



oliver'sTM
REAL FOOD LIMITED

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annual report

FOR THE YEAR ENDED JUNE 2020

oliver's



**CERTIFIED
ORGANIC**

FAST FOOD CHAIN

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WITH THAT?”



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CHAIRMAN LETTER

Fellow Shareholders,

As most of you would be aware, I returned to the business in March 2019 as CEO to head up and lead the recovery mission.

I then addressed you all as the CEO at the AGM in November 2019, and spoke confidently of stabilising the business, managing costs, building revenues, and delivering a profitable outcome in FY20.

At that time, in November 2019 we were aware of the devastating bushfires that had started to ravage the east coast, but none of us knew just how devastating and impactful they would be on our communities, this business, and particularly Oliver's summer trading.

I remember sitting in a board meeting at the end of February 2020, looking back at the impacts this natural disaster had on our business and thinking "what else could possibly get in our way?"

I write to you now as the chairman of the board, disappointed that the results we are presenting may initially seem difficult to comprehend, especially when I had presented such a positive outlook in November 2019, just 10 months ago.

Much has transpired since November 2019, and we are all now acutely aware of the devastating impacts the global pandemic has had (and continues to have) on the entire global population, global economies and each of us individually.

So whilst I write to you as the chairman, I also write to you as the founder and a fellow shareholder, and I think it is important to share with you why I personally feel more confident with where this business is at today, than I ever have.

To get a different result, you must do things differently:

Coming back into the business in March 2019 was a sobering and confronting time for me. I knew that doing the same things over again would likely get us the same result, I knew we needed to rethink the way we were doing things to get a different result.

At that time, I was intent on doing the best job I could as CEO, but I was also determined to find the right person to take over from me as CEO, to lead this business into the future, and one of the



best things that has happened since I addressed you all at the AGM, is that I truly believe we have found that person in Tammie Phillips who commenced in the role of CEO on June 17th 2020.

As the founder and chairman, I am completely confident that Tammie has the required passion and belief in our brand, as well as the ideal experience and background to drive the change that is needed to deliver the results that we all want to see, and believe this business can generate.

Tammie as our new CEO, enjoys the full support of a board that has an intimate understanding of this business and its operations, and a management team that are inspired by her passion for and knowledge of this market segment.

Sustainable growth:

The other thing that was obvious to me was that we needed to find a way to leverage our brand and find a way to grow the business, without the constant need for significant capital to fund that growth.

We have found this solution in the **Oliver's Food To Go (OFTG)** brand, recently launched into the Petrol and Convenience category in association with **Euro Garages (EG)**.

The exclusive IP License & Supply arrangement with EG provides Oliver's with a clear runway to growth that leverages our brand and business, without the need for significant growth capital.

We signed this agreement with EG in late May 2020, and at the time of writing we already have Ninety (90) OFTG outlets open and trading, with an average of 5 new outlets opening each week in the metropolitan regions of Brisbane, Sydney and Melbourne.

This is a significant moment in our evolution as a brand.

A strong and trusted brand ideally positioned to benefit from the boom in domestic travel:

As stated at the AGM, we believe that we have a strong and trusted brand and a store network that is the foundation of our business.

When we reopened the store network in June 2020 after the initial lockdown period, we saw strong and encouraging sales revenues as consumers took to the highways in large numbers.

I am delighted that our store network is ideally located to benefit from the predicted significant increase in domestic travel and road tripping post COVID19.

The actual EBITDAI for FY20 (Earnings Before Interest, Tax, Depreciation, Amortisation and Impairments) was a loss of just \$67K:

Whilst the net loss of \$17.5m for the year seems difficult to comprehend, it is important to understand how that figure is reached.

Total Reported Loss	-\$ 17.502m
Impairments	-\$ 10.234m
Depreciation & Amortisation	-\$ 5.753m
Interest Expense	-\$ 1.086m
Tax	-\$ 0.090m
EBITDAI*	-\$ 0.067m

*EBITDAI = (Earnings Before Interest, Tax, Depreciation, Amortisation and Impairments)

As I have been asked by a number of shareholders to provide commentary and explain how the accounting standards translate and report the impacts of the recent natural disasters and COVID19 pandemic, I provide the following explanation, full details of which are contained in the Financial Statements.

The potential impact of impairments of store assets, such as property, plant and equipment right-of-use (ROU) assets is calculated based on the cash flows generated by cash generating units (CGU's), (meaning our stores). Given that our entire store network was closed for a period of 8 weeks, the impact on the cash flow was significant for the reporting period. Moreover, an impairment was recognised on goodwill and other intangible assets. This impairment was determined with reference to the Group's CGU being based on the quick-service-restaurants (QSR) segment.

The ongoing closures in Victoria and travel restrictions throughout NSW during the first quarter of FY21 have also heavily impacted our forecasts, (for both profits and cash flows) for the first half of FY21. These forecasts are then used in the calculation of potential impairments at 30 June 2020.

Our revenue forecasts for the first half of FY21 needed to be reduced by approximately \$6.0m (anticipating continuing uncertainty given the current restrictions and border closures), and the revenue loss for the current reporting period

was approximately \$4.0m below budget as a result of the pandemic, the bushfires and flooding during the period from November 2019 to June 2020. These factors had a major impact on the impairment calculation, meaning that \$10.2m has been charged in impairments to the profit & loss at 30 June 2020, thus making up a significant portion of the total reported loss of \$17.5m.

The \$10.2m Impairment write-offs included:

- \$6.1m of Right of use assets (which means leases) and
- \$1.6m of Property Plant & Equipment (Store Equipment)
- \$2.3m – made up of intangible assets (mainly goodwill).

In addition to the above, the Group also incurred a number of one off, (non-recurring costs) totalling \$1.465m, all of which have been charged to the Profit & Loss and thereby also contributed to the total reported loss of \$17.5m:

The \$1.465m one off, non-recurring costs included:

Share Based Payments (Issue of Directors Options)	\$1.165m
Extraordinary legal costs (due to the failed EG Fuels SID)	\$0.300m

The FY20 results have been impacted by the application of Accounting Standards that require non-financial assets to be tested for impairment when indicators exist. The impairment models contemplate both the current and the foreseeable trading conditions which in the current Covid-19 climate are uncertain.

Accordingly, the financial impact is more significant than may otherwise have been the case.

So, as you can see, the actual EBITDAI (Earnings Before Interest, Tax, Depreciation, Amortisation and Impairments) was a loss of just \$67K.

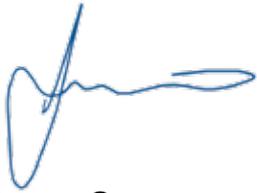
For me, given both the localised and global challenges we have faced in FY20, I am celebrating the achievements of a team that has done an amazing job of stabilising the business, significantly reducing costs, managing the challenges, and restructuring themselves to be well positioned to not just survive, but thrive in FY21.

To the entire Oliver's team around Australia, thank you for adjusting and coping with the ever changing and challenging situation of the last 12 months. Many of you have made significant personal sacrifices throughout this period, and on behalf of the board and shareholders you deserve our thanks and applause.

Our plans have been slightly disrupted in FY20, but we have a strong team led by Tammie Phillips our new CEO, and a clear runway to significant growth through our partnership with EG.

All of our customers, team and shareholders should rest assured that we are confident that Oliver's is in excellent shape to thrive in FY21 and beyond.

As many of you are already aware, I am open to receiving communications from shareholders and welcome your feedback or questions at jason@oliversrealfood.com.au



Jason Gunn

Founder & Non-Executive Chairman



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CEO LETTER

As I prepare this year's annual letter to shareholders, I have been in the CEO seat for 12 weeks. Whilst the formulation of a full strategic vision is a longer runway, I have in this time, with the support of the dedicated Oliver's team, learnt how the company operates. We have turned our attention to the handful of areas that we believe matter most right now, which I will share with you.

Firstly, the FY2020 results and I respect that the annual report contains some sobering news for investors. I am certain all shareholders understand that the company has faced unprecedented challenges including bushfires, floods and a worldwide health pandemic that have had a direct impact on revenue performance in FY20. For the short time that I have been in this role I have had to take action on critical situations related to COVID19. I can tell you firsthand it is a very difficult challenge to navigate with the daily changing landscape of border closures, restricted trading and regulated COVID safety plans impacting the business.

Notwithstanding these environmental challenges the business has faced in FY20 I acknowledge that the company has not produced the returns that the investment community expects.

My initial focus has been to understand the business performance by focusing only on the key analytic measures for this industry. Through this lens we have been able to quickly identify what the core strengths and weaknesses of the business are, and formulate some short term initiatives, whilst we concurrently work to formulate a full strategic vision.

The positive learnings of Oliver's:

1. Being different is a good thing and Oliver's enjoys a unique market position in the QSR channel as the healthiest fast food offering in category. The company's commitment to quality, freshness and health (defined as real foods) is uncompromising and has earned the business a strong brand reputation.



Tammie Phillips
Chief executive
Officer

2. It is this strong brand foundation that attracted the EG group to the business and has ultimately resulted in a partnership between the two businesses that has now opened the Oliver's business up to the retail convenience channel. We currently have 90 FOOD TO GO outlets operating in EG petrol stations, with 135 planned by Christmas 2020.
3. In June 2020 when the nation came out of the first wave of COVID19 and all borders were open, all venues in the group re-opened with pleasing results. Most venues' trade resurged to levels higher than the same previous year period as Australians took to the road for short breaks. Victoria's second wave, lockdown and state border closures, brought this to a halt but there is confidence gained from the trading period of late May to early July that indicate Oliver's business is in a strong position once borders and restrictions are lifted.
4. In FY20 significant resources have been invested in cloud-based business management software with advances made to the improvement and quality of financial reporting and analytics.

In summary, my positive learnings include that Oliver's is a solid, trusted brand, with a strong purpose, serving a growing market segment that is demanding health in convenience. In the QSR channel, the business's revenue is in a strong position to grow when travel starts with the revival of the driving holiday expected. In the retail convenience channel, the business has the opportunity to grow a significant retail health brand beginning with stabilising and growing the EG partnership. The business now has a reliable financial accounting and reporting system which provides for factual decision making.

Whilst there is significant opportunity to grow revenues, the business also recognises that in the short term we need to improve efficiencies and reduce costs. This will create a solid foundation for our long-term profitable growth. These are the initial steps we are taking:

- **Facts will rule our decision making** – we have a refreshed robust set of metrics in the business to measure and drive performance on what matters. We are committed to improving and refining these measures with an unwavering dedication to 'if you can't measure it, you can't manage it'
- **We are committed to a fundamental restructuring of the cost side of our business** – we are systematically continuing to review every aspect of our business to eliminate costs that do not produce value for our customers
- **We will innovate product faster to further differentiate the Oliver's offer from other QSR and health convenience brands** – we are focusing on range optimisation in the FOOD TO GO prepared foods category to leverage the growth opportunities with EG in the petrol convenience channel. This will also benefit the ranging offer in our traditional company owned QSR venues and provide scale and efficiencies to our kitchens
- **We will improve our value perception through strategic initiatives** – we are placing high importance on menu simplification and speed of service.

We are investing in technology platforms to provide both a better customer experience and to run our business more efficiently – the roll out of a cloud-based point of sale system will provide faster service times, improve labour productivity and give better data visibility. It will also enable personalised offers and new experiences.

We also will implement an integrated cloud-based, supply chain and inventory management platform, which will bring many new capabilities including demand-based replenishment

As a team we are committed to building a strong culture – we are building a team structure with clear accountabilities for all team members. I believe that a team that is clear on purpose, responsibilities and keeps customers at the core of decision making, is best empowered to deliver results.

I recognise these are challenging times and we have our work cut out for us. I affirm we are taking the steps now to reposition the company post COVID to produce the returns that the investment community expects and that we expect from ourselves. Whilst in the short term we work through these steps of continuous improvement, we are developing a full strategic vision for the company.

We look to the future with optimism and are confident on our team's ability to execute and deliver for all stakeholders. Our team is steadying the ship in the face of headwinds to come out stronger the other side and I give you my assurance that this is a responsibility to you all, and each other, that we take very seriously. Thank you for joining us in our quest and thank you for being an Oliver's shareholder. Our thoughts remain with the communities and individuals, including healthcare workers and first responders, most deeply affected by the COVID-19 crisis.

