



## **Oliver's Real Food Limited**

**ABN 33 166 495 441**

### **Appendix 4D and Interim Financial Report**

**For the half year ended 31 December 2019**



# 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 2019

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# 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 2019

## Reporting period

Current reporting period Half year ended 31 December 2019

Previous reporting period Half year ended 31 December 2018

## Results for Announcement to the market:

- Revenue decreased by 1.7% to \$17.9m
- Gross margin was 72.8%
- EBITDAI was \$300K and underlying EBITDAI profit was \$1.3m

## Revenue and Net Losses

	Half-Year ended 31-Dec-19 \$'000s	Half-Year ended 31-Dec-18 \$'000s	Variance %
Revenue from ordinary activities	17,937	18,253	(1.7%)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-	(\$10,306)	100%
Earnings before interest, taxes, depreciation and amortisation and impairments (EBITDAI) *	300	(3,553)	108.4%
Net profit after tax	(3,648)	(11,535)	68.4%
Earnings per share (dollars)			
Basic	(0.01)	(0.05)	
Diluted	(0.01)	(0.05)	
	As at 31-Dec-19	As at 31-Dec-18	
Net Assets (per share)	\$0.04	\$0.05	
Net Tangible Assets (per share)	(\$0.11)	\$0.02	

\* 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 2019 and 31 December 2018 are set out below:

\*Underlying 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 not expected to recur between periods. The directors consider Underlying EBITDAI to reflect the core earnings of the consolidated entity. A reconciliation between Underlying EBITDA and profit after income tax for the half years ended 31 December 2019 and 31 December 2018 are set out below.

	Half year ended 31 Dec 2019	Half year ended 31 Dec 2018
	\$'000s	\$'000s
<b>Net loss after tax - Reported</b>	(3,648)	(11,535)
Tax expense (benefit)	90	(31)
<b>Loss before tax</b>	(3,558)	(11,566)
Depreciation and amortisation expenses	2,812	1,206
Finance costs, net of interest income	746	53
EBITDA	-	(10,306)
Impairment of trade debtors	-	\$200
Impairment of fixed assets	300	3,908
Impairment of intangibles (other than goodwill)	-	120
Impairment of goodwill	-	2,524
<b>EBITDAI</b>	<b>300</b>	<b>(3,553)</b>
<b>One-off items</b>		
Share Based Payments	917	-
Provision for Calcoffs Lease Surrender Costs	75	-
CEO transition costs	-	171
Provision for onerous lease	-	500
<b>Underlying EBITDAI</b>	<b>1,292</b>	<b>(2,882)</b>

### Commentary on the results

- Revenue for the half year to December 2019 decreased by 1.7% to \$17.9 m.
- Gross margin for the half year was 72.8% compared to 72.6% for the same period last year.
- EBITDAI was \$300k as compared to EBITDAI loss of \$3,553k on prior year. Underlying EBITDAI for the period was of \$1,292k and excludes one off expense that are not considered to form the ordinary part of business, compared to a negative \$2,882k for the same period in the previous year.
- Depreciation and Amortisation increased up from \$1.1m to \$2.8m due to change in accounting for leases.
- The company operated a total of 25 company-owned quick service restaurants throughout the half-year.
- The company's cash and cash equivalents balance was \$1.2m as at the balance sheet date.
- The shortfalls in both Revenue and subsequent EBITDA are attributed largely to the impact of the extraordinary bush fires in QLD NSW and VIC that significantly reduced the number of travellers on the highways throughout November and December as a result of multiple road closures, store evacuations, power outages and the resultant travel warnings issued by the local fire authorities to deter motorists and holiday makers from travelling. (See attachments).
- To further improve future business performance, the directors have taken the decision that the Coffs Harbour Southbound store will close effective 20th April 2020. A determination has been reached that this store is not only underperforming, but it has also cannibalised the Northbound store at Coffs Harbour, negatively impacting the trading performance of the northbound store which had been trading profitably prior to the opening of the southbound store.
- As a result, \$300k of Leasehold Improvements have been impaired in the above and in addition the Lease Surrender Fee of \$75,000 charged against profits even though this decision will not take effect until the end of April 2020.

#### **Entities over which control was lost**

N/A

#### **Dividends**

No dividends were paid or proposed during the period.

