions		**473,692**	391,744
Total current liabilities		**7,258,469**	4,389,041
Non-current liabilities			
Borrowings	6	**322,564**	1,701,559
Other financial liabilities		**332,155**	203,138
Deferred tax liabilities		**-**	253,249
Provisions		**339,765**	403,580
Total non-current liabilities		**994,484**	2,561,526
Total liabilities		**8,252,953**	6,950,567
Net assets		**15,717,843**	23,702,002
Equity			
Issued capital		**29,810,861**	26,149,248
Reserves		**293,724**	275,128
Accumulated losses		**(14,386,742)**	(2,722,374)
Total equity		**15,717,843**	23,702,002

The accompanying notes form part of these financial statements

Consolidated	Share Capital Ordinary $	Retained Earnings $	Option Reserve $	Subtotal $	Non-controlling interest $	Total $
Balance at 1 July 2017	25,215,628	(1,681,237)	121,883	23,656,274	164,116	**23,820,390**
Loss after income tax expense for the period	-	(127,410)	-	(127,410)	-	**(127,410)**
Other comprehensive income for the period, net of tax	-	-	-	-	-	**-**
Total comprehensive loss for the period	-	(127,410)	-	(127,410)	-	**(127,410)**
Transactions with owners in their capacity as owners:						
Shares issued costs	(23,425)	-	-	(23,425)	-	**(23,425)**
Option expenses recognised in the period	-	-	89,558	89,558	-	**89,558**
Total transactions with owners in their capacity as owners	(23,425)	-	89,558	66,133	-	**66,133**
Other						
Acquisition of non-controlling interest	562,500	(398,384)	-	164,116	(164,116)	-
Total Other	562,500	(398,384)	-	164,116	(164,116)	-
Balance at 31 December 2017	**25,754,703**	**(2,207,031)**	**211,441**	**23,759,113**	**-**	**23,759,113**

The accompanying notes form part of these financial statements

Oliver's Real Food Limited
Statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Share Capital Ordinary $	Retained Earnings $	Option Reserve $	Subtotal $	Non-controlling interest $	Total $
Balance at 1 July 2018	26,149,248	(2,722,374)	275,128	23,702,002	-	**23,702,002**
Adjustment for change in accounting policy (note 1)	-	(129,736)	-	(129,736)	-	(129,736)
Balance at 1 July 2018 – restated	26,149,248	(2,852,110)	275,128	23,572,266	-	23,572,266
Loss after income tax expense for the period	-	(11,534,632)	-	(11,534,632)	-	**(11,534,632)**
Other comprehensive income for the period, net of tax	-	-	-	-	-	**-**
Total comprehensive loss for the period	-	(11,534,632)	-	(11,534,632)	-	**(11,534,632)**
Transactions with owners in their capacity as owners:						
Shares issued during the period	4,044,910	-	-	4,044,910	-	**4,044,910**
Shares issued costs	(383,297)	-	-	(383,297)	-	**(383,297)**
Option expenses recognised in the period	-	-	18,596	18,596	-	**18,596**
Total transactions with owners in their capacity as owners	3,661,613	-	18,596	3,680,209	-	**3,680,209**
Balance at 31 December 2018	**29,810,861**	**(14,386,742)**	**293,724**	**15,717,843**	**-**	**15,717,843**

The accompanying notes form part of these financial statements

Oliver's Real Food Limited
Statement of cash flows
For the half-year ended 31 December 2018

	Note	Consolidated Half year ended 31 Dec 2018 $	Consolidated Half year ended 31 Dec 2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		18,383,526	18,237,202
Interest received		3,642	4,793
Other revenue		(11,808)	26,536
Payment to suppliers and employees		(19,406,905)	(16,409,209)
Finance costs		(57,123)	(45,949)
Income taxes paid		(160,866)	-
Net cash provided by (used in) operating cash activities		(1,249,534)	1,813,373
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		-	(3,519,128)
Payments for property, plant and equipment		(1,866,615)	(4,026,601)
Proceeds from sale of property, plant and equipment		577,034	-
Payments for intellectual property		(139,026)	-
Net cash used in investing activities		(1,428,607)	(7,545,729)
Cash flows from financing activities			
Proceeds from issue of shares		4,044,910	-
Payment of costs for issuance of shares		(383,297)	
Proceeds from borrowings		-	1,834,042
Repayment of borrowings		(371,288)	(166,443)
Net cash provided by financing activities		3,290,325	1,667,599
Net (decrease)/increase in cash and cash equivalents		612,184	(4,064,756)
Cash and cash equivalents at the beginning of the financial period		2,858,960	6,344,096
Cash and cash equivalents at the end of the financial period		3,471,144	2,279,340

The accompanying notes form part of these financial statements

Note 1. Significant accounting policies

The financial statements cover Oliver's Real Food Ltd as a consolidated entity comprising Oliver's Real Food Ltd and the entities it controlled during the half-year. The financial statements are presented in Australian dollars, which is the group's functional and presentation currency.