Yours Sincerely,



Tammie Phillips

CEO

tammie.phillips@oliversrealfood.com.au

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STORE LOCATIONS

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24 STORE LOCATIONS

QUEENSLAND
Maryborough

NEW SOUTH WALES

- | | |
|-------------------|-----------|
| Chinderah | Wyong Nth |
| Port Macquarie | Wyong Sth |
| Ferry Park | Lithgow |
| Coffs Harbour Nth | Goulburn |
| Bulahdelah | Gundagai |
| Hexham | |

VICTORIA

- | | |
|-------------|--------------|
| Euroa | Eastlink In |
| Wallan Nth | Eastlink Out |
| Wallan Sth | Officer In |
| Geelong Nth | Officer Out |
| Geelong Sth | Penlink In |
| Ballarat | Penlink Out |

**fresh.
natural.
organic.**

Note: Circumstances may change and the Company may not necessarily open future sites in the order presented above and may substitute other locations for those listed above, at the sole discretion of the Board

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84+

EG LOCATIONS

QUEENSLAND
19 Locations



NEW SOUTH WALES
44 Locations



VICTORIA
17 Locations



ACT
4 Locations



**real.
fresh.
natural.**

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EG STORE LOCATIONS

NSW

- Bankstown
- Bass Hill
- Belmont
- Berkshire Park
- Blacktown
- Brookvale
- Bulli
- Campbelltown Mall
- Cardiff
- Chatswood East
- Chester Hill
- Chipping Norton
- Chullora
- Cranbrook
- Dural
- Fairymeadow
- Glenrose
- Gosford
- Granville
- Greenacre
- Gregory Hills
- Kogarah
- Lansvale
- Leichhardt
- Marrickville
- Minto
- Miranda
- Narellan
- Newport
- North Liverpool
- North Narrabeen
- Prestons
- Redfern
- Rockdale

- Roselands
- Spring Farm
- Strathfield
- Turramurra
- Vineyard
- Werrington
- West Ryde
- Windsor
- Wollongong West
- Woolooware

ACT

- Belconnen
- Canberra Gateway
- Gungahlin
- Hume

VIC

- Abbotsford (Fitzroy)
- Altona Meadows
- Braeside
- Carrum Downs
- Coburg
- Frankston North
- Geelong North
- Melton Gateway
- Mernda
- Monbulk
- North Melbourne
- Ocean Grove North
- Pascoe Vale
- Rye
- St Helena
- St. Kilda
- Torquay

QLD

- Birkdale
- Bowen Hills
- Browns Plains West
- Capalaba
- Cornubia
- Flagstone
- Goodna
- Kallangur
- Kingston
- Mango Hill
- Mitchelton
- Moorooka
- Mt Cotton
- Northgate
- Ormeau
- Slacks Creek
- Springfield
- Warner
- Woodridge

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DIRECTOR'S REPORT

Oliver's Real Food Limited
Directors' report
30 June 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') 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 year ended 30 June 2020.

General Information on Directors

The following persons were Directors of Oliver's Real Food Ltd during or since the end of the financial year up to the date of this report.

Nicholas Dower – Chairman and Non-Executive Director (Ceased 2 May 2020)

Jason Gunn - Chairman and Non-Executive Director (Appointed 2 May 2020), previously CEO and Executive Director (Appointed 28 February 2019).

Amanda Gunn – Non-Executive Director (Appointed 28 February 2019).

David McMahon – Executive Director (Appointed 2 May 2020).

Steven Metter Company Secretary and Non-Executive Director (Appointed 11 March 2019).

Principal Activities

During the financial year the principal continuing activities of the Group comprised of management of Quick Service Restaurants ("QSR") in Australia under the branding of "Oliver's real Food".

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the Group after providing for income tax amounted to \$17,506,369 (30 June 2019: \$15,661,501).

	2020 \$	2019 \$	Change \$	Change %
Revenue from ordinary activities	31,772,297	35,050,618	(3,278,321)	(9.4%)
Raw materials and consumables used	(8,516,919)	(9,279,135)	762,216	(8.2%)
Gross Profit	23,255,378	25,771,483	(2,516,105)	(9.8%)
Earnings before interest, taxes, depreciation, amortisation and impairment (EBITDAI)	(69,477)	(6,518,231)	6,448,754	(98.9%)
Net (loss) / profit after tax attributable to members	(17,506,369)	(15,661,501)	(1,844,868)	11.8%
Net Assets	(4,284,001)	11,590,974	(15,874,975)	(137.0%)
Net Tangible Assets	(6,919,770)	5,493,273	(12,413,043)	(226.0%)
Cash and Cash equivalents	958,303	1,042,598	(84,295)	(8.1%)

At the end of the reporting period the Company operated 24 Oliver's company owned stores in Australia and had commenced supply of the OLIVERS FOOD TO GO offer in 14 EG Outlets in Sydney.

As is evident, the 2020 financial year has been a challenging one for the Company. The combined impact of bushfires, floods and COVID 19 has had direct and significant impacts on the business performance. On one hand the business has navigated these challenges diligently with a strong focus on margin performance and operating expense control which has resulted in a small loss on the EBITDAI. On the other hand, the combination of all of these environmental factors has had significant negative impact on impairments, as reflected in the large asset impairment provisions.

The impact of COVID 19 saw all venues cease trading for an 8-week period during 23 March to 13 May. Further closures and impacts have resulted from the VIC second wave and state border closures. The period between June and July when the economy opened up briefly saw strong resurgence of sales to most Oliver's venues and gives some optimism for the network as Australia navigates its way out of the pandemic. The EG supply agreement was finalised in May, with a partnership plan to open 135 FOOD TO GO outlets by December 2020 – by 30 June the company was operating 14 sites and the growth trajectory is on track.

FY20 was a challenging year for many businesses and industries for its own unique reasons. With the re-opening of the borders and lock-down restrictions expected to end soon and the growth opportunities from the EG partnership, Oliver's is in a strong position for revenue growth.

**Oliver's Real Food Limited
Directors' report
30 June 2020****Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

The Company has since committed to a \$5.0m term loan facility, repayable in 36 months. The terms of this facility comprise an interest rate of 10.5% p.a., and the repayment of the current CBA facility (Balance of \$950k as at the date of this report). The Company is also required to enter into a Warrant Deed granting the holder the option to subscribe for shares over two tranches, the first being for 37,500,000 shares and the second for a further 10,000,000 shares at a warrant exercise price of \$0.12 per share.

There are also financial covenants stating the minimum cash balance as at 30 September 2020 and 31 December 2020 must be greater than \$2,500,000, as at 31 March 2021 and 30 June 2020 and as at 30 September 2021 \$2,000,000, and as at 31 December 2021 \$1,500,000 and remaining at that level thereafter whilst the facility is in place.

COVID 19 Impact on Olivers Real Food Limited

The COVID 19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity and the Company's business in various significant ways:

- Due to government measures taken, Olivers had to close its entire network of stores, the 3 warehouses and 2 kitchens as of March 23rd 2020. The impact on revenues started to decline from early March as people stayed home and didn't travel or eat out as the concerns around the pandemic took hold.
- The reduction of economic activity and the requirement to close our stores meant all employees were stood down and the Company proceeded to register for JobKeeper which was successful. During the last quarter, the Group received Government subsidies from JobKeeper amounting to \$2.0m and rental subsidies of \$496.8k.

As a result of these effects our cumulative revenue in the last quarter of 2020 was approximately \$5.6m or 69.8% lower than our 2019 revenues in the same period.

The Group's operating results have declined significantly in 2020 and have been negative in March, April and May 2020.

Also, our liquidity has been negatively impacted, which required us to obtain additional funding from our bank by obtaining a temporary overdraft facility of \$750k (reduced to \$500k in June) to enable the Group to meet our future liquidity needs throughout the period of the pandemic.

In the period since 30 June 2019, the Group has incurred losses due to impairments recognised on its Balance Sheet for Leasehold Improvements of \$1.2m, Plant and Equipment of \$0.5m and Right of Use Assets of \$6.1m, and Intangible assets of \$2.4m.

The Federal Government have also announced the implementation of government assistance measures which might mitigate some of the impact of the COVID 19 pandemic on our results and liquidity. To the extent appropriate we have applied for such government assistance. The details of all of the arrangements that might be available to us and the period throughout which they will remain available are continuing to evolve and remain subject to uncertainty. We are continuing to assess the implications for our business when these arrangements are no longer available. In particular, the withdrawal of the assistance currently provided by way of the JobKeeper subsidy would adversely affect the performance of the business until such point in time trading returned to normal pre COVID 19 levels.

Depending on the duration of the COVID 19 crisis and continued negative impact on economic activity, the Group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2021. The exact impact on our activities in the remainder of 2021 and thereafter cannot be predicted.

We also refer to note 1 Going concern.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Oliver's Real Food Limited
Directors' report
30 June 2020

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental Regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name: Jason Gunn
Title: Non-Executive Director and Chairman
Experience and expertise: Jason brings an intimate understanding of the business and its operations having founded Oliver's in 2005 and managed its growth as CEO from 2005 -2018, resigning in April 2018, and then returning as CEO in March 2019 to lead the recovery process. Jason created Oliver's and has led the business throughout most of its operating history, developing the brand, and its unique offering. Jason's ability to lead the Company through periods of growth, rationalisation and operational restructuring is clearly demonstrated. Jason completed the AICD company directors' course in 2017.

Interest in shares: 45,171,362
Interest in options: Nil

Name: Amanda Gunn
Title: Non-Executive Director
Experience and expertise: Amanda's knowledge of the business and its operations is extensive. From March 2010 - May 2018 Amanda held the role of Operations Manager for the company developing all operational functions of the business. During the time, Amanda's contribution was significant in shaping the development and growth of the business, brand and operating processes. In March 2019, Amanda returned to the business for 12 months working as Operations Manager and Executive Director alongside the team that executed the recovery of the business. Amanda is a Non-executive Director, member of the Remuneration and Nominations Committee, member of the Institute of Directors NZ and currently enrolled to complete the Company Directors Course.

Interest in shares: 45,171,362 All shares are held indirectly by spouse, Jason Gunn.
Interest in options: Nil

Name: Steven Metter
Title: Non-Executive Director
Qualifications: Steven is a qualified Chartered Accountant and a management accountant with a 36-year history as a business recovery specialist. He has extensive successful business interests in hospitality, as a major shareholder in a Melbourne based 3400 seat restaurant, and has acted as a financial consultant in Australia, South Africa and the USA.

Interests in shares: 5,000,000

**Oliver's Real Food Limited
Directors' report
30 June 2020**

Name:	David McMahon
Title:	Executive Director and CFO
Experience and expertise:	As a fellow of the Institute of Public Accountants, a Member of the Governance Institute of Australia and also the Institute of Chartered Secretaries and Administrators, David is very well credentialed to fill the role.
Interests in shares:	33,500
Interests in options:	2,000,000

Name	Nicholas Dower
Title	Chairman and Independent Non-Executive Director
Experience	Nicholas has had a 40-year career in business, having built many successful companies, including being one of the original franchisors of Video Ezy, which grew into the dominant chain in its category. Having served on the boards of several public companies He is the founder, proprietor and current chairman of the Niche Group, which he started over 30 years ago.
Interest in Shares	500,000 ordinary shares
Interest in Options	Nil
Special Responsibilities	Chairman of Remuneration and Nomination Committee
Directorships held in other listed entities during the three years prior to the current year	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

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Oliver's Real Food Limited
Directors' report
30 June 2020

Company Secretary

Steven Metter – appointed as Company Secretary on 11 March 2019 and ceased as Company Secretary on 30 June 2020. Boardroom Limited were appointed to manage the Company Secretarial duties on 30 June 2020 and Julian Rockett was appointed the Company Secretary as of that date.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Nicholas Dower *	10	10	1	2	-	-
Jason Gunn	17	17	1	2	1	2
Amanda Gunn	17	17	2	2	1	2
Steven Metter	16	17	1	2	2	2
David McMahon **	6	6	1	-	1	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

* Directorship ceased on 2 May 2020

** Directorship commenced 2 May 2020

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

Oliver's Real Food Limited
Directors' report
30 June 2020

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 29 November 2019, where the shareholders approved a maximum annual aggregate remuneration of \$500,000.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders' value relative to the entire market and the increase compared to the Group's direct competitors. The Nomination and Remuneration Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2020.