#### **Reinvestment plans**

N/A

#### **Associates and joint ventures**

N/A

#### **Foreign entities**

N/A

#### **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 includes qualifications in respect of the carrying amount of intangible assets and opening balances. It also includes emphasis of matter paragraphs in respect of Going Concern, impact of alleged misappropriation and restatement of comparatives.

#### **Events After the Current reporting period**

- Jason Gunn confirmed in writing that he will extend the repayment date for his loan of \$420,000 until 20<sup>th</sup> March 2021. The extension is subject to the loan becoming secured. On the basis this has been agreed to, the interest rate will reduce to 6% p.a.
- As a result of the successful vote re Directors options, at the EGM on the 6<sup>th</sup> February, the Company will receive receipts totalling \$440,000, \$110,000 from each of the 4 Directors. As at the date of this report, the Company has received \$157,000
- To further improve future business performance, the directors have taken the decision that the Coffs Harbour Southbound store will close effective 20<sup>th</sup> April 2020. A determination has been reached that this store is not only underperforming, but it has also cannibalised the Northbound store at Coffs Harbour, negatively impacting the trading performance of the northbound store which had been trading profitably prior to the opening of the southbound store.

#### **Interim Financial Report**

The interim financial report of Oliver's Real Food Limited for the half year ended 31 December 2019 is attached.



**Nicholas Dower**  
**DIRECTOR**



**Jason Gunn**  
**CHIEF EXECUTIVE OFFICER**

Date: 28 February 2020

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 2019.

### **Review of Operations:**

As a board and management team we are delighted with the results we have achieved in H1-20.

EBITDA for the period (after one off Items of \$992k) is \$Nil. **This represents an improvement of \$10,306,044 from the same period previous year.**

The one-off items representing the \$992k that reduced the EBITDA from \$1036k to the \$Nil mentioned above are the share based payments to directors and provision for lease surrender costs.

**Revenue** for the half year to December 2019 decreased by 1.7% (\$316k) to \$17.9 m.

Given the difficulties and head winds faced in this first half year in nearly all aspects of the business, created either by existing internal structural challenges within the business when the current board took control, or by the external environmental factors such as bush fires and resultant road closures and power outages, we believe that the results presented today are encouraging, especially when you consider that the company operated a total of 25 company-owned quick service restaurants throughout the half-year as against 29 stores for the same period previous year.

Jason Gunn CEO commented:

*"The board and management feel compelled to acknowledge the fantastic performance of the store operations and supply chain teams in this difficult and challenging trading period.*

*The improvement in operating performance in these challenging times is testament to the strong heart of the brand, the management, and the people that work in this business.*

*We are extremely proud and appreciative of our team"*

**Gross margin** for the half year increased to 72.8% compared to 72.6% for the same period last year.

### **Store Network:**

The company operated a total of 25 company-owned quick service restaurants throughout the half-year as against 29 stores for the same period previous year.

However to further improve future business performance, the directors have taken the decision that the Coffs Harbour Southbound store will close effective 20<sup>th</sup> April 2020, leaving a total of 24 company owned stores in the network.

A determination has been reached that this store is not only underperforming due to significant challenges with the site, but it has also cannibalised the Northbound store at Coffs Harbour, negatively impacting the trading performance of the northbound store which had been trading profitably prior to the opening of the southbound store. We expect this decision will result in an increased profit contribution from the remaining store in Coffs Harbour, thus improving overall performance.

On the other side of the ledger, we have continued to explore new opportunities for sustainable growth and we are encouraged by the results of the recent test of the new Oliver's "Food To Go" offering in 3 new petrol convenience locations in association with EG Fuelco (Australia) Limited.

Early indications are that this concept, offering a range of Oliver's branded Grab and Go food items such as sandwiches, salads, meals and snacks to consumers at the newly rebranded EG Fuelco sites (Formerly Woolworths Caltex) is being embraced by consumers.





Management see this channel as an ideal way to leverage existing production and supply chain infrastructure as well as building brand awareness and consumer reach.

**New Products:**

Innovation is an important part of remaining relevant in the QSR space and understanding this, the management team have been working on new and exciting products to expand and enhance the Oliver's offering for consumers. This will deliver greater appeal to wider market segments.

**Outlook:**

The board and management look forward to moving beyond the remaining legacy issues from the past, and producing a continuing increase in the company's profits and performance, the beginning of which has been demonstrated over the last half year under challenging conditions.

