

31 October 2019
ASX ANNOUNCEMENT



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Oliver's Real Food (ASX:OLI)

Annual Report 2019

Dear shareholders,

On behalf of the Board of OLI, I would like to offer our sincerest apologies for the delay in lodgment of our FY19 audited accounts, and any frustrations and concerns that this may have caused shareholders.

The primary reason for missing the deadline to lodge before 30th September 2019 was due entirely to the difficulties experienced in processing and reconciling the data from the old accounting system to the new one, which was introduced into the business by previous management in December 2018.

It was not until our auditors were well into the audit that the extent of this problem became clear. The Board immediately acted by engaging an additional accounting firm to assist both Oliver's and the auditors in an attempt to apply as many resources as possible to achieve our lodging deadline. Despite best efforts, the deadline was missed, bringing about the automatic suspension from official quotation.

The new accounting system was poorly implemented from the start and has been challenging to say the least. However, the Board and management are confident we are now very close to overcoming the obstacles presented, and that the worst is now behind us.

While this financial report is not a good result, we would once again like to draw attention to the fact that the entire loss was incurred by the company in the first 3 trading quarters of FY19, and it is important to recognise that the following quarter under new management delivered a small EBIDTA profit.

It is also important to recognise that the reported net loss for FY2019 of \$15.7 million is largely due to impairments and write-offs, and that the trading loss was in fact less than half of that figure at \$6.5 million EBITDA.

We announced to the market several weeks ago that July 2019 had produced yet another positive month. This has continued on to a far better than expected result for Q1, and this gives us a great deal of confidence that profitability will now continue for the rest of this financial year.

I am proud of what management has achieved in the 7 months since we took control of the business and I invite you to attend the planned AGM so you can have an opportunity to speak to your Board of Directors.

Finally, I would like to take this opportunity to reconfirm to all stakeholders that the Board and management remain dedicated and focused on delivering consistent profitability to improve shareholder value.

Appendix 4E vs Annual Report - Adjustments and explanations

At the time the 4E was submitted in August 2019, the OLI Finance team was still in the process of reconciling both the final FY 2018 numbers (as per the June 2018 Annual Report) and the December 2018 results released February 2019.

There had been no reconciliation performed between the General Ledgers and these reports, and given the main personnel involved in both these matters were no longer with the Company, it was a task that took far longer than it should have.

Below are 3 tables with 3 columns showing the movements between the 4E as lodged on 30th August 2019, and the Final numbers as audited. Some of the numbers on this original 4E were incorrect, inadvertently caused when converting our Excel spreadsheet into a PDF for market release. Some of the links in this spreadsheet failed to work on this conversion, causing certain figures to become distorted (Note 9 below).

	4E	Final Audited	Difference
Sales Revenue	\$ 34,990,571	\$ 34,965,044	-\$ 25,527
Other revenue - interest received		\$ 8,079	\$ 8,079
Other income	\$ 103,318	\$ 77,495	-\$ 25,823
Raw materials and consumables used	-\$ 9,435,246	-\$ 9,279,135	\$ 156,111
Employee benefits expense	-\$ 19,190,047	-\$ 19,306,111	-\$ 116,064
Administration expense	-\$ 4,316,516	-\$ 4,792,392	-\$ 475,876
Advertising & Marketing	-\$ 600,260	-\$ 643,725	-\$ 43,465
Occupancy expense	-\$ 6,932,342	-\$ 6,961,417	-\$ 29,075
Depreciation and amortisation expense	-\$ 2,475,134	-\$ 2,451,627	\$ 23,507
Finance costs	-\$ 129,477	-\$ 225,859	-\$ 96,382
Impairment of property, plant and equipment	\$ -	\$ -	\$ -
Impairment of goodwill	-\$ 4,489,099	-\$ 6,557,872	-\$ 2,068,773
Loss on disposal of property, plant and equipment	-\$ 2,406,068	-\$ 573,836	\$ 1,832,232
Other expenses	-\$ 12,799	-\$ 12,233	\$ 566
Loss before income tax	-\$ 14,893,099	-\$ 15,753,589	-\$ 860,490
EBITDA	-\$ 7,799,390	-\$ 6,518,231	

The largest adjustments relate to the auditors' increases in Impairment Charges and the Loss on disposal of Property, Plant & Equipment.

This resulted from impaired assets being disposed of and the related accumulated depreciation & impairment values being written back to the asset cost, with the resultant loss being declared as a loss on disposal. The correct treatment should have been to leave the impaired value as was and reflect the difference as the loss on disposal.

Other areas of difference were:

Employee benefits expense – a final adjustment was made after calculating the on costs associated with employee entitlements.