Oliver's Real Food Limited
Directors' report
30 June 2020

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee. Refer to the section "Details of Remuneration" below for details of the earnings and total shareholders return for the last five years.

	Revenue \$m	EBITDA \$m	Net Profit After tax \$m
2020	31.80	(17.40)	(17.40)
2019	35.00	(15.70)	(15.70)
2018	35.90	2.30	(0.60)
2017	20.70	(2.30)	(2.90)
2016	17.10	1.60	0.60

SHARE BASED REMUNERATION

Oliver's operates an LTI plan for eligible senior executives (the Oliver Employee Incentive Plan (OEIP)) as a means of encouraging employees to share in the ownership of the Company and promote its long-term success as a common goal. The Board will make offers to persons to participate in the OEIP based on their contribution to the Company. Under the terms of the OEIP the Board may make awards of Options, performance rights, service rights, deferred share awards, exempt share awards, cash rights or stock appreciation rights. No offer of an award may be made to the extent it breaches the Constitution, the Listing Rules, the Corporations Act or any other applicable law.

The key terms of the OEIP and details of the pre-IPO Award to KMP are as follows: All capitalised terms have the meaning as defined within the OEIP.

Purpose	The purpose of the OEIP is to encourage Employees to share in the ownership of the Company and to promote the long-term success of the Company as a goal shared by all Employees.
Eligibility	Participants in the OEIP must be persons who are in full-time or part-time employment of a Group Company and includes a Director of a Group Company.
Form of Equity	<p>The Company may offer an Award which includes an Option, a Performance Right, a Service Right, a Deferred Share Award, an Exempt Share Award, a Cash Right, or a Stock Appreciation Right, in accordance with the terms of the OEIP.</p> <p>The Company may offer or issue Options, which are rights to be issued a Share upon payment of the Exercise Price and satisfaction of specified Vesting Conditions. These terms apply unless the Offer specifies otherwise:</p> <p>Options are Restricted Awards until they are exercised or expire.</p> <p>An Offer may specify a Restriction Period for Shares issued on the exercise of Options.</p> <p>Options are subject to adjustment.</p>

The pre-IPO OEIP expired during the year or is eligible for employees who are not currently key management personnel.

Group performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Group. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee. Refer to the section "Details of Remuneration" below for details of the earnings and total shareholders return for the last five years.

The Nomination and Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance-based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Oliver's Real Food Limited
Directors' report
30 June 2020

Voting and comments made at the company's 29 November 2019 Annual General Meeting ('AGM')

At the 29 November 2019 AGM, 99.3% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of all Directors and key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Oliver's Real Food Limited:

Jason Gunn
 Amanda Gunn
 David McMahon
 Steven Metter
 Nicholas Dower

And the following person:
 Tammie Phillips

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	Total	
	Cash salary and fees	Directors Fees	Non-monetary	Super-annuation	Long service leave		Equity-settled
2020	\$	\$	\$	\$	\$	\$	
<i>Non-Executive Directors:</i>							
Nicholas Dower	96,668	-	-	-	-	277,630	374,298
Jason Gunn	190,725	-	-	16,698	-	277,630	485,053
Amanda Gunn	88,157	-	-	5,938	-	277,630	371,725
Steven Metter	80,004	-	-	-	-	277,630	357,634
<i>Executive Directors:</i>							
David McMahon - Chief Financial Officer	128,640	-	-	12,221	820	72,661	214,342
<i>Other Key Management Personnel:</i>							
Tammie Phillips - Chief Executive Officer	2,885	-	-	274	-	1,639	4,798
	587,079	-	-	35,131	820	1,184,820	1,807,850

Oliver's Real Food Limited
Directors' report
30 June 2020

	Short-term benefits				Long-term benefits	Share-based payments	Total
	Cash salary	Directors Fees	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2019	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Nicholas Dower	-	30,375	-	-	-	-	30,375
Mark Richardson	-	82,500	-	-	-	-	82,500
Steven Metter	-	18,226	-	-	-	-	18,226
Katherine Hatzis	-	51,328	-	-	-	-	51,328
John Diddams	-	66,000	-	-	-	-	66,000
Peter Rodwell	-	120,833	-	-	-	-	120,833
<i>Executive Directors:</i>							
Jason Gunn - Chief Executive Officer	27,692	-	-	2,631	-	-	30,323
Amanda Gunn	37,339	-	-	2,603	-	-	39,942
<i>Other Key Management Personnel:</i>							
Greg Madigan - Chief Executive Officer	234,490	-	-	13,688	-	-	248,178
David McMahon	19,038	-	-	1,809	-	-	20,847
Rowena Hubble	57,668	-	-	4,864	-	-	62,532
Alan Lee	157,025	-	-	13,863	-	-	170,888
	<u>533,252</u>	<u>369,262</u>	<u>-</u>	<u>39,458</u>	<u>-</u>	<u>-</u>	<u>941,972</u>

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**Oliver's Real Food Limited
Directors' report
30 June 2020**

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name	Jason Gunn
Title	Chief Executive Officer
Terms of Agreement	No fixed term – subject to termination provisions detailed below
Details	Annual remuneration including cash salary, superannuation and non-cash benefits – \$109,500 fixed per annum, automatically increased to \$219,000 when the Group achieves 3 consecutive quarters of EBITDA Incentives -eligible to participate in short term incentive up to 50% of base salary, subject to meeting KPIs and equity participation as part of a Long-Term Incentive Plan
Termination	Termination -3 months' notice in writing. The Company may terminate employment without payment in lieu of notice in circumstances involving serious or wilful misconduct. All payments on termination will be subject to the termination benefits cap under the Corporations Act 2001 in the absence of shareholder approval Post-employment -3 months restraint provisions
Name:	Amanda Gunn
Title:	Operations Manager
Agreement commenced:	28 February 2019
Term of agreement:	No Fixed Term - Termination - 3 months in writing. The Company may terminate employment without payment in lieu of notice in circumstances involving serious or wilful misconduct
Details:	Annual remuneration including cash salary, superannuation and non-cash benefits \$136,875 Incentives - eligible to participate in short-term incentive and equity remuneration plans.
Name:	David McMahon
Title:	CFO
Agreement commenced:	16 April 2019
Term of agreement:	No Fixed Term - Termination - 3 months in writing. The Company may terminate employment without payment in lieu of notice in circumstances involving serious or wilful misconduct
Details:	Annual remuneration including cash salary, superannuation and non-cash benefits \$197,100 Incentives - eligible to participate in short-term incentive and equity remuneration plans. Is eligible to receive 2,000,000 options at \$0.028 per option subject to shareholder approval at the next AGM.

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Oliver's Real Food Limited
Directors' report
30 June 2020

Name: Tammie Phillips
 Title: CEO
 Agreement commenced: 17 June 2020
 Term of agreement: No fixed term - Termination - 3 months in writing. The Company may terminate employment without payment in lieu of notice in circumstances involving serious or wilful misconduct
 Details: Commencing remuneration \$164,250, increasing to \$197,100 between 3 and 6 months after commencement and then increasing to \$219,000 6 months after commencement date. In addition, supplied with a fully maintained vehicle. All figures are inclusive of cash salary, superannuation and non-cash benefits.
 Additionally, once the employer has delivered four (4) consecutive quarters of profit EBITDA at any time during the period from 1 July 2020 to 31 December 2021, an entitlement of 2,000,000 share options at \$0.05 per option will be granted.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	Date	Shares	Issue price	\$
Nicholas Dower	9 March 2020	5,000,000	\$0.022	110,000
Jason Gunn	9 March 2020	5,000,000	\$0.022	110,000
Amanda Gunn	9 March 2020	5,000,000	\$0.022	110,000
Steven Metter	9 March 2020	5,000,000	\$0.022	110,000

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2020.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	Number of options granted during the year 2020	Number of options granted during the year 2019	Number of options vested during the year 2020	Number of options vested during the year 2019
Nicholas Dower	5,000,000	-	5,000,000	-
Jason Gunn	5,000,000	-	5,000,000	-
Amanda Gunn	5,000,000	-	5,000,000	-
Steven Metter	5,000,000	-	5,000,000	-

Oliver's Real Food Limited
Directors' report
30 June 2020

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
Nicholas Dower	277,630	277,630	-	-
Jason Gunn	277,630	277,630	-	-
Amanda Gunn	277,630	277,630	-	-
Steven Metter	277,630	277,630	-	-

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Nicholas Dower	500,000	5,000,000	-	-	5,500,000
Jason Gunn *	46,472,500	10,000,000	1,625,000	(12,926,138)	45,171,362
Amanda Gunn *	-	-	-	-	-
Steven Metter	-	5,000,000	-	-	5,000,000
David McMahon	21,000	-	12,500	-	33,500
Tammie Phillips	-	-	1,250,000	-	1,250,000
	<u>46,993,500</u>	<u>20,000,000</u>	<u>2,887,500</u>	<u>(12,926,138)</u>	<u>56,954,862</u>

* All shares are held indirectly by spouse, Jason Gunn

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Nicholas Dower	-	5,000,000	(5,000,000)	-	-
Jason Gunn	-	5,000,000	(5,000,000)	-	-
Amanda Gunn	-	5,000,000	(5,000,000)	-	-
Steven Metter	-	5,000,000	(5,000,000)	-	-
	<u>-</u>	<u>20,000,000</u>	<u>(20,000,000)</u>	<u>-</u>	<u>-</u>

Shares under option

There were no unissued ordinary shares of Oliver's Real Food Limited under option outstanding at the date of this report.

This concludes the remuneration report, which has been audited.

Oliver's Real Food Limited
Directors' report
30 June 2020

Shares issued on the exercise of options

There were no ordinary shares of Oliver's Real Food Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report, other than those outlined in the table above.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to ensure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined below:

Taxation Services	\$35,000
General Advice	\$ 1,000

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

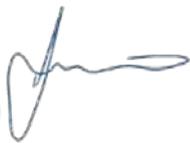
Auditor

Bishop Collins Audit Pty Limited continues in office in accordance with section 327 of the Corporations Act 2001.

Oliver's Real Food Limited
Directors' report
30 June 2020

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Jason Gunn

Chairman

30 September 2020

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BISHOP COLLINS AUDIT PTY LTD

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w: www.bishopcollins.com.au

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 audit of the financial statements of Oliver's Real Food Limited and its controlled entities for the year ended 30 June 2020, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

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

30 September 2020



CHARTERED ACCOUNTANTS
AUSTRALIA & NEW ZEALAND

LIABILITY LIMITED BY A SCHEME APPROVED UNDER THE PROFESSIONAL STANDARDS LEGISLATION



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**Oliver's Real Food Limited
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30 June 2020**

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General information

The financial statements cover Oliver's Real Food Limited as a Group consisting of Oliver's Real Food Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Oliver's Real Food Limited's functional and presentation currency.

Oliver's Real Food Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

10 Amsterdam Circuit
Wyong NSW 2259
Australia
(02) 4353 8055
www.investor.oliversrealfood.com.au

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2020. The directors have the power to amend and reissue the financial statements.