The board are currently working on several very exciting opportunities and will have more to announce on these very soon.



### **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:

Nicholas Dower	Non-Executive Chairman
Jason Gunn	Executive Director
Steven Metter	Non-Executive Director
Amanda Gunn	Executive Director

### **Dividends**

No dividends were paid or proposed during the period.


### **Matters subsequent to the end of the Reporting Period**

- Jason Gunn confirmed in writing that he will extend the repayment date for his loan of \$420k until 20<sup>th</sup> March 2021. The extension is subject to the loan becoming secured. On the basis this is agreed to, the interest rate will reduce to 6% p.a.
- As a result of the successful vote re Directors options, at the EGM on the 6<sup>th</sup> February, the Company will receive receipts totalling \$440k, \$110k from each of the 4 Directors. As at the date of this report, the Company has received \$157.5k
- To further improve future business performance, the directors have taken the decision that the Coffs Harbour Southbound store will close effective 20th April 2020. A determination has been reached that this store is not only underperforming, but it has also cannibalised the Northbound store at Coffs Harbour, negatively impacting the trading performance of the northbound store which had been trading profitably prior to the opening of the southbound store.

### **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 26.

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



Nicholas Dower  
Director



Jason Gunn  
Chief Executive Officer

Dated: 28 February 2020

Oliver's Real Food Limited  
**Statement of profit or loss and other comprehensive income**  
For the half-year ended 31 December 2019

	<b>Consolidated</b>	
	<b>Half year ended 31 Dec 2019 \$</b>	<b>Half year ended 31 Dec 2018 \$</b>
<b>Note</b>		
<b>Revenue from continuing operations</b>	<b>17,937,045</b>	<b>18,252,555</b>
Other income	211,261	41,300
<b>Expenses</b>		
Raw materials and consumables used	<b>(4,886,083)</b>	(4,999,879)
Employee benefits expense	<b>(9,762,135)</b>	(10,055,303)
Occupancy expense	<b>(1,093,096)</b>	(3,989,729)
Other administration expenses	<b>(1,931,540)</b>	(2,698,345)
Cash shortages	8 (175,000)	-
Provision for stock write off	-	(100,000)
Depreciation and amortisation expense	<b>(2,812,069)</b>	(1,206,465)
Finance costs	<b>(60,609)</b>	(57,123)
Finance Costs – Leases	<b>(685,927)</b>	-
Impairment of trade debtors	-	(200,000)
Impairment of property, plant and equipment	<b>(300,000)</b>	(3,908,435)
Impairment of goodwill and other intangibles	-	(2,644,437)
<b>Loss before income tax expense</b>	<b>(3,558,153)</b>	(11,565,861)
Income tax expense (benefit)	90,335	(31,229)
<b>Loss after income tax expense for the period</b>	<b>(3,648,488)</b>	(11,534,632)
<b>Other comprehensive income</b>		
Other comprehensive income for the period, net of tax	-	-
<b>Total comprehensive loss for the period</b>	<b>(3,648,488)</b>	(11,534,632)
<b>Earnings per share</b>		
Basic	<b>(\$0.01)</b>	(\$0.05)
Diluted	<b>(\$0.01)</b>	(\$0.05)

*The accompanying notes form part of these financial statements*

Oliver's Real Food Limited  
**Statement of financial position**  
As at 31 December 2019

		<b>Consolidated</b>	
	<b>Note</b>	<b>As at 31 Dec 2019</b>	<b>As at 30 June 2019 (Restated)</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	1,235,803	1,042,598
Trade and other receivables		132,525	171,920
Inventories		1,744,747	1,642,306
Other assets		390,946	253,821
<b>Total Current Assets</b>		<b>3,504,021</b>	<b>3,110,645</b>
<b>Non-current assets</b>			
Property, plant and equipment	5	8,548,067	10,321,376
Right-to-Use Asset		29,820,087	-
Intangible Assets	4	5,676,086	6,097,701
Other non-current assets		136,515	167,132
Financial Assets at amortised cost		294,439	286,700
<b>Total non-current assets</b>		<b>44,475,194</b>	<b>16,872,909</b>
<b>Total assets</b>		<b>47,979,215</b>	<b>19,983,554</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		5,891,459	4,508,070
Borrowings	6	736,458	1,471,193
Lease Liabilities		2,924,827	-
Deferred revenue		122,728	-
Other financial liabilities		-	597,881
Provisions		529,895	503,864
<b>Total current liabilities</b>		<b>10,205,367</b>	<b>7,081,008</b>
<b>Non-current liabilities</b>			
Borrowings	6	900,000	602,563
Lease Liabilities		27,732,079	-
Other financial liabilities		-	426,677
Provisions		282,332	282,332
<b>Total non-current liabilities</b>		<b>28,914,411</b>	<b>1,311,572</b>
<b>Total liabilities</b>		<b>39,119,778</b>	<b>8,392,580</b>
<b>Net assets</b>		<b>8,859,437</b>	<b>11,590,974</b>
<b>Equity</b>			
Issued capital		29,810,861	29,810,861
Reserves		1,210,675	293,724
Accumulated losses		(22,162,099)	(18,513,611)
<b>Total equity</b>		<b>8,859,437</b>	<b>11,590,974</b>