Statement of compliance
These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with continuous disclosure requirements of the Corporation Act 2001.

Basis of preparation
The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

Going Concern

The financial statements have also been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

As disclosed in the half-year interim report, the consolidated entity has experienced operating losses of $11,534,632 (including $6,752,872 in impairment charges) and a decline in cash flows from operating activities of $1,249,534. This disappointing performance reflected the continued difficult trading conditions suffered by the retail business.

As at 31 December 2018, the consolidated statement of financial position reflected an excess of current liabilities over current assets of $1,233,510. The working capital deficit was primarily caused by the reclassification of $1,000,000 of bank loan which has become current due to its renewal date being 29 November 2019. The ability of the Group to continue as a going concern is contingent on a number of factors, including improved performance of the remaining retail stores and renewal of the Groups $1,000,000 bank loan.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts in the financial report.

However, the directors believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- Cash flow forecast prepared by management demonstrate the Group can operate to generate a net cash inflow from operating activities;
- The Group has continuing support from its bankers and it is expected the current $1m bank debt will be extended past the 29 November 2019 renewal date; and
- The Group has the ability to consider the realisation of cash resources through tangible and intangible assets.

therefore the directors have prepared the financial statements on a going concern basis.

Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements as at 31 December 2018.

Note 1. Significant accounting policies (continued)

The principal accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2018. These accounting policies are consistent with Australian Accounting Standards.

Critical accounting judgements, estimates and assumptions
The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. All critical accounting estimates and judgements are consistent with those applied and included in the annual financial statements for the year ended 30 June 2018.

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.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

The company has closed a number of stores resulting in an impairment of assets, principally in relation to fit out assets associated with lease premises, the impairment charge was $2,043,090. In addition, impairment reviews were undertaken on an operating segment basis consistent with the policy disclosed in the last annual report. This review identified an additional impairment of property, plant and equipment in respect of the Victorian segment. The impairment charge was $1,865,345.

For the impairment review for all operating segments, an annual growth rate in the range of 0% to 14.45% and a discount rate of 20.43% were used.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

As at 31 December 2018, impairment reviews were undertaken on an operating segment basis consistent with the policy disclosed in the last annual report. As a result of the reviews, the goodwill allocated to the Queensland segment of $274,610 (impaired in FY2018), the Victoria segment of $2,034,466, the NSW segment of $124,400 and the Red Dragon segment of $365,646 have been impaired.

The remaining balance of the goodwill of $2,138,516 is allocated to the group of cash generating units that make up the NSW segment, which includes the two flagship stores at Wyong, NSW, for which no impairment is considered necessary.

The franchised rights allocated to the Victoria segment of $119,925 has also been impaired.

For the impairment review for all operating segments, an annual growth rate in the range of 0% to 14.45% and a discount rate of 20.43% were used.

Note 1. Significant accounting policies (continued)

Provision for onerous lease
The company has closed a number of stores in the reporting period and made decisions regarding future closures. For stores which operate from premises under property lease, there is an existing obligation to pay rental charges to the end of the lease. Management have considered options to minimise the costs to be incurred by the company and based on legal advice have determined that the lease can be terminated. A provision has been made for the present value of the directors' best estimate of anticipated costs for the termination of the leases. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates, minimum future rental payments and cost estimates, and the lessors ability to mitigate any shortfall in payments due under the respective leases.

As at 31 December 2018, the provision for onerous leases was $500,000. This represents the best estimate by the directors of the anticipated costs for the four closed stores with reference to professional advices. The provision is significantly less than the minimum future rental payments under the lease should the respective landlord in all cases be able to enforce he full term lease liabilities.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments
The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers
The consolidated entity has adopted AASB 15 from 1 July 2018. The standard 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 standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Note 1. Significant accounting policies (continued)

Impact of adoption
AASB 9 and AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2018 was $129,736 due to the deferred revenue recognised from the coffee loyalty cards. There was no impact from the adoption of the expected credit loss model under AASB 9.