Administration Expenses:

There were a number of final adjustments made during the final stages of the audit some of which were cleaning up old and long-standing items on the Balance Sheet as well as some adjustments made to align the General Ledgers to the audited Annual Report numbers, the major components of which included the following:

- \$92k to adjust Retained Earnings to align with the FY2018 Retained Earnings as per 2018 Annual Report.
- \$105k to reflect an unreconciled GST Payable amount between previous accounting systems and the NetSuite accounts.
- \$150.7k adjustment required to reconcile to the Impairment of Goodwill amount disclosed in December 2018.
- \$62k Additional Legal Fees accrued which were unknown at the time the 4E was lodged.
- \$17k for Consultancy costs accrued which were unknown at the time the 4E was lodged.
- \$50k relating to Insurance Prepayments not transferred from Prepayments to the Insurance General Ledger Account.

Finance Costs:

- \$47k relating to some old outstanding's that were deemed to have little or no chance of recovery
- \$50k GIC incorrectly coded to Income Tax Payable.

	4E	Final Audited	Difference	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,177,385	\$ 890,685	-\$ 286,700	Note 1
Trade and other receivables	\$ 1,095,464	\$ 609,571	-\$ 485,893	Note 1(a)
Inventories	\$ 1,642,307	\$ 1,642,306	-\$ 1	
Other assets	\$ 340,875	\$ 253,821	-\$ 87,054	Note 2
TOTAL CURRENT ASSETS	\$ 4,256,031	\$ 3,396,383	-\$ 859,648	
NON-CURRENT ASSETS				
Property, plant and equipment	\$ 10,244,859	\$ 10,321,376	\$ 76,517	Note 3
Investment property	\$ -	\$ -	\$ -	
Deferred tax assets	\$ 90,335	\$ -	-\$ 90,335	Note 4
Intangible assets	\$ 5,850,951	\$ 6,097,701	\$ 246,750	Note 3
Other non-current assets	\$ 130,089	\$ 319,045	\$ 188,956	Note 5
TOTAL NON-CURRENT ASSETS	\$ 16,316,235	\$ 16,738,122	\$ 421,887	
TOTAL ASSETS	\$ 20,572,266	\$ 20,134,505	-\$ 437,761	
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	\$ 5,223,057	\$ 4,659,021	-\$ 564,036	Note 5(a)
Borrowings	\$ 279,557	\$ 1,471,193	\$ 1,191,636	Note 6
Other financial liabilities	\$ 597,881	\$ 597,881	-\$ 0	
Current tax liabilities	\$ -	\$ -	\$ -	
Provisions	\$ 436,434	\$ 503,864	\$ 67,430	Note 7
TOTAL CURRENT LIABILITIES	\$ 6,536,929	\$ 7,231,959	\$ 695,030	
NON-CURRENT LIABILITIES				
Borrowings	\$ 1,696,875	\$ 602,563	-\$ 1,094,312	Note 6
Other financial liabilities	\$ -	\$ 426,677	\$ 426,677	Note 8
Deferred tax liabilities	\$ -	\$ -	\$ -	
Defined benefit obligations	\$ -	\$ -	\$ -	
Provisions	\$ 282,332	\$ 282,332	\$ -	
TOTAL NON-CURRENT LIABILITIES	\$ 1,979,207	\$ 1,311,572	-\$ 667,635	
TOTAL LIABILITIES	\$ 8,170,812	\$ 8,543,531	\$ 372,719	
NET ASSETS	\$ 12,056,130	\$ 11,590,974	-\$ 465,156	Note 9
EQUITY				
Issued capital	\$ 29,810,861	\$ 29,810,861	\$ 0	
Reserves	\$ 293,724	\$ 293,724	-\$ 0	
Retained earnings	-\$ 17,703,131	-\$ 18,513,611	-\$ 810,480	
Equity attributable to owners of the parent entity	\$ 12,401,454	\$ 11,590,974	-\$ 810,480	
Non-controlling interest	\$ -	\$ -	\$ -	
TOTAL EQUITY	\$ 12,401,454	\$ 11,590,974	-\$ 810,480	

Notes:

1) There was a re-allocation of \$286.7k short term deposits from "Cash and Cash Equivalents" to "Trade and Other Receivables".

1(a)	Figure as per 4E	\$1,095k
	GST transferred out and offset against GST on Purchases	-\$451k
	Transfer in from Cash and Cash Equivalents	\$287k
	Coding Corrections	-\$416k
	Transfer in from Deferred Tax Assets	\$90k
	Provision for Debt Write off	-\$46k
	Sundry Adjustments	\$50k
	Figure as per Annual Report	\$609k

- 2) \$87k re-allocated from Project Costs (within "Other Assets") to PPE ("Other Non-Current Assets")
- 3) Reduction in the amortization of Intangibles following an over-estimation of this figure in the 4E, so the final write off in the AR was less than that originally estimated per the 4E.
- 4) \$90k transferred to Trade and Other Receivables, leaving a nil balance on Deferred Tax Assets
- 5) Refer Note 2 above (increase "Other Non-Current Assets" by \$87k) plus a further addition to "Other Non-Current Assets" of \$102k following the capitalizing of certain assets pursuant to the audit
- 5(a) GST Liability reduced by \$451k offset by that amount appearing as GST Receivable; following further reconciliations of the Balance Sheet subsequent to the lodgment of the 4E, a reduction in accruals reduced the value of Trade and other Payables by \$113k. Total reduction in "Trade & Other Payables" of \$564k
- 6) Borrowings ("Current Liabilities"):