*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 2019

<b>Consolidated</b>	<b>Share Capital Ordinary \$</b>	<b>Accumulated Losses \$</b>	<b>Option Reserve \$</b>	<b>Total \$</b>
Balance at 1 July 2018	26,149,248	(2,722,374)	275,128	23,702,002
Adjustment for change in accounting policy	-	(129,736)	-	(129,736)
<b>Balance at 1 July 2018 – restated</b>	<b>26,149,248</b>	<b>(2,852,110)</b>	<b>275,128</b>	<b>23,572,266</b>
Loss after income tax expense for the period	-	(11,534,632)	-	(11,534,632)
Other comprehensive income for the period, net of tax	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(11,534,632)</b>	<b>-</b>	<b>(11,534,632)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during the period	4,044,910	-	-	4,044,910
Shares issued costs	(383,297)	-	-	(383,297)
Option expenses recognised in the period	-	-	18,596	18,596
<b>Total transactions with owners in their capacity as owners</b>	<b>3,661,613</b>	<b>-</b>	<b>18,596</b>	<b>3,680,209</b>
<b>Balance at 31 December 2018</b>	<b>29,810,861</b>	<b>(14,386,742)</b>	<b>293,724</b>	<b>15,717,843</b>
<b>Consolidated</b>	<b>Share Capital Ordinary \$</b>	<b>Accumulated Losses \$</b>	<b>Option Reserve \$</b>	<b>Total \$</b>
Balance at 1 July 2019	29,810,861	(18,513,611)	293,724	11,590,974
Loss after income tax expense for the period	-	(3,648,488)	-	(3,648,488)
Other comprehensive income for the period, net of tax	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(3,648,488)</b>	<b>-</b>	<b>(3,648,488)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Option expenses recognised in the period	-	-	916,951	916,951
<b>Total transactions with owners in their capacity as owners</b>	<b>-</b>	<b>-</b>	<b>916,951</b>	<b>916,961</b>
<b>Balance at 31 December 2019</b>	<b>29,810,861</b>	<b>(22,162,099)</b>	<b>1,210,675</b>	<b>8,859,437</b>

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 2019

	<b>Consolidated</b>	
	<b>Half year ended 31 Dec 2019</b>	<b>Half year ended 31 Dec 2018</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	19,694,238	20,203,965
Interest received	1,297	3,642
Other revenue	9,727	(11,808)
Payment to suppliers and employees	(17,851,465)	(21,227,344)
Finance costs	(31,272)	(57,123)
Finance costs - Leases	(698,807)	-
Income taxes paid	-	(160,866)
Net cash provided by (used in) operating cash activities	<u>1,123,718</u>	<u>(1,249,534)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(115,211)	(1,866,615)
Proceeds from sale of property, plant and equipment	157,500	577,034
Payments for intellectual property	-	(139,026)
Net cash provided by (used in) investing activities	<u>42,289</u>	<u>(1,428,607)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	4,044,910
Payment of costs for issuance of shares	-	(383,297)
Lease Payments – principal	(1,392,802)	-
Proceeds from borrowings	520,000	-
Repayment of borrowings	(100,000)	(371,288)
Net cash (used in) provided by financing activities	<u>(972,802)</u>	<u>3,290,325</u>
Net increase in cash and cash equivalents	193,205	612,184
Cash and cash equivalents at the beginning of the financial period (restated)	<u>1,042,598</u>	<u>2,858,960</u>
Cash and cash equivalents at the end of the financial period	<u>1,235,803</u>	<u>3,471,444</u>

*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 2019 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 2019 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 \$3,648,488 (after taking into account \$300,000 in impairment charges and \$916,951 in the value of Directors Options) with an increase in cash flows from operating activities of \$1,123,718.