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Oliver's Real Food Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	Consolidated	
		2020 \$	2019 \$
Revenue	5	28,539,653	34,973,123
Other income	6	3,232,644	77,495
Total revenue		<u>31,772,297</u>	<u>35,050,618</u>
Expenses			
Raw materials and consumables used		(8,516,919)	(9,279,135)
Employee benefits expense		(17,285,423)	(19,306,111)
Depreciation and amortisation expense		(5,753,681)	(2,451,627)
Impairment of assets		(10,234,134)	(6,557,872)
Misappropriation of Cash		(175,000)	-
Loss on disposal of assets		(140,673)	(573,836)
Administration expenses		(3,656,886)	(5,436,117)
Other expenses		(3,516)	(12,233)
Finance costs		(1,358,742)	(225,859)
Occupancy		(2,063,357)	(6,961,417)
Total expenses		<u>(49,188,331)</u>	<u>(50,804,207)</u>
Loss before income tax (expense)/benefit		(17,416,034)	(15,753,589)
Income tax (expense)/benefit	7	<u>(90,335)</u>	<u>92,088</u>
Loss after income tax (expense)/benefit for the year attributable to the owners of Oliver's Real Food Limited		(17,506,369)	(15,661,501)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Oliver's Real Food Limited		<u>(17,506,369)</u>	<u>(15,661,501)</u>
		Cents	Cents
Basic loss per share	37	(6.47)	(6.25)
Diluted loss per share	37	(6.47)	(6.25)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Oliver's Real Food Limited
 Statement of financial position
 As at 30 June 2020

	Note	Consolidated	
		2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	8	958,303	1,042,598
Trade and other receivables	9	979,176	171,920
Inventories	10	1,291,248	1,642,306
Other	12	277,238	253,821
Total current assets		<u>3,505,965</u>	<u>3,110,645</u>
Non-current assets			
Other financial assets	13	288,095	286,700
Property, plant and equipment	14	6,132,097	10,321,376
Right-of-use assets	11	20,330,195	-
Intangibles	15	2,635,769	6,097,701
Other	12	124,005	167,132
Total non-current assets		<u>29,510,161</u>	<u>16,872,909</u>
Total assets		<u>33,016,126</u>	<u>19,983,554</u>
Liabilities			
Current liabilities			
Trade and other payables	16	5,890,117	4,508,070
Borrowings	17	1,512,355	1,471,193
Lease liabilities	18	3,572,852	-
Employee benefits	19	681,504	503,864
Other liabilities	21	102,719	597,881
Total current liabilities		<u>11,759,547</u>	<u>7,081,008</u>
Non-current liabilities			
Borrowings	17	875,000	1,029,240
Lease liabilities	18	24,069,582	-
Employee benefits	19	85,102	-
Provisions	20	510,896	282,332
Total non-current liabilities		<u>25,540,580</u>	<u>1,311,572</u>
Total liabilities		<u>37,300,127</u>	<u>8,392,580</u>
Net assets/(liabilities)		<u>(4,284,001)</u>	<u>11,590,974</u>
Equity			
Issued capital	22	31,361,382	29,810,861
Reserves	23	173,046	293,724
Accumulated losses		(35,818,429)	(18,513,611)
Total equity/(deficiency)		<u>(4,284,001)</u>	<u>11,590,974</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Oliver's Real Food Limited
Statement of changes in equity
For the year ended 30 June 2020

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	26,149,248	275,128	(2,722,374)	23,702,002
Adjustment for change in accounting policy (note 3)	-	-	(129,736)	(129,736)
Balance at 1 July 2018 - restated	26,149,248	275,128	(2,852,110)	23,572,266
Loss after income tax benefit for the year	-	-	(15,661,501)	(15,661,501)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(15,661,501)	(15,661,501)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 21)	3,661,613	-	-	3,661,613
Share-based payments (note 38)	-	18,596	-	18,596
Balance at 30 June 2019	<u>29,810,861</u>	<u>293,724</u>	<u>(18,513,611)</u>	<u>11,590,974</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2019	29,810,861	293,724	(18,513,611)	11,590,974
Loss after income tax expense for the year	-	-	(17,506,369)	(17,506,369)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(17,506,369)	(17,506,369)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 38)	-	1,191,394	-	1,191,394
Payments for share options	440,000	-	-	440,000
Transfer on exercise of options	1,110,521	(1,110,521)	-	-
Cancelled expired share options	-	(201,551)	201,551	-
Balance at 30 June 2020	<u>31,361,382</u>	<u>173,046</u>	<u>(35,818,429)</u>	<u>(4,284,001)</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Oliver's Real Food Limited
Statement of cash flows
For the year ended 30 June 2020

	Note	Consolidated	
		2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		30,986,163	35,293,852
Payments to suppliers (inclusive of GST)		(32,014,120)	(38,715,091)
		(1,027,957)	(3,421,239)
Interest received		4,197	8,079
Other income		231,049	-
Interest and other finance costs paid		(1,086,133)	(176,750)
Government Grants and Subsidies		1,276,000	-
License fee income received (inclusive of GST)		550,000	-
Income taxes paid		-	(211,169)
Net cash used in operating activities	34	(52,844)	(3,801,079)
Cash flows from investing activities			
Payments for property, plant and equipment	13	(189,182)	(2,004,283)
Payments for intangible assets	14	(40,866)	(139,000)
Proceeds from disposal of property, plant and equipment		227,500	787,000
Net cash used in investing activities		(2,548)	(1,356,283)
Cash flows from financing activities			
Proceeds from issue of shares	21	440,000	4,045,000
Proceeds from borrowings		710,849	125,000
Share issue transaction costs		-	(382,000)
Repayments of finance leases		(1,618,032)	-
Repayment of borrowings		(63,226)	(447,000)
Net cash from/ (used in) financing activities		(530,409)	3,341,000
Net decrease in cash and cash equivalents		(585,801)	(1,816,362)
Cash and cash equivalents at the beginning of the financial year		1,042,598	2,858,960
Cash and cash equivalents at the end of the financial year	7	456,797	1,042,598

The above statement of cash flows should be read in conjunction with the accompanying notes

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

New or amended Accounting Standards and Interpretations adopted

The Group 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 new or amended accounting standards have been adopted by the Company:

AASB 2020-4 – Amendments to Australian Accounting Standards – COVID 19-19-Related Rent Concessions

As a result of the coronavirus (COVID 19-19) pandemic, rent concessions have been granted to lessees. The AASB issued amendments outlining an optional practical expedient where lessees benefiting from these rent concessions may account for them as variable lease payments in the periods in which they are granted. This Standard applies to annual periods beginning on or after 1 June 2020 and is available for early adoption to annual periods beginning before 1 June 2020. The Company have early adopted this standard and in line with the practical expedient accounted for all rent concessions as variable lease payments in the periods in which they are granted. The Company have recognised an income of \$495,841 in the statement of profit or loss and other comprehensive income reflecting the changes in lease payments that have arisen from rent concessions to which the Company has applied the practical expedient.

The following new or amended accounting standards have not been adopted by the Company:

AASB 2018-7 - Amendments to Australian Accounting Standards – Definition of Material

The AASB has made amendments to AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors and consequential amendments to other Australian Accounting Standards (AAS) which: i) use a consistent definition of materiality throughout AAS and the Conceptual Framework for Financial Reporting; ii) clarify when information is material; and iii) incorporate some of the guidance in AASB 101 about immaterial information. These amendments are applicable to annual reporting periods beginning on or after 1 January 2020. The adoption of these amendments is not expected to significantly impact the disclosures in the financial report of the Company.

AASB 2020-1 - Classification of liabilities as current or non-current

The AASB issued a narrow-scope amendment to AASB 101 Presentation of Financial Statements to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. This amendment is applicable to annual reporting periods beginning on or after 1 January 2022. The adoption of this amendment will not impact classification of liabilities of the Company.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

AASB 16 Leases

Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Company 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 Company 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 re-measurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

	Consolidated 2019 \$
Operating lease commitments disclosed as at 30 June 2019	32,931,758
Re-statement of prior year commitments balance due to error in computation	(1,590,678)
Restated operating lease commitments as at 30 June 2019	31,341,080
Discounted using the lessee's incremental borrowing rate 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
Lease liability recognised as at 1 July 2019	34,048,835
Current lease liabilities	2,809,783
Non-current lease liabilities	31,239,052

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.

	Consolidated	
	2020 \$	2019 \$
Properties	29,076,156	32,845,475
Motor vehicles	743,931	788,630
	<u>29,820,087</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.

Impact on segment disclosures and earnings per share:

Adjusted EBITDA, segment assets and segment liabilities for June 2020 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 EBIT DA	Segment assets	Segment liabilities
	\$	\$	\$
Quick Service Restaurant ("QSR") segment	-	47,979,215	39,119,778

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

ii) Practical expedients applied

In applying AASB 16 for the first time, the Company 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 Company 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 Company relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(b) The Company's leasing activities and how these are accounted for

The Company 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 July 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 Company. 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.

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

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 Company with such variable lease contracts would increase total lease payments by approximately NIL %. All impacted stores are currently trading under the variable rent threshold.

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 Preliminary Financial Results, the Group has experienced operating losses of \$17,506,369 (after taking into account \$10,234,134 in impairment charges and \$1,191,394 in the value of Directors Options) with cash flows used by operating activities of (\$52,844).

As at 30 June 2020, the consolidated statement of financial position reflected an excess of current liabilities over current assets of \$8,253,582.

These factors, indicate a material uncertainty which may cast significant doubt as to whether the Company 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 Group will be able to continue as a going concern, after consideration of the following factors:

The Company has since committed to a \$5.0m term loan facility, repayable in 36 months. The terms of this facility comprise an interest rate of 10.5% p.a., and the repayment of the current CBA facility (Balance of \$950k as at the date of this report). The Company is also required to enter into a Warrant Deed granting the holder the option to subscribe for shares over two tranches, the first being for 37,500,000 shares and the second for a further 10,000,000 shares at a warrant exercise price of \$0.12 per share.

There are also financial covenants stating the minimum cash balance as at 30 September 2020 and 31 December 2020 must be greater than \$2,500,000, as at 31 March 2021 and 30 June 2021 and as at 30 September 2021 \$2,000,000, and as at 31 December 2021 \$1,500,000 and remaining at that level thereafter whilst the facility is in place.

A default interest rate of 15% will apply in the event the Company triggers a default event.

Cash flow forecast prepared by management demonstrate the Company's on-going ability to generate a positive cash inflow from operating activities.

As a result of COVID 19, and the impact on the trading revenue, management have worked closely with the Group's creditors to ensure continuity of supply, and where necessary have agreed to short term payment plans.

Additionally, management have endeavoured to use team members who qualify for the JobKeeper subsidy wherever possible, to ensure a minimum of staff costs over and above what has been recovered through the subsidy

The future impact of COVID 19 leaves some uncertainty in relation to cash projections and trading results and the ongoing ability for the Company to meet its obligations and the covenants contained in the PURE Asset Management Facility.

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.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Oliver's Real Food Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Oliver's Real Food Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

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 Group 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.

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

Inventories

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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 Group 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.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The Group 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 Group'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 mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-15 years
Plant and equipment	3-7 years
Plant and Equipment under lease	2-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Oliver's Real Food Limited
Notes to the financial statements
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Note 1. Significant accounting policies (continued)

Impairment of Assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Impairment of non-financial assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Refer to Note 25 for further detail.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Oliver's Real Food Limited
Notes to the financial statements
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Note 1. Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

the initial recognition of goodwill; or

(b) the initial recognition of an asset or liability in a transaction which:

(i) is not a business combination; and

at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the entity in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Oliver's Real Food Ltd.

The members of the tax-consolidated group are identified in Note 13. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts in the separate financial statements of each entity and the tax

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Current income tax expense (income) and deferred tax liabilities and assets are recognised in the separate financial statements of members of the tax consolidated group using the "group allocation" approach. This approach determines the tax obligations of entities based on a systematic allocation which ensures that all amounts are allocated to the subsidiaries in compliance with AASB 112 Income Taxes.

Any current tax liabilities (assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax consolidated group. Any difference between these amounts and amounts payable (receivable) under the tax funding agreement (refer below) is recognised by the head entity as an equity injection or distribution.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Oliver's Real Food Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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 Company. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

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.

Goodwill and other indefinite life intangible assets

The Group 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.

Refer to Note 25 for further information

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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

The Group 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 Group 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.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. 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 and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Government Stimulus Measures

In response to the COVID-19 pandemic, the Group assessed its eligibility for and applied to the Federal Government to receive available stimulus measures. These measures were received during and after the financial year. Where eligible, the Group continues to apply for eligible stimulus relief measures. In respect of future measures, as these are announced by the Australian Government management will assess the Group eligibility and consideration will be given to the potential benefit from accessing these measures. These measures may have a material financial effect on the financial report should the assumptions underpinning the eligibility change or in the unlikely event of an independent review refuting the Group's entitlement to these measures. At the date the financial report is authorised for issue, the Board considers the Group eligible for the stimulus measures and accordingly the assets of the Group recoverable in the ordinary course of business.