Balance per Appendix 4E	280k
Add: Transfer of CBA Loan to "Non-Current Liabilities"	1,000k
Add: Sundry accruals	191k
Final Balance per AR	1,471k

Borrowings ("Non-Current Liabilities"):	
Balance per 4E	1,697k
Less: Transfer of CBA Loan to "Current Liabilities"	-1,000k
Less: Lease Liability (refer Note 8 below – transferred out)	- 427k
Add: Sundry Accruals pursuant to audit	332k
Final Balance per AR	602k
- 7) Accounting for On costs relating to Annual Leave and LSL Provisions created a reduction in the provision of \$67k
- 8) \$426k Lease Liabilities previously recorded as Borrowings
- 9) Error created when transferring data from Excel to pdf

	4E	Final Audited	Difference	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 34,565,490	\$ 35,293,852	\$ 728,362	Note 1
Dividends received	\$ -			
Interest received	\$ 8,079	\$ 8,079		
Other income	\$ -			
Payments to suppliers and employees	-\$ 40,656,418	-\$ 38,867,004	\$ 1,789,414	Note 1
Finance costs	-\$ 120,534	-\$ 176,750	-\$ 56,216	Note 2
Income tax paid	-\$ 301,505	-\$ 211,169	\$ 90,336	Note 3
Net cash generated by operating activities	-\$ 6,504,888	-\$ 3,952,992	\$ 2,551,896	
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	\$ 787,000	\$ 787,000		
Proceeds from sale of investments	\$ -			
Proceeds from sale of held-for-trading investment	\$ -			
Proceeds from sale of Assets	\$ -			
Payment for purchase of business, net of cash acquired	\$ -			
Payments for intangible assets	-\$ 139,000	-\$ 139,000		
Purchase of trademarks	\$ -			
Purchase of property, plant and equipment	-\$ 2,004,283	-\$ 2,004,283		
Net cash (used in)/generated by investing activities	-\$ 1,356,283	-\$ 1,356,283		
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	\$ 4,045,000	\$ 4,045,000		
Proceeds from borrowings - other	\$ 125,000	\$ 125,000		
Cost of issuance of shares	-\$ 382,000	-\$ 382,000		
Proceeds from exercise of options	\$ -			
Proceeds from issue of options	\$ -			
Share buy-back payment	\$ -			
Repayment of borrowings - other	-\$ 447,000	-\$ 447,000		
Loan repayments made to related parties	\$ -			
Proceeds from borrowings	\$ -			
Dividends paid by Parent Entity	\$ -			
Dividends paid by controlled entities to non-controlling interests	\$ -			
Net cash provided by (used in) financing activities	\$ 3,341,000	\$ 3,341,000		
Net increase in cash held	-\$ 4,520,171	-\$ 1,968,275	\$ 2,551,896	
Cash and cash equivalents at beginning of financial year		\$ 2,858,960	\$ 2,858,960	Note 4
Effect of exchange rates on cash holdings in foreign currencies	\$ -			
Cash and cash equivalents at end of financial year	-\$ 4,520,171	\$ 890,685	\$ 5,410,856	

Notes;

- 1) The cause for the differences in Receipts from Customers and Payments to Suppliers is due to coding issues between Intercompany transactions and third-party customers. The Appendix 4E lodged on 30 August 2019 included some transactions incorrectly coded as Intercompany which were subsequently eliminated on Consolidation.
- 2) The additional Finance Costs emanate from a Bad Debt write off (\$47k), and interest accrued of \$9k.
- 3) \$90k adjusted as a result of Tax Accounting and transferred out.
- 4) The opening "Cash and cash equivalents at beginning of financial year" did not populate from the "Cash and cash equivalents at end of financial year" from previous year, as explained in detail above under the heading "Appendix 4E vs Annual Report".

Updated table from page 4 of OLI 4E Lodged 30-08-19

	Year ended 30- Jun-19 \$'000s	Year ended 30-Jun-18 \$'000s
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	(6,518)	2,702
Impairment of fixed assets	(3,908)	(183)
Impairment of goodwill	(2,649)	(275)
Less: Depreciation and amortisation	(2,452)	(2,297)
Less: Finance costs (net)	(226)	(89)
Profit before tax	(15,753)	(141)
Income tax expense	92	(502)
Net profit after tax	(15,661)	(644)

Yours Sincerely



Nicholas M Dower
Chairman

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

Oliver's Real Food Limited (**Oliver's**) listed on the ASX on 21 June 2017. Over its 13-year operating history, Oliver's has established a significant market position providing a healthy fast food alternative for travellers on Australia's major arterial highways. Oliver's Real Food is considered to be the world's first "certified organic fast food chain" and provides its customers with premium quality, "real" food that is fresh, natural, & free from additives and preservatives, 7 days a week.

Oliver's is a conscious business that understands, and is committed to, the interdependency of "all stakeholders" including our, customers, investors, team members, suppliers, the environment, and the communities in which we operate. www.oliversrealfood.com.au