As at 31 December 2019, the consolidated statement of financial position reflected an excess of current liabilities over current assets of \$6,701,346.

These factors, notwithstanding an improvement from December 2018, 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's on-going ability to generate a positive cash inflow from operating activities;
- The Group has continuing support from its bankers and the \$1,000,000 bank debt has been renewed with an expiry date of 21 July 2021; and
- The Group has the ability to consider the realisation of cash resources through tangible and intangible assets.
- To further improve future business performance, the directors have taken the decision that the Coffs Harbour Southbound store will close effective 20<sup>th</sup> April 2020. A determination has been reached that this store is not only underperforming due to significant challenges with the site, but it has also cannibalised the Northbound store at Coffs Harbour, negatively impacting the trading performance of the northbound store which had been trading profitably prior to the opening of the southbound store. We expect this decision will result in an increased profit contribution from Coffs Harbour in the future,
- Jason Gunn confirmed in writing that he will extend the repayment date for his loan of \$436,458 until 20<sup>th</sup> March 2021. The extension is subject to the loan becoming secured. On the basis this has been agreed to, the interest rate will reduce to 6% p.a.
- As a result of the successful vote re Directors options, at the EGM on the 6<sup>th</sup> February, the Company will receive receipts totalling \$440,000, \$110,000 from each of the 4 Directors. As at the date of this report, the Company has received \$157,500.
- The Board and Management are reviewing the current product range and have identified a number of new products that will enhance the offer, while still retaining the integrity of the Olivers ethos.

#### **Note 1. Significant accounting policies (continued)**

- The employee theft monies will be recovered during the remaining term of the Financial Year and will inject \$175,000 back into cash flow.

Based on the above, 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 2019.

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 2019. 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 2019.

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 decided to close the Coffs Harbour Southbound store effective 20<sup>th</sup> April, 2020 resulting in an impairment of assets, principally in relation to fit out assets associated with lease premises. The impairment charge was \$300,000. In addition, impairment reviews were undertaken on an operating segment basis consistent with the policy disclosed in the last annual report.

#### *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.

The remaining balance of the goodwill of \$2,182,016 is allocated to the group of cash generating units that make up the NSW cash generating unit, which includes the two flagship stores at Wyong, NSW, for which no impairment is considered necessary.

For the impairment review 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)**

### *Estimation of useful lives of assets*

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### *Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on 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.

### ***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 impact of the Accounting Standards and Interpretations that are most relevant to the consolidated entity is explained in Changes in accounting policies note below.

### **Changes in accounting policies**

This note explains the impact of the adoption of AASB 16 Leases on the group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019 in note 1(a) below.

The group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

#### **(a) Adjustments recognised on adoption of AASB 16**

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.69%

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.



	<b>2019</b>	<b>\$</b>
Operating lease commitments disclosed as at 30 June 2019	32,931,758	
Restatement of prior year commitments balance due to error in computation	(1,590,678)	
Restated operating lease commitments as at 30 June 2019	<u>31,341,080</u>	
Discounted using the lessee's incremental borrowing rate of at the date of initial application	26,174,769	
Add: finance lease liabilities recognised as at 30 June 2019	891,160	
Add/(less): adjustments as a result of a different treatment of extension and termination options	6,982,906	
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	<u>-</u>	
Lease liability recognised as at 1 July 2019	<u><u>34,048,835</u></u>	
Of which are:		
Current lease liabilities	2,809,783	
Non-current lease liabilities	<u>31,239,052</u>	
	<u><u>34,048,835</u></u>	

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	<b>31 December 2019</b>	<b>1 July 2019</b>
	<b>\$</b>	<b>\$</b>
Properties	<b>29,076,156</b>	32,845,475
Motor vehicles	<b>743,931</b>	788,630
	<u><b>29,820,087</b></u>	<u>33,634,105</u>

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	<b>31 December 2019</b>	<b>1 July 2019</b>
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Properties	<b>29,076,156</b>	32,845,475
Motor vehicles	<b>743,931</b>	788,630
	<u><b>29,820,087</b></u>	<u>33,634,105</u>