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses,

Contract assets

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Note 1. Significant accounting policies (continued)

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Note 2. Operating segments

Identification of reportable operating segments
The consolidated entity operates exclusively in the Quick Service Restaurant ("QSR") segment in Australia.

Note 3. Reconciliation of Cash and Cash Equivalents

	Consolidated	
	31 Dec 2018	30 Jun 2018
	$	$
Cash at the end of the period as shown in the statement of cashflows is reconciled to the items in the statement of financial position as follows:		
Cash at bank and on hand	**3,154,130**	2,544,723
Short-term bank deposits	**317,014**	314,237
	3,471,144	2,858,960

Note 4. Intangible Assets

	Goodwill	Patents and Trademarks	Computer software	Brands & IP	Customer Relationships	Franchised Rights	Total
	$	$	$	$	$	$	$
Balance as at 1 July 2018	**4,663,028**	**83,177**	**381,177**	**691,256**	**255,946**	**2,859,846**	**8,934,430**
Additions	-	-	139,026	-	-	-	139,026
Disposals	-	-	-	(80,681)	-	-	(80,681)
Impairment of assets	(2,524,512)	-	-	-	-	(119,925)	(2,644,437)
Amortisation expense	-	(12,733)	(185)	-	(16,692)	(231,675)	(261,284)
Balance as at 31 December 2018	**2,138,516**	**70,444**	**520,018**	**610,575**	**239,255**	**2,508,246**	**6,087,054**

Note 5. Property, Plant and Equipment

	Land & Buildings	Leasehold Improvement	Plant & Equipment	Motor Vehicles	Total
	$	$	$	$	$
Balance at 1 July 2018	1,028,338	8,089,894	5,271,343	897,448	15,287,023
Additions	-	610,313	854,969	101,329	1,566,611
Disposals	(531,425)	(101,956)	(15,927)	-	(649,308)
Impairment	-	(2,455,041)	(1,453,394)	-	(3,908,435)
Depreciation Charges	-	(325,964)	(553,447)	(65,770)	(945,181)
Closing at 31 December 2018	**496,913**	**5,817,246**	**4,103,544**	**933,007**	**11,350,710**

Note 6. Borrowings

	Consolidated	
	31 Dec 2018	30 Jun 2018
	$	$
Current		
Bank loans	**1,000,000**	-
Lease liability	**184,477**	174,313
Loan from associated parties	**200,000**	200,000
	1,384,477	374,313
Non-current		
Bank loans	**-**	1,390,000
Lease liability	**322,564**	311,559
	322,564	1,701,559
Total borrowings	**1,707,041**	2,075,872

The bank loan is secured over the group's present and subsequently acquired properties.

Note 7. Related party transactions

There are no related party transactions during the period.

Note 8. Events after the end of the period

During the period from January to the date of this report:

1. The company closed its stores located at Dubbo (NSW) and Coomera (QLD).
2. Mark Richardson resigned as a director and Chairman

There is no further significant event occurred after the end of the reporting period.

In the directors' opinion:

1. the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

2. the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and

3. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Katherine Hatzis	Greg Madigan
Director	Chief Executive Officer

Dated: 28 February 2019

RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500
F +61 (0) 2 8226 4501

www.rsm.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

OLIVER'S REAL FOOD LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Oliver's Real Food Limited which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations act 2001*, which has been given to the directors of Oliver's Real Food Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the interim financial report, which indicates that the Group incurred a net loss of $11,534,632 during the half-year ending 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by of $1,233,510. 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 conclusion is not modified in respect of this matter.

Emphasis of matter - Onerous Lease Provision

We draw attention to Note 1 in the interim report, which disclosed the assumptions management has taken in determining the present value of it minimum obligations in respect of property leases that are regarded as onerous under AASB 137, Provisions, Contingent Liabilities and Contingent Assets. The assumptions determined by management are contingent on future actions and therefore a material uncertainty exists that may cast doubt on the adequacy of the provisions. Our conclusion is not modified in respect of this matter.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Oliver's Real Food Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

D Talbot

David Talbot
Partner

Sydney, NSW
Dated: 28 February 2019

RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500
F +61 (0) 2 8226 4501

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Oliver's Real Food Limited for the half year ended 31 December 2018, 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.

RSM

RSM AUSTRALIA PARTNERS

D Talbot

David Talbot
Partner

Sydney, NSW
Dated: 28 February 2019