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 3. Restatement of comparatives

Correction of error

In preparing the financial report for the period ended 30 June 2020, the board of directors of the Company discovered errors in the classification of certain financial assets and liabilities. These errors resulted in the incorrect classification and presentation of the 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 statements 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
Current assets	3,396,383	(285,738)	3,110,645
Other non-current assets	319,045	(151,913)	167,132
Financial assets at amortised cost	-	286,700	286,700
Non-current assets	16,738,122	134,787	16,872,909
Total assets	20,134,505	(150,951)	19,983,554
Trade and other payables	4,659,021	(150,951)	4,508,070
Total current liabilities	7,231,959	(150,951)	7,081,008
Total liabilities	8,543,531	(150,951)	8,392,580
Net assets	11,590,974	-	11,590,974
Retained earnings	(18,513,611)	-	(18,513,611)
Total equity	11,590,974	-	11,590,974

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

Note 4. Operating segments

Identification of reportable operating segments

The Group operates two segments being: Quick Service Restaurants (QSR) and EG Fuels - Food To Go (EG). This is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

EG segment is insignificant for the current financial year, therefore it is included in QSR segment. In future years the two segments will be reported separately due to EG becoming a significant operating segment.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 5. Revenue

	Consolidated	
	2020	2019
	\$	\$
<i>Revenue from contracts with customers</i>		
Revenue from sale of goods	<u>28,520,885</u>	<u>34,965,044</u>
<i>Other revenue</i>		
Rent	7,800	-
Interest received	4,198	8,079
Other revenue	<u>6,770</u>	<u>-</u>
	<u>18,768</u>	<u>8,079</u>
Revenue	<u><u>28,539,653</u></u>	<u><u>34,973,123</u></u>

Note 6. Other income

	Consolidated	
	2020	2019
	\$	\$
Government concessions	2,004,750	-
Olivers Food to Go Licence Fee	500,000	77,495
Rent concessions	496,846	-
Miscellaneous income	<u>231,048</u>	<u>-</u>
Other income	<u><u>3,232,644</u></u>	<u><u>77,495</u></u>

During the period the group identified cash shortages totaling \$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 to recoup the cash shortages. The property was sold prior to June 2020 and the \$175,000 recovered in full. The Miscellaneous income amount above includes \$175,000 recovered from the employee misappropriation.

Oliver's Real Food Limited
 Notes to the financial statements
 30 June 2020

Note 7. Income tax expense/(benefit)

	Consolidated	
	2020	2019
	\$	\$
<i>Income tax expense/(benefit)</i>		
Current tax	-	145,363
Adjustment recognised for prior periods	90,335	15,798
Deferred tax	-	(253,249)
	<u>90,335</u>	<u>(92,088)</u>
Aggregate income tax expense/(benefit)		
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Loss before income tax (expense)/benefit	(17,416,034)	(15,753,589)
Tax at the statutory tax rate of 30%	(5,224,810)	(4,726,077)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	-	217,360
	(5,224,810)	(4,508,717)
Adjustment recognised for prior periods	90,335	15,798
Current year tax losses and temporary differences not recognised	5,224,810	4,400,831
	<u>90,335</u>	<u>(92,088)</u>

Note 8. Cash and cash equivalents

	Consolidated	
	2020	2019
	\$	\$
<i>Current assets</i>		
Cash on hand	18,620	90,978
Cash at bank	939,683	951,620
	<u>958,303</u>	<u>1,042,598</u>
<i>Reconciliation to cash and cash equivalents at the end of the financial year</i>		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	958,303	1,042,598
Bank overdraft (note 17)	(501,506)	-
	<u>456,797</u>	<u>1,042,598</u>
Balance as per statement of cash flows		

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 9. Trade and other receivables

	Consolidated	
	2020	2019
	\$	\$
<i>Current assets</i>		
Trade receivables	177,716	126,858
Less: Allowance for expected credit losses	(45,273)	(45,273)
	<u>132,443</u>	<u>81,585</u>
Other receivables – government stimulus	846,733	-
Income tax refund due	-	90,335
	<u>979,176</u>	<u>171,920</u>

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Carrying amount		Allowance for expected credit losses	
	2020	2019	2020	2019
Consolidated	\$	\$	\$	\$
Not overdue	925,475	-	-	-
0 to 3 months overdue	4,791	22,411	-	-
3 to 6 months overdue	26,469	3,601	-	-
Over 6 months overdue	67,714	100,846	45,273	45,273
	<u>1,024,449</u>	<u>126,858</u>	<u>45,273</u>	<u>45,273</u>

Note 10. Inventories

	Consolidated	
	2020	2019
	\$	\$
<i>Current assets</i>		
Stock in transit - at cost	1,192	107,145
Stock on hand - at cost	1,290,056	1,535,161
	<u>1,291,248</u>	<u>1,642,306</u>

Oliver's Real Food Limited
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Note 11. Right-of-use assets

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current assets</i>		
Motor vehicles - right-of-use	888,409	-
Less: Accumulated depreciation	(212,923)	-
	<u>675,486</u>	<u>-</u>
Commercial Leases - right-of-use	28,904,714	-
Less: Accumulated depreciation	(3,182,631)	-
Less: Impairment	(6,107,334)	-
	<u>19,614,749</u>	<u>-</u>
Equipment - right-of-use	53,408	-
Less: Accumulated depreciation	(13,448)	-
	<u>39,960</u>	<u>-</u>
	<u><u>20,330,195</u></u>	<u><u>-</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Commercial Leases	Motor Vehicles	Equipment Hire	Total
	\$	\$	\$	\$
Balance at 1 July 2018	-	-	-	-
Balance at 30 June 2019	-	-	-	-
Transfers In from PPE	510,896	788,630	-	1,299,526
Initial recognition on adoption of AASB 16	32,845,475	-	53,407	32,898,882
Adjustments	(95,566)	-	-	(95,566)
Impairment of assets	(6,107,333)	-	-	(6,107,333)
Re-measurement of leases	(4,249,286)	-	-	(4,249,286)
Depreciation expense	(3,289,437)	(113,144)	(13,447)	(3,416,028)
	<u>19,614,749</u>	<u>675,486</u>	<u>39,960</u>	<u>20,330,195</u>

Refer Note 25 on impairment for further information.

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 12. Other

	Consolidated	
	2020	2019
	\$	\$
<i>Current assets</i>		
Prepayments	271,875	253,821
Other current assets	5,363	-
	<u>277,238</u>	<u>253,821</u>
<i>Non-current assets</i>		
Rental bonds	124,005	152,570
Other non-current assets	-	14,562
	<u>124,005</u>	<u>167,132</u>
	<u><u>401,243</u></u>	<u><u>420,953</u></u>

Note 13. Other financial assets

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current assets</i>		
Term deposits	288,095	286,700
	<u><u>288,095</u></u>	<u><u>286,700</u></u>

Note 14. Property, plant and equipment

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current assets</i>		
Land - at cost	426,955	496,913
Leasehold improvements - at cost	7,755,802	9,404,315
Less: Accumulated depreciation	(1,760,338)	(1,640,750)
Less: Impairment	(2,841,730)	(2,455,043)
	<u>3,153,734</u>	<u>5,308,522</u>
Plant and equipment - at cost	6,807,816	7,271,375
Less: Accumulated depreciation	(3,056,681)	(2,668,367)
Less: Impairment	(1,637,065)	(1,453,393)
	<u>2,114,070</u>	<u>3,149,615</u>
Motor vehicles - at cost	955,419	1,388,152
Less: Accumulated depreciation	(518,081)	(516,341)
	<u>437,338</u>	<u>871,811</u>
Motor vehicles under lease	-	555,635
Less: Accumulated depreciation	-	(61,120)
	<u>-</u>	<u>494,515</u>
	<u><u>6,132,097</u></u>	<u><u>10,321,376</u></u>

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 14. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land & Buildings	Leasehold Improvements	Plant & Equipment	Motor Vehicles	Total
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2018	1,028,337	8,089,894	5,271,344	1,453,083	15,842,658
Additions	-	742,978	535,401	123,944	1,402,323
Disposals	(531,424)	(378,300)	(163,427)	(16,205)	(1,089,356)
Impairment of assets	-	(2,455,042)	(1,453,393)	-	(3,908,435)
Depreciation expense	-	(691,008)	(1,040,310)	(194,496)	(1,925,814)
Balance at 30 June 2019	496,913	5,308,522	3,149,615	1,366,326	10,321,376
Additions	-	2,495	186,687	-	189,182
Disposals	(69,958)	(193,018)	(95,204)	(9,993)	(368,173)
Reclassification of assets	-	10,502	40,152	(50,654)	-
Impairment of assets	-	(1,179,202)	(452,147)	-	(1,631,349)
Transfers out	-	(241,822)	-	(788,633)	(1,030,455)
Depreciation expense	-	(553,743)	(715,033)	(79,708)	(1,348,484)
Balance at 30 June 2020	<u>426,955</u>	<u>3,153,734</u>	<u>2,114,070</u>	<u>437,338</u>	<u>6,132,097</u>

Land and buildings stated under the historical cost convention

If land and buildings were stated under the historical cost convention, the amounts would be as follows:

	Consolidated	
	2020	2019
	\$	\$
Land - at cost	426,955	496,913
	<u>426,955</u>	<u>496,913</u>

Refer Note 25 on impairment for further information.

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 15. Intangibles

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current assets</i>		
Goodwill - at cost	2,133,516	2,133,516
Less: Impairment	(2,133,516)	-
	<u>-</u>	<u>2,133,516</u>
Intellectual property - at cost	610,576	610,576
Less: Impairment	(110,576)	-
	<u>500,000</u>	<u>610,576</u>
Patents and trademarks - at cost	190,575	190,575
Less: Accumulated amortisation	(139,523)	(124,375)
Less: Impairment	(51,052)	-
	<u>-</u>	<u>66,200</u>
Customer contracts - at cost	333,830	333,830
Less: Accumulated amortisation	(133,522)	(100,139)
Less: Impairment	(200,308)	-
	<u>-</u>	<u>233,691</u>
Software - at cost	851,113	830,852
Less: Accumulated amortisation	(420,894)	(66,535)
	<u>430,219</u>	<u>764,317</u>
Reacquired Rights - at cost	3,258,000	3,258,000
Less: Accumulated amortisation	(1,552,450)	(968,599)
	<u>1,705,550</u>	<u>2,289,401</u>
	<u><u>2,635,769</u></u>	<u><u>6,097,701</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill	Patents & Trademarks	Computer Software	Brands & IP	Customer Relationshi p	Reacquired Rights	Total
Consolidated	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	4,663,028	83,177	381,177	691,256	255,946	2,859,846	8,934,430
Additions	-	-	449,276	-	-	-	449,276
Disposals	-	-	-	(80,680)	-	(30,075)	(110,755)
Impairment of assets	(2,529,512)	-	-	-	-	(119,925)	(2,649,437)
Transfers in/(out)	-	-	-	-	-	(420,445)	(420,445)
Amortisation expense	-	(16,977)	(66,135)	-	(22,256)	-	(105,368)
Balance at 30 June 2019	2,133,516	66,200	764,318	610,576	233,690	2,289,401	6,097,701
Additions	-	-	40,866	-	-	-	40,866
Impairment of assets	(2,133,516)	(51,052)	-	(110,576)	(200,308)	-	(2,495,452)
Write off of assets	-	-	(18,181)	-	-	-	(18,181)
Amortisation expense	-	(15,148)	(356,784)	-	(33,382)	(583,851)	(989,165)
Balance at 30 June 2020	<u>-</u>	<u>-</u>	<u>430,219</u>	<u>500,000</u>	<u>-</u>	<u>1,705,550</u>	<u>2,635,769</u>

Refer Note 25 on impairment for further information.

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Note 16. Trade and other payables

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Trade payables	2,219,075	2,343,074
Accrued Expenses	767,727	688,953
GST payable	720,411	389,898
Other payables	2,182,904	1,086,145
	<u>5,890,117</u>	<u>4,508,070</u>

Refer to note 26 for further information on financial instruments.