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- motor vehicles – decrease by 788,630
- right-of-use assets – increase by 33,157,676
- prepayments – decrease by 114,476
- borrowings – decrease by 891,160
- other financial liabilities (non-current) – decrease by 426,677
- lease liabilities – increase by 34,048,835

The net impact on retained earnings on 1 July 2019 was Nil.

i) Impact on segment disclosures and earnings per share:

Adjusted EBITDA, segment assets and segment liabilities for December 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities. The following segments were affected by the change in policy:

	Adjusted EBITDA	Segment assets	Segment liabilities
	\$	\$	\$
Quick Service Restaurant ("QSR") segment	-	47,979,215	39,119,778

Earnings per share decreased by 0.2c per share for the six months to 31 December 2019 as a result of the adoption of AASB 16

ii) Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

#### **(b) The group's leasing activities and how these are accounted for**

The group leases various offices, warehouses, retail stores and motor vehicles. Rental contracts are typically made for fixed periods of 5 to 15 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 June 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

(i) Variable lease payments

Estimation uncertainty arising from variable lease payments.

Some property leases contain variable payment terms that are linked to sales generated from a store. Due to thresholds for variable payments not being exceeded, there are currently no lease payments that are on the basis of variable payment terms. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs. A 5% increase in sales across all stores in the group with such variable lease contracts would increase total lease payments by approximately NIL %. All impacted stores are currently trading under the variable rent threshold.

**(c) Correction of prior period errors in the classification of financial assets and liabilities**

In preparing the half-year financial report for the period ended 31 December 2019, the board of directors of the Group discovered errors in the classification of certain financial assets and liabilities. These errors resulted in the incorrect classification and presentation of financial assets and liabilities in the financial report for the year ended 30 June 2019. These errors have been corrected by restating each of the affected financial statement line items for the prior period as follows:

Balance sheet (extract)	June 2019	Increase/ (Decrease)	June 2019 (Restated)
Cash and cash equivalents	890,685	151,913	1,042,598
Trade and other receivables	609,571	(437,651)	171,920
<b>Current assets</b>	<b>3,396,383</b>	<b>(285,738)</b>	<b>3,110,645</b>
Other non-current assets	319,045	(151,913)	167,132
Financial assets at amortised cost	-	286,700	286,700
<b>Non-current assets</b>	<b>16,738,122</b>	<b>134,787</b>	<b>16,872,909</b>
<b>Total assets</b>	<b>20,134,505</b>	<b>(150,951)</b>	<b>19,983,554</b>
Trade and other payables	4,659,021	(150,951)	4,508,070
<b>Total current liabilities</b>	<b>7,231,959</b>	<b>(150,951)</b>	<b>7,081,008</b>
<b>Total liabilities</b>	<b>8,543,531</b>	<b>(150,951)</b>	<b>8,392,580</b>
<b>Net assets</b>	<b>11,590,974</b>	-	<b>11,590,974</b>
Retained earnings	(18,513,611)	-	(18,513,611)
<b>Total equity</b>	<b>11,590,974</b>	-	<b>11,590,974</b>

These classification errors did not have a material impact on the statement of profit or loss and other comprehensive income.

## Note 1. Significant accounting policies continued

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, its 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**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	\$	\$
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	1,235,803	1,042,598
Short-term bank deposits	-	-
	<u>1,235,803</u>	<u>1,042,598</u>

**Note 4. Intangible Assets**

	<b>Goodwill</b>	<b>Patents and Trademarks</b>	<b>Computer software</b>	<b>Brands &amp; IP</b>	<b>Customer Relationships</b>	<b>Franchised Rights</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at 1 July 2019</b>	<b>2,133,516</b>	<b>66,200</b>	<b>764,318</b>	<b>610,576</b>	<b>233,690</b>	<b>2,289,401</b>	<b>6,097,701</b>
Additions	-	-	6,626	-	-	-	6,626
Disposals	-	-	-	-	-	-	-
Impairment of assets	-	-	-	-	-	-	-
Reallocation	-	-	(18,181)	-	-	-	(18,181)
Amortisation expense	-	(12,732)	(158,225)	-	(16,691)	(222,412)	(410,060)
<b>Balance as at 31 December 2019</b>	<b>2,133,516</b>	<b>53,468</b>	<b>594,538</b>	<b>610,576</b>	<b>216,999</b>	<b>2,066,989</b>	<b>5,676,086</b>

#### Note 5. Property, Plant and Equipment

	Land & Buildings	Leasehold Improvement	Plant & Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2019	496,913	5,308,522	3,149,615	1,366,326	10,321,376
Additions	-	-	109,756	5,455	115,211
Transfers in from inventory	-	-	94,386	-	94,386
Transfer to Right-to-use assets	-	-	-	(788,630)	(788,630)
Disposals	-	(150,580)	(44,992)	-	(195,572)
Impairment	-	(300,000)	-	-	(300,000)
Depreciation charges	-	(272,084)	(379,629)	(46,991)	(698,704)
<b>Closing at 31 December 2019</b>	<b>496,913</b>	<b>4,585,858</b>	<b>2,929,136</b>	<b>536,160</b>	<b>8,548,067</b>

#### Note 6. Borrowings

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$	\$
Current		
Bank loans	100,000	1,000,000
Loan from related party	436,458	-
Other borrowings	200,000	200,000
Finance leases	-	271,193
	<b>736,458</b>	<b>1,471,193</b>
Non-current		
Bank loans	900,000	-
Finance leases	-	602,563
	<b>900,000</b>	<b>602,563</b>
<b>Total borrowings</b>	<b>1,636,458</b>	<b>2,073,756</b>

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

#### Note 7. Related party transactions

The Group has a loan of \$436,458 from Mr. Jason Gun (CEO of the Group) which is repayable on the 20<sup>th</sup> March 2020 and accumulates interest of 10 % per annum. As noted in Note 10 this loan will be extended until 20<sup>th</sup> March 2021 and terms amended.

#### Note 8. Alleged misappropriation of cash

During the period, the Group identified cash shortages totalling approximately \$175,000. The Group undertook an internal investigation into the cash shortages and the alleged perpetrator conceded the misappropriation. The Group reported the matter to the NSW Police. As part of the investigation, the Group obtained a caveat over property to recoup the cash shortages. The property is subject to sale prior to 30 June 2020. The directors consider the likelihood of recouping the cash

shortages virtually certain and accordingly has recognised income of \$175,000 (included in the other income line of the statement of profit or loss and other comprehensive income) and other asset of \$175,000 (included in the current other assets line of the statement of financial position) in the interim financial report.

#### **Note 9. Share Based Payments**

In March 2019 the four directors were given an incentive to improve the strategic direction and financial performance and the business in form of share options. Key terms and conditions related to these options are disclosed below:

- Number of options: 20,000,000 (5,000,000 each director)
- Strike price: \$0.022
- Expiry date: 1 month after issue
- Vesting conditions – options will only vest if the following performance conditions are met:
  - Positive EBITDA in two successive quarters
  - Growth of share price to \$0.044

All vesting conditions for issue of these options were met as at 31 December 2019. The issue of the shares was approved at EGM on 6th February 2020, which is the options grant date.

The fair value of options was determined using the Black–Scholes pricing model.

Amount equal \$811,000 has been recognised in the statement of profit or loss and other comprehensive income relating to directors options. The corresponding amount was recognised in the option reserve. Total options approved are \$916,951.

#### **Note 10. Events after the end of the period**

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

1. Jason Gunn confirmed in writing that he will extend the repayment date for his loan of \$420,000 until 20<sup>th</sup> March 2021. The extension is subject to the loan becoming secured. On the basis this has been agreed to by the Board, the interest rate will reduce to 6% p.a.
2. As a result of the successful vote re Directors options, at the EGM on the 6<sup>th</sup> February, the Company will receive receipts totalling \$440,000, \$110,000 from each of the four Directors. As at the date of this report, the Company has received \$157,500.
3. To further improve future business performance, the directors have taken the decision that the Coffs Harbour Southbound store will close effective 20<sup>th</sup> April 2020. A determination has been reached that this store is not only underperforming, but it has also cannibalised the Northbound store at Coffs Harbour, negatively impacting the trading performance of the northbound store which had been trading profitably prior to the opening of the southbound store.

Other than as noted above, there has been no other matters of circumstances arising since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the Group in future financial years.



In the directors' opinion:

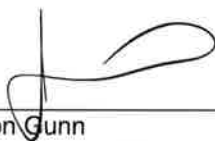
1. the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
2. the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 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



Nicholas Dower  
Director



Jason Gunn  
Chief Executive Officer

Dated: 28 February 2020



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## BISHOP COLLINS AUDIT PTY LTD

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### AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT

I am pleased to provide the following declaration of independence to the directors of Oliver's Real Food Limited.