Note 17. Borrowings

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Bank overdraft	501,506	-
Bank loans	100,000	1,000,000
Loan from third party **	200,000	200,000
Related party loan *	481,630	-
Insurance premium funding ***	229,219	-
Lease liability	-	271,193
	<u>1,512,355</u>	<u>1,471,193</u>
<i>Non-current liabilities</i>		
Bank loans	875,000	-
Hire purchase	-	636,844
Lease liability	-	392,396
	<u>875,000</u>	<u>1,029,240</u>
	<u>2,387,355</u>	<u>2,500,433</u>

Refer to note 26 for further information on financial instruments.

* For the terms and conditions attached to the related party loan - refer to note 31

** Loan from third party is interest free and has no specific repayment date.

*** Premium Funding is payable in monthly instalments and carries an interest rate of 3.59%.

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Note 17. Borrowings (continued)

Financing arrangements

	Consolidated	
	2020	2019
	\$	\$
Total facilities		
Bank overdraft	500,000	-
Bank loans	975,000	1,000,000
Bank Guarantee facility	400,000	400,000
	<u>1,875,000</u>	<u>1,400,000</u>
Used at the reporting date		
Bank overdraft	501,506	-
Bank loans	975,000	1,000,000
Bank Guarantee facility	383,728	328,728
	<u>1,860,234</u>	<u>1,328,728</u>
Unused at the reporting date		
Bank overdraft	(1,506)	-
Bank loans	-	-
Bank Guarantee facility	16,272	71,272
	<u>14,766</u>	<u>71,272</u>

* The nominal interest rate on the market rate loan of \$1,000,000 (balance as at the date of this report \$950,000) is 3.89% per annum and the year of maturity is July 2021. The loans are secured over the Company's all present and after acquired properties.

The Bank overdraft of \$500,000 was put in place as a result of the Group's eligibility for JobKeeper and as such having to cover wages liabilities through the period before receiving the JobKeeper subsidy from the Government. This is a temporary overdraft and will be withdrawn once JobKeeper ceases or the CBA facilities are repaid. The interest rate is 7.68% p.a.

In addition, the Company has a contingent liability to CBA to cover bank guarantees for lease commitments of \$400,000. As at the balance date the facility was drawn to \$383,728.

Note 18. Lease liabilities

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Lease liability	<u>3,572,852</u>	-
<i>Non-current liabilities</i>		
Lease liability	<u>24,069,582</u>	-
	<u><u>27,642,434</u></u>	<u><u>-</u></u>

Refer to note 26 for further information on financial instruments.

Lease interest expense (included in finance costs) amounted to \$1,234,961.

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Note 19. Employee benefits

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Annual leave	681,504	503,864
<i>Non-current liabilities</i>		
Long service leave	85,102	-
	<u>766,606</u>	<u>503,864</u>

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2020	2019
	\$	\$
Employee benefits obligation expected to be settled after 12 months	187,330	-

Note 20. Provisions

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current liabilities</i>		
Lease make good	510,896	282,332

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease Make Good
Consolidated - 2020	\$
Carrying amount at the start of the year	282,332
Additional provisions recognised	<u>228,564</u>
Carrying amount at the end of the year	<u>510,896</u>

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Note 21. Other liabilities

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Provision for variable rent payable	102,719	102,719
	-	495,162
	<u> </u>	<u> </u>

Note 22. Issued capital

	2020	Consolidated		2019
	Shares	2019	2020	2019
		Shares	\$	\$
Ordinary shares - fully paid	<u>270,731,917</u>	<u>250,731,917</u>	<u>31,361,382</u>	<u>29,810,861</u>

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2018	213,960,081	26,149,248
November 2018 (placement)		32,094,012	3,530,349
December 2018 (entitlement offer)		4,677,824	514,561
Transaction costs		-	(383,297)
Balance	30 June 2019	250,731,917	29,810,861
Issue of shares on exercise of options	09 March 2020	20,000,000	440,000
Transfer of share-based payment reserve		-	1,110,521
Balance	30 June 2020	<u>270,731,917</u>	<u>31,361,382</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

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Note 23. Reserves

	Consolidated	
	2020	2019
	\$	\$
Share-based payments reserve	<u>173,046</u>	<u>293,724</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services. Amounts are transferred out of the reserve and into issued share capital when the options are vested and exercised. Further information about the share-based payments to employees is set out in note 38.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share based payment reserve	Total
	\$	\$
Balance at 1 July 2018	275,128	275,128
Share based payments expense	<u>18,596</u>	<u>18,596</u>
Balance at 30 June 2019	293,724	293,724
Share based payments expense	1,191,394	1,191,394
Transfer on exercise of option	(1,110,521)	(1,110,521)
Expired share options	<u>(201,551)</u>	<u>(201,551)</u>
Balance at 30 June 2020	<u>173,046</u>	<u>173,046</u>

The option reserve arises on the grant of share options to Directors and executives in accordance with the provisions of Oliver's Employee Incentive Plan. Amounts are transferred out of the reserve and into issued share capital when the options are vested and exercised. Further information about the share-based payments to employees is set out in note 38.

Note 24. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

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Note 25. Non-financial Assets Impairment

IMPAIRMENT NOTE:

During FY20, impairment losses totalling \$10.234m have been recognised in respect of the cash generating units within the Business.

Key Assumptions used for calculating impairment losses

Sales Growth used for Victorian CGU's Year 2 is 20% and thereafter 3%

Sales Growth used for NSW and Qld CGU's Year 2 is 5% and thereafter 3%.

The above is based on the impact of COVID 19 being far greater at the Vic CGU level than the other states.

A terminal growth rate of 3% has been used in the calculations.

Future cash flow and profit projections were based on the revised FY21 forecast which was effectively reduced by 15% on previous years, and then a further reduction of 10% was then applied to generate future cash flow and profit projections for the calculation of Impairments.

This has resulted in 14 CGU's requiring impairment.

Non-store assets were reviewed based on a QSR segment basis

Significant uncertainty:

There remains significant uncertainty regarding how the COVID 19 pandemic will evolve, including the duration of the pandemic, the severity of the downturn and the speed of recovery across the Company's store Network. The impacts of COVID 19 on the Company have resulted in the following impairments, and a significant reduction in the carrying values in all cash generating units (CGU's). Whilst the scenario modelling used for impairment testing inherently captures probable and possible impacts of COVID 19 experienced by the Company, additional temporary store closures and reduced revenues from extended trading restrictions could result in the revised carrying values of CGU's reducing further and therefore resulting in further impairment write – offs.

In 2019, the Company recognised significant impairment write offs amounting to \$6.558m. This reduction in carrying values prior to 2020 year has lowered the sensitivity of the respective CGU's carrying values, and the quantum of potential intangible asset impairments in future periods.

Notwithstanding the above, the carrying values in respect of those CGU's against which an impairment loss has been recognised continue to be sensitive to a range of assumptions, in particular the growth rates in the cash flow forecasts.

Right of Use Assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

For the FY20, Olivers elected to adopt AASB 16, with the result being a creation of Right of Use Assets as follows:

Commercial leases	\$29.012m
Motor Vehicles	\$ 0.888m
Equipment Hire	\$ 0.053m

For each financial period, the Company is required to assess the carrying value of these assets and this review has resulted in the recognition of \$6.1m of impairment losses relating to Commercial leases.

Property Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

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Note 25. Non-financial Assets Impairment (continued)

Buildings	40 years
Leasehold improvements	3-15 years
Plant and equipment	3-7 years
Plant and Equipment under lease	2-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

As part of the recognition of Impaired assets, and based on the above assumptions, an impairment loss for Property, Plant and Equipment of \$1.63m was recognised.

This is broken down into the following categories of assets:

Leasehold Improvements	\$1.18m
Plant and Equipment	\$0.45m

Intangibles

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed. Following a review of the business and its current financial position, it was tested for impairment at the QSR segment level which resulted in the remaining value on the Balance Sheet being impaired and as such impairment charge of \$2.133m being recognised.

Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Following a review of the Red Dragon business and its current market position, it was decided to write off the remaining value on the Balance Sheet resulting in an impairment charge of \$0.110m being recognised. The \$0.5m IP amount reflected on the FY20 results relates solely to the Oliver's stores.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Following a review of the business and its current financial position, it was decided to write off the remaining value on the Balance Sheet resulting in an impairment charge of \$0.051m being recognised.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

With the pending replacement of the current POS, the Group has accelerated the depreciation on this asset so as the WDV will be NIL at the time it is replaced.

Customer Relationship

The carrying value of Customer Relationships has been reviewed and the decision was made to impair the total amount of \$0.22m.

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Note 25. Non-financial Assets Impairment (continued)

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Sensitivity

As a result of the uncertainty surrounding the current trading situation with border closures and trading restrictions, the Company performed some sensitivity analysis on the impairment calculations presented in this report. In the event the stores trading number improved by 10%, the reduction in the impairment calculated amounts to \$3.5m, however, should there be a further decline in revenue to the extent of 10%, there would be the need to further impair an additional \$4.1m. This would be distributed proportionally between Property, plant and equipment, and Right of Use assets.

On the same basis, the balance of Corporate assets would be further impaired by \$3.8m.

Note 26. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

The Group is not exposed to any significant foreign currency risk.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

For the Group the bank loans outstanding, totalling \$1,476,506 (2019: \$1,000,000), are principal and interest payment loans. Monthly cash outlays of approximately \$6,500 (2019: \$3,200) per month are required to service the interest payments. An official increase/decrease in interest rates of 100 (2019: 100) basis points would have an adverse/favourable effect on profit before tax of \$14,750 (2019: \$10,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts. In addition, minimum principal repayments of \$25,000 payable quarterly, (2019: \$Nil) are due during the year ending 2021.

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Note 26. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2020	2019
	\$	\$
Bank Guarantee facility	16,272	71,272
	<hr/>	<hr/>
	<hr/>	<hr/>

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Notes to the financial statements
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Note 26. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2020	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	2,219,075	-	-	-	2,219,075
Other payables	-	3,671,042	-	-	-	3,671,042
Other loans	-	200,000	-	-	-	200,000
<i>Interest-bearing - variable</i>						
Bank overdraft	7.68%	501,506	-	-	-	501,506
Bank loans	3.69%	130,000	882,000	-	-	1,012,000
Other loans	6.00%	503,275	-	-	-	503,275
Premium Funding	3.59%	229,219	-	-	-	229,219
<i>Interest-bearing - fixed rate</i>						
Lease liability	3.69%	3,615,822	3,478,034	8,523,025	18,859,151	34,476,032
Total non-derivatives		11,069,939	4,360,034	8,523,025	18,859,151	42,812,149

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 27. Key management personnel disclosures

Refer to the Remuneration report contained in the Directors' report for details of the remuneration paid or payable to each member of the Company's key management personnel (KMP) for the year ended 30 June 2020.

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	587,079	902,514
Post-employment benefits	35,131	39,458
Long-term benefits	820	-
Share-based payments	1,184,820	-
	1,807,850	941,972

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive Directors and other key management personnel.

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Note 27. Key management personnel disclosures (continued)

Post-employment benefits

These amounts are the current year's superannuation contributions made during the year.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the Remuneration Report.

Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Bishop Collins Audit Pty Limited, the auditor of the company:

	Consolidated	
	2020	2019
	\$	\$
<i>Audit services - Bishop Collins Audit Limited (2019: RSM Australia)</i>		
Audit or review of the financial statements	205,000	142,500
Other audit services	16,000	
	221,000	142,500
<i>Other services – Network firm of the parent entity auditor</i>		
<i>Bishop Collins Pty Ltd (2019: RSM Australia)</i>		
Preparation of the tax return	35,000	54,150
Other Taxation Services	-	4,825
General Advice	1,000	-
	36,000	58,975
	257,000	201,475

Note 29. Contingent liabilities

The Group has given bank guarantees as at 30 June 2020 of \$383,728 (2019: \$328,728) to various landlords.