As lead audit director for the review of the financial statements of Oliver's Real Food Limited and its controlled entities for the half-year ended 31 December 2019, I hereby declare that to the best of my knowledge and belief, there have been no contraventions of:

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

**Name of Firm**

Bishop Collins Audit Pty Ltd  
Chartered Accountants

**Name of Registered Company Auditor**

Martin Le Marchant

**Auditor's Registration No.**

431227

**Address**

Unit 1, 1 Pioneer Avenue, Tuggerah NSW 2259

**Dated**

28 February 2020



CHARTERED ACCOUNTANTS  
AUSTRALIA & NEW ZEALAND

LIABILITY LIMITED BY A SCHEME APPROVED UNDER THE PROFESSIONAL STANDARDS LEGISLATION



Directors:

Glenn A Harris CA

Martin Le Marchant CA



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## **BISHOP COLLINS**

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## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF OLIVER'S REAL FOOD LIMITED**

### **Report on the Financial Report**

We have reviewed the accompanying half-year financial report of Oliver's Real Food Limited ("the company") and controlled entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled during the half-year.

### **Directors' Responsibility for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement 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 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 2019 and its performance for the half-year ended on that date; and complying with Australian 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 consequentially 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.



CHARTERED ACCOUNTANTS  
AUSTRALIA - NEW ZEALAND

LIABILITY LIMITED BY A SCHEME APPROVED UNDER THE PROFESSIONAL STANDARDS LEGISLATION



Directors:

Glenn A Harris CA

Marlin Le Marchant CA



## **Independence**

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

## **Basis for Qualified Conclusion**

The financial report for the year ended 30 June 2019 was audited by another auditor whose report dated 17 October 2019 expressed an unqualified opinion on that financial report. In conducting the review for the year ended 31 December 2019, we were unable to obtain sufficient appropriate audit evidence in respect of comparatives and opening statement of financial position balances in the financial report. Since opening statement of financial position balances enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the income and expenditure for the period reported in the statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

Included in the consolidated statement of financial position as at 31 December 2019 is intangible assets of \$5,676,086 as disclosed in Note 4. Due to ongoing operating losses, the Group is required to undertake an impairment assessment of intangibles in accordance with AASB 136 *Impairment of Assets*. The impairment model undertaken by management did not take into consideration the financial implications arising from the adoption of AASB 16 Leases. This includes consideration of the alignment of the period of the impairment model to the lease term, and the inclusion of the right-to-use assets in the carrying value of assets assessed for impairment. Due to these factors, we were unable to satisfy ourselves as to the appropriateness of the value in use determined by the impairment model and the carrying value of assets assessed for impairment. Therefore we were unable to obtain sufficient appropriate audit evidence about the carrying value of the intangible assets as at 31 December 2019. Consequently we were unable to determine whether any adjustments to the carrying value of the intangible assets in the statement of financial position are necessary for the period ended 31 December 2019.

## **Qualified Conclusion**

Based on our review, which is not an audit, with the exception of the matters described in the preceding paragraphs, we have not become aware of any matter that makes us believe that the 31 December 2019 half-year financial report of Oliver's Real Food Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## **Emphasis of Matter – 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 \$3,648,488 during the half-year ending 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by of \$6,701,346. 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 – Restatement of Comparatives**

We draw attention to Note 1 in the interim financial report, which details the amounts reported in the previously issued 30 June 2019 financial report have been restated and disclosed as comparatives in this financial report. Our conclusion is not modified in respect of this matter.

### **Emphasis of Matter – Impact of Alleged Misappropriation**

We draw attention to Note 8 in the interim financial report, which details the amounts the discovery of an alleged misappropriation of funds by a former employee of the Group, the amount of the losses identified through an internal investigation, the remedial action undertaken by the Group and the consequential financial impact disclosed in the interim financial report. Our conclusion is not modified in respect of this matter.

**Name of Firm**

Bishop Collins Audit Pty Ltd  
Chartered Accountants

**Name of Registered Company Auditor**

  
Martin Le Marchant

**Auditor's Registration No.**

431227

**Address**

Unit 1, 1 Pioneer Avenue, Tuggerah NSW 2259

**Dated**

28 February 2020