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Note 30. Commitments

	Consolidated	
	2020	2019
	\$	\$
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Intangible assets	88,430	-
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	3,085,135
One to five years	-	11,316,667
More than five years	-	14,975,884
	<u>-</u>	<u>29,377,686</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	-	305,784
One to five years	-	618,294
	<u>-</u>	<u>924,078</u>
Total commitment	-	924,078
Less: Future finance charges	-	(32,918)
Net commitment recognised as liabilities	<u>-</u>	<u>891,160</u>
Non-cancellable operating leases contracted for but not recognised in the financial statements payable:		
Within one year	-	825,572
One to five years	-	2,728,494
	<u>-</u>	<u>3,554,066</u>
Total commitment	-	3,554,066
Less: Future finance charges	-	-
Net commitment recognised as liabilities	<u>-</u>	<u>3,554,066</u>

Note 31. Related party transactions

Parent entity

Oliver's Real Food Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 33.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

Oliver's Real Food Limited
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Note 31. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2020	2019
	\$	\$
Payment for other expenses:		
Interest paid to other related party	31,470	-

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2020	2019
	\$	\$
Current borrowings:		
Loan from other related party	481,630	-

* The Company has a loan of \$481,630 from Safety Factor Aviation Pty Ltd, a Company solely owned by Mr. Jason Gunn. The terms of this loan are interest at the rate of 6% capitalised and repayment by 20th March 2021. The loan is secured.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Refer to Subsequent events Note 34 regarding repayment to Safety Factor Aviation Pty Ltd.

Note 32. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2020	2019
	\$	\$
Loss after income tax	(3,020,699)	(1,478,790)
Total comprehensive loss	(3,020,699)	(1,478,790)

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 32. Parent entity information (continued)

Statement of financial position

	Parent	
	2020	2019
	\$	\$
Total current assets	864,188	23,822,719
Total assets	<u>28,301,732</u>	<u>26,099,082</u>
Total current liabilities	6,692,477	657,707
Total liabilities	<u>7,174,107</u>	<u>1,369,504</u>
Equity		
Issued capital	30,340,964	28,790,143
Share-based payments reserve	173,046	293,724
Accumulated losses	<u>(9,386,385)</u>	<u>(4,354,288)</u>
Total equity/(deficiency)	<u>21,127,625</u>	<u>11,590,974</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

Contingent liabilities

The parent entity has no contingent liabilities as at 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 33. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
Coffs Harbour Franchise Pty Ltd		100.00%	100.00%
Coonalpyn Properties Pty Ltd		100.00%	100.00%
Farm Gate Market Direct Pty Ltd		100.00%	100.00%
Fresh Food Services NSW Pty Ltd		100.00%	100.00%
Fresh Food Services QLD Pty Ltd		100.00%	100.00%
Fresh Food Services VIC Pty Ltd		100.00%	100.00%
Gundagai Properties Pty Ltd		100.00%	100.00%
Oliver's North Albury Pty Ltd (In Liquidation)		100.00%	100.00%
Oliver's Aratula Pty Ltd		100.00%	100.00%
Oliver's Ballarat Pty Ltd		100.00%	100.00%
Oliver's Bulahdelah Pty Ltd		100.00%	100.00%
Oliver's Calcoffs Pty Ltd		100.00%	100.00%
Oliver's Chinderah Pty Ltd		100.00%	100.00%
Oliver's Coffs Pty Ltd		100.00%	100.00%
Oliver's Coomera Pty Ltd (Liquidated 20.04.2020)		100.00%	100.00%
Oliver's Coonalpyn Pty Ltd		100.00%	100.00%
Oliver's Corporate Pty Ltd		100.00%	100.00%
Oliver's Dubbo West Pty Ltd (In Liquidation)		100.00%	100.00%
Oliver's East-Link Inbound Pty Ltd		100.00%	100.00%
Oliver's East-Link Outbound Pty Ltd		100.00%	100.00%
Oliver's Euroa Pty Ltd		100.00%	100.00%
Oliver's Ferry Park Pty Ltd		100.00%	100.00%
Oliver's Franchising Pty Ltd		100.00%	100.00%
Oliver's Geelong Northbound Pty Ltd		100.00%	100.00%
Oliver's Geelong Southbound Pty Ltd		100.00%	100.00%
Oliver's Gundagai Pty Ltd		100.00%	100.00%
Oliver's Halfway Creek Pty Ltd		100.00%	100.00%
Oliver's Hexham Pty Ltd		100.00%	100.00%
Oliver's Holbrook Pty Ltd		100.00%	100.00%
Oliver's Horsham Pty Ltd (In Liquidation)		100.00%	100.00%
Oliver's Kelso Pty Ltd		100.00%	100.00%
Oliver's Lithgow Pty Ltd		100.00%	100.00%
Oliver's Maitland Road Pty Ltd		100.00%	100.00%
Oliver's Maryborough Pty Ltd		100.00%	100.00%

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 33. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
Oliver's Merino Pty Ltd		100.00%	100.00%
Oliver's National Marketing Pty Ltd		100.00%	100.00%
Oliver's Officer Inbound Pty Ltd		100.00%	100.00%
Oliver's Officer Outbound Pty Ltd		100.00%	100.00%
Oliver's Organic Farming Pty Ltd		100.00%	100.00%
Oliver's Penn-Link Inbound Pty Ltd		100.00%	100.00%
Oliver's Penn-Link Outbound Pty Ltd		100.00%	100.00%
Oliver's Port Macquarie Pty Ltd		100.00%	100.00%
Oliver's Roma Street Pty Ltd		100.00%	100.00%
Oliver's Shepparton Pty Ltd		100.00%	100.00%
Oliver's Sutton Forest Pty Ltd		100.00%	100.00%
Oliver's Wallan Northbound Pty Ltd		100.00%	100.00%
Oliver's Wallan Southbound Pty Ltd		100.00%	100.00%
Oliver's Westgate Pty Ltd		100.00%	100.00%
Oliver's Wyong Northbound Pty Ltd		100.00%	100.00%
Oliver's Wyong Northbound Pty Ltd		100.00%	100.00%
Retail Technology Services Pty Ltd		100.00%	100.00%
Revalo's Pty Ltd		100.00%	100.00%
Silver Dog Pty Ltd		100.00%	100.00%
Slacks Creek Pty Ltd		100.00%	100.00%
The Delicious & Nutritious Food Co Pty Ltd		100.00%	100.00%

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Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 34. Events after the reporting period

The Group has since committed to a \$5.0m term loan facility, repayable in 36 months. The terms of this facility comprise an interest rate of 10.5% p.a., and the repayment of the current CBA facility (Balance of \$950k as at the date of this report) and the provision to make a \$150,000 repayment to Safety Aviation Pty Ltd. The Group is also required to enter into a Warrant Deed granting the holder the option to subscribe for shares over two tranches, the first being for 37,500,000 shares and the second for a further 10,000,000 shares at a warrant exercise price of \$0.12 per share.

There are also financial covenants stating the minimum cash balance as at 30 September 2020 and 31 December 2020 must be greater than \$2,500,000, as at 31 March 2021 and 30 June 2021 and as at 30 September 2021 \$2,000,000, and as at 31 December 2021 \$1,500,000 and remaining at that level thereafter whilst the facility is in place.

COVID 19 Impact on Olivers Real Food Limited

The COVID 19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity and the Company's business in various significant ways:

- Due to government measures taken, Olivers had to close its entire network of stores, the 3 warehouses and 2 kitchens as of March 23rd 2020. The impact on revenues started to decline from early March as people stayed home and didn't travel or eat out as the concerns around the pandemic took hold.
- The reduction of economic activity and the requirement to close our stores meant all employees were stood down and the Group proceeded to register for JobKeeper which was successful. During the last quarter, the Group received Government subsidies from JobKeeper amounting to \$2.0m and rental subsidies of \$496.8k.

As a result of these effects our cumulative revenue in the last quarter of 2020 was approximately \$5.6m or 69.8% lower than our 2019 revenues in the same period.

The Group's operating results have declined significantly in 2020 and have been negative in March, April and May 2020.

Also, our liquidity has been negatively impacted, which required us to obtain additional funding from our bank by obtaining a temporary overdraft facility of \$750k (reduced to \$500k in June) to enable the Group meet its future liquidity needs throughout the period of the pandemic.

In the period since 30 June 2019, the Group has incurred losses due to impairments recognised on its Balance Sheet for Leasehold Improvements of \$1.2m, Plant and Equipment of \$0.5m and Right of Use Assets of \$6.1m, and Intangible assets of \$2.4m.

The Federal Government have also announced the implementation of government assistance measures which might mitigate some of the impact of the COVID 19 pandemic on our results and liquidity. To the extent appropriate we have applied for such government assistance. The details of all of the arrangements that might be available to us and the period throughout which they will remain available are continuing to evolve and remain subject to uncertainty. We are continuing to assess the implications for our business when these arrangements are no longer available. In particular, the withdrawal of the assistance currently provided by way of the JobKeeper subsidy would adversely affect the performance of the business until such point in time trading returned to normal pre COVID 19 levels.

Depending on the duration of the COVID 19 crisis and continued negative impact on economic activity, the Group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2021. The exact impact on our activities in the remainder of 2021 and thereafter cannot be predicted.

We also refer to note 1 Going concern.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 35. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2020	2019
	\$	\$
Loss after income tax (expense)/benefit for the year	(17,506,369)	(15,661,501)
Adjustments for:		
Depreciation and amortisation	5,753,681	2,451,627
Impairment of property, plant and equipment	1,631,349	3,908,435
Impairment of goodwill	2,133,516	2,529,512
Impairment of intangibles	361,936	119,925
Net loss on disposal of property, plant and equipment	140,673	-
Share-based payments	1,191,394	18,596
Other Income - lease concessions (non-cash)	(495,841)	-
Net Gain on disposal of property, plant and equipment	-	573,836
Impairment of right of use assets	6,107,333	-
Other	30,821	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(807,256)	458,978
Decrease/(increase) in inventories	351,058	(323,938)
Decrease in deferred tax assets	-	758,213
Decrease/(increase) in prepayments	(137,893)	156,858
Decrease in other operating assets	43,127	244,331
Decrease in deferred taxes payable	-	(1,011,461)
Decrease in accruals	-	1,150,643
Increase in trade and other payables	1,382,047	491,601
Increase in employee benefits	262,742	-
Increase in other provisions	-	151,300
Restatement of prior year numbers	-	151,913
Increase/(decrease) in other operating liabilities	(495,162)	30,053
Net cash used in operating activities	<u>(52,844)</u>	<u>(3,801,079)</u>

Note 37. Loss per share

	Consolidated	
	2020	2019
	\$	\$
Loss after income tax attributable to the owners of Oliver's Real Food Limited	<u>(17,506,369)</u>	<u>(15,661,501)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>270,731,917</u>	<u>250,731,917</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>270,731,917</u>	<u>250,731,917</u>
	Cents	Cents
Basic loss per share	(6.47)	(6.25)
Diluted loss per share	(6.47)	(6.25)

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 38. Share-based payments

(a) Executive Share Option Plan

On 3 May 2017, 3,700,000 share options were granted to Executives under the Oliver's Employee Incentive Plan to take up ordinary shares at an exercise price of \$0.30 each. The options are exercisable on or before 26 February 2021. The options hold no voting or dividend rights and are not transferable.

These options vest over a three-year period. Vesting is subject to performance conditions pertaining to earnings forecast and relative total shareholder return (TSR) being met and the executive is still employed at the end of the vesting period. The options lapse when an executive ceases his/her employment with the Com.

Set out below are summaries of options granted under the plan:

	Number of options 2020	Weighted average exercise price 2020	Number of options 2019	Weighted average exercise price 2019
Outstanding at the beginning of the financial year	500,000	\$0.300	1,500,000	\$0.300
Forfeited	<u>(200,000)</u>	\$0.300	<u>(1,000,000)</u>	\$0.300
Outstanding at the end of the financial year	<u>300,000</u>	\$0.300	<u>500,000</u>	\$0.300

Grant date 3 May 2017

Expiry date 26 February 2021

There were no options exercisable at the end of the financial year:

A total of 200,000 options were forfeited as a result of the executives leaving the company during the financial year.

The weighted average share price during the financial year was \$0.056 (2019: \$0.040).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.8 years (2019: 1.80 years).

(b) Veritas Share Option

On 21 April 2017, 2,000,000 share options were granted to Veritas Securities Limited under the Letter of Appointment as Corporate Adviser and Lead Manager for the Company's initial public offering. The options were exercisable on or before 20 June 2020 with an exercise price of \$0.30 each. These options have expired during the financial year.

The options held no voting or dividend rights and are not transferable.

Set out below are summaries of options granted under the plan:

	Number of options 2020	Weighted average exercise price 2020	Number of options 2019	Weighted average exercise price 2019
Outstanding at the beginning of the financial year	2,000,000	\$0.300	2,000,000	\$0.300
Forfeited	-	\$0.300	-	\$0.000
Expired	<u>(2,000,000)</u>	\$0.300	<u>-</u>	\$0.000
Outstanding at the end of the financial year	<u>-</u>	\$0.000	<u>2,000,000</u>	\$0.300

The weighted average share price during the financial year was \$0.056 (2019 \$0.40).

Oliver's Real Food Limited
Notes to the financial statements
30 June 2020

Note 38. Share-based payments (continued)

	Number of rights 2020	Weighted average exercise price 2020
Outstanding at the beginning of the financial year	-	\$0.000
Granted	20,000,000	\$0.022
Exercised	<u>(20,000,000)</u>	\$0.022
Outstanding at the end of the financial year	<u><u>-</u></u>	\$0.000

(c) The options granted to Directors (20,000,000) had the following terms and conditions attached:

The share price doubled from \$0.022 to \$0.044, and
 There were 2 consecutive quarters of positive EBITDA

Oliver's Real Food Limited
Directors' declaration
30 June 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Jason Gunn
Chairman

30 September 2020

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

Qualified Opinion

We have audited the financial report of Oliver's Real Food Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, except for the matters outlined in the Basis for Qualified Auditor's Opinion paragraph, the accompanying financial report of Oliver's Real Food Limited is in accordance with the Corporations Act 2001, including:

- i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Qualified Auditor's Opinion

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 audit for the year ended 30 June 2020, 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.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (the Code)* that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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



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



Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$17,506,369 during the year ended 30 June 2020, and, as of that date, the Group's current liabilities exceeded its current assets by \$8,253,582. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key Audit Matter	How our audit addressed this matter
Impairment of goodwill and intangible assets Refer to Notes 15 and 25 in the financial statements	
<p>As disclosed in Notes 14 and 24, the Group had a goodwill balance of \$2.13m and other intangible assets with a balance of \$3m at 30 June 2020 prior to impairments.</p> <p>An annual impairment test for indefinite useful life intangible assets is required under Australian Accounting Standard AASB 136 <i>Impairment of Assets</i>.</p> <p>Management performed an impairment review of the Group's indefinite life intangible assets. Based on the results of the impairment tests performed by management, this resulted in:</p> <ul style="list-style-type: none"> • An impairment of goodwill of \$2.13m. • Partial impairment of intellectual property of \$0.11m. <p>The Standard also requires an impairment test for definite life intangible assets if there are indicators or impairment.</p> <p>Management performed an impairment review of the Group's definite life intangible assets. These reviews were performed at the asset level. Based on the results of the impairment tests performed by management, this resulted in:</p> <ul style="list-style-type: none"> • An impairment of customer contracts of \$0.2m. • An impairment of patents and trademarks of \$0.05m. <p>The Group's assessment of impairment of intangible assets is considered to be a key audit matter as a result of the significant judgments involved in performing the impairment assessment.</p>	<p>Our audit procedures in relation to management's impairment assessment included:</p> <ul style="list-style-type: none"> • Evaluating the Group's determination of their cash generating units based on our knowledge of the business, and understanding of the industry in which the Group operates, with reference to the requirements of Australian Accounting Standards. • Assessing and challenging the assumption of one cash generating unit being appropriate. • Assessing the value-in-use models used, and the mathematical accuracy of the impairment model prepared by management. • Considering the appropriateness of the discounted cash flow methodology applied by the Group. • Comparing the forecast cash flows contained in the discounted cash flow models to Board reviewed budgets, updated forecasts and broader business plans. • Considering and challenging the Group's assessment of the impact of COVID-19 on cash flows and assumptions as well as management's assessment of a likely recovery period. • Performing sensitivity testing, using the Group's models, to evaluate the impact of varying key assumptions such as growth rates within a reasonably possible range. • Assessing the appropriateness of disclosures in the financial report, including sensitivities to key assumptions to which the outcome of the impairment model is most sensitive.

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<p>These judgments include:</p> <ul style="list-style-type: none"> • The identification of the appropriate cash generating unit ("CGU") for goodwill and indefinite useful life assets, which was defined by management as the Quick Services Restaurants ("QSR") segment; • Estimates concerning the forecast future cash flows associated with this CGU; • Determining the appropriate discount rates and the growth rate of revenue and costs to be applied in determining the recoverable amount for this CGU; and • Considerations arising as a result of the current COVID-19 environment. COVID-19 has caused significant disruption to the Group's business. As a result there is increased judgement in forecasting cash flows and assumptions used in the discounted cash flow models. <p>The outcome of the impairment assessment could vary, if different assumptions were applied.</p>	
<p>Adoption of AASB 16 - Leases Refer to Note 1 in the financial statements</p>	
<p>The Group adopted AASB 16 <i>Leases</i> with effect from 1 July 2019, which resulted in changes to the accounting policies. The Group has elected to use the modified retrospective approach and as such not to restate comparative information as permitted by the transitional provisions contained within AASB 16.</p> <p>The Group has a number of lease arrangements arising from its stores and warehouses network. The change in accounting policy resulted in the recognition of total lease liabilities of \$34.049m and right-of-use assets of \$33.634m in the Statement of Financial Position at the adoption date.</p> <p>The net present value of Right-of-use Assets and Lease Liabilities could vary depending on the judgements and estimates used in determining the lease term and the incremental borrowing rate. As a result of the subjectivity of the judgments and estimates which have been applied in determining the impact of AASB 16, this is considered a Key Audit Matter.</p>	<p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the Group's adoption process of AASB 16. • On a sample basis: <ul style="list-style-type: none"> – Testing the accuracy of key data inputs to the lease liability and right-of-use asset calculations by comparing to lease agreements including inspection of lease documentation at the date of adoption as well as at reporting date. – Testing the accuracy of the lease liability and right-of-use asset by reperforming the calculations. • Assessing the reasonableness of key judgments and estimates applied and the appropriateness of the practical expedients adopted by the Group in computing the lease liability and right-of-use asset. • Reviewing completeness of the lease data by reviewing the reconciliation of the Group's lease liability to the operating lease commitments disclosed in the 2019 financial report and by considering other evidence and knowledge of contracts which might contain a lease. • Determined if the disclosures included in the financial report were in compliance with AASBs.



Impairment of Right-of-use Assets and Property, Plant and Equipment

Refer to Notes 11, 14 and 25 in the financial statements

As disclosed in the financial report the Group has a Right-of-use asset balance of \$26.437m and property, plant and equipment balance of \$7.763m at 30 June 2020 prior to impairments. An impairment test is required by Australian Accounting Standard AASB 136 *Impairment of Assets* if there are indicators or impairment of these assets.

Management performed an impairment review of the Group's Right-of-use and property, plant and equipment assets. These reviews were performed at the respective CGU levels. Specifically, recoverable amount were determined at the store level.

Based on the results of the impairment tests performed by management, this resulted in:

- Impairments of Right-of-use assets of \$6.107m.
- Impairments of property, plant and equipment assets of \$1.631m.

The Group's assessment of impairment of stores' right-of-use assets and property, plant and equipment is considered to be a Key Audit Matter as a result of the significant judgments involved in performing the impairment assessment.

These judgements include:

- The identification of the appropriate Group's cash generating units ("CGUs"), being stores;
- Estimates concerning the forecast future cash flows associated with these CGUs;
- Determining the appropriate discount rates and the growth rate of revenue and costs to be applied in determining the recoverable amount for CGUs; and
- Significant judgement was required as a result of the current COVID-19 environment. COVID-19 has caused significant disruption to the Group's business. As a result there is increased judgement in forecasting cash flows and assumptions used in the discounted cash flow models.

The outcome of the impairment assessment could vary, if different assumptions were applied.

Our audit procedures in relation to management's impairment assessment included:

- Evaluating the Group's determination of their cash generating units (i.e. individual stores) based on our knowledge of the business, and understanding of the industry in which the Group operates, with reference to the requirements of Australian Accounting Standards.
- Assessing and challenging the assumption of one cash generating unit being appropriate.
- Assessing the value-in-use models used, and the mathematical accuracy of the impairment model prepared by management.
- Considering the appropriateness of the discounted cash flow methodology applied by the Group.
- Comparing the forecast cash flows contained in the discounted cash flow models to Board reviewed budgets, updated forecasts and broader business plans.
- Considering and challenging the Group's assessment of the impact of COVID-19 on cash flows and assumptions as well as management's assessment of a likely recovery period.
- Performing sensitivity testing, using the Group's models, to evaluate the impact of varying key assumptions such as growth rates within a reasonably possible range.
- Assessing the appropriateness of disclosures in the financial report, including sensitivities to key assumptions to which the outcome of the impairment model is most sensitive.

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Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Oliver's Real Food Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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	30 September 2020

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Oliver's Real Food Limited
Shareholder information
30 June 2020

The shareholder information set out below was applicable as at 23 September 2020.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	37	-
1,001 to 5,000	298	-
5,001 to 10,000	289	-
10,001 to 100,000	1,253	-
100,001 and over	261	-
	<u>2,138</u>	<u>-</u>
Holding less than a marketable parcel	<u>662</u>	<u>-</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Number held	Ordinary shares % of total shares issued
Hauraki Trust Company Limited	43,387,500	16.03
Butof Holdings Pty Ltd	22,785,318	8.42
Mr Michael John Gregg and Mrs Suzanne Jane Gregg	18,200,000	6.72
Gelba Pty Limited	17,756,654	6.56
Custodial Services Limited	5,420,155	2.00
Twenty Second Sepelda Pty Ltd	5,000,000	1.85
Mr Joshua Leigh Sweetman	3,719,935	1.37
Ms Anne Louise Matthews	3,335,000	1.23
Gazelle Bicycles Australia	3,032,695	1.12
Evacap Pty Ltd	2,750,000	1.02
Msi 888 Pty Ltd	2,335,403	0.86
Wr Simpson Nominees Pty Ltd	2,224,063	0.82
Mrs Yong Hui Pan	2,000,000	0.74
Mr Michael John Gregg	2,000,000	0.74
Mr Jason Antony Gunn	1,833,862	0.68
MFA Capital Pty Ltd< - T and J Adams Super Fund A/C	1,800,000	0.66
CS Fourth Nominees Pty Limited - HSBC Cust Nom AU Ltd 11A/C	1,764,900	0.65
Wolram Investments Pty Ltd - Wolram A/C	1,750,000	0.65
Mrs Pamela Elizabeth Brown	1,750,000	0.65
Mr Mark Kelly and Ms Terese Annette Kelly - Kel's Super Duper S/F A/C	1,681,315	0.62
	<u>144,526,800</u>	<u>53.39</u>

**Oliver's Real Food Limited
Corporate directory
30 June 2020**

Directors

Jason Gunn
Amanda Gunn
Steven Metter
David McMahon

Notice of annual general meeting

The details of the annual general meeting of Oliver's Real Food Limited are:

Registered office and Principal
Place of Business

10 Amsterdam Circuit

Wyong NSW 2259
Australia
(02) 4353 8055
www.investor.oliversrealfood.com.au

Share register

Boardroom Pty Ltd
Level 12, 275 George Street
Sydney NSW 2000
1300 737 760 (in Australia)
www.boardroomlimited.com.au

Auditor

Bishop Collins Audit Pty Ltd
Unit 1, 1 Pioneer Ave
Tuggerah NSW 2259

Solicitors

Breene and Breene
Level 12, 111 Elizabeth Street
Sydney NSW 2000

Bankers

Commonwealth Bank of Australia
Level 19, 111 Pacific Highway, North Sydney NSW 2060
National Australia Bank
Level 13, Tower B, 799 Pacific Highway, Chatswood NSW 2067

Stock exchange listing

Oliver's Real Food Limited shares are listed on the Australian Securities Exchange (ASX code: OLI)

Website

www.oliversrealfood.com.au
www.investor.oliversrealfood.com.au

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