



(formerly Family Insights Group Limited)

## **ANNUAL FINANCIAL REPORT**

FOR THE YEAR ENDED

30 JUNE 2020

For personal use only

# ANNUAL REPORT

for the year ended 30 June 2020

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# CORPORATE DIRECTORY

## BOARD OF DIRECTORS

Mr Jonathon Wild  
Mr Sean Smith  
Mr Mathew Walker

Non-Executive Chairman  
Managing Director and Chief Executive Officer  
Non-Executive Director

## REGISTERED OFFICE

Suite 9, 330 Churchill Avenue  
Subiaco WA 6008  
AUSTRALIA

## PRINCIPAL PLACE OF BUSINESS

Suite 9, 330 Churchill Avenue  
Subiaco WA 6008  
AUSTRALIA

## POSTAL ADDRESS

PO Box 866  
Subiaco WA 6904  
AUSTRALIA

## CONTACT INFORMATION

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[info@fruglgroup.com](mailto:info@fruglgroup.com)

[www.fruglgroup.com](http://www.fruglgroup.com)

## EXCHANGE

### Australian Securities Exchange (ASX)

Level 40, Central Park  
152-158 St George's Terrace  
Perth WA 6000

### ASX Codes:

FAM (Shares)  
FAMO (Options)

## AUDITORS

### Pitcher Partners BA & A Pty Ltd

Level 11, 12-14 The Esplanade  
Perth WA 6000  
AUSTRALIA

## LAWYERS

### Steinepreis Paganin

Level 4, The Read Buildings  
16 Milligan Street  
Perth WA 6000  
AUSTRALIA

## SHARE REGISTRY

### Automic

Level 2, 267 St Georges Terrace,  
Perth WA 6000  
AUSTRALIA

1300 288 664 (Telephone)

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# DIRECTORS' REPORT

The directors of Frugl Group Limited (**ASX: FAM**) (**Company** or **Frugl**) submit herewith the annual financial report of the Company and its controlled entities (**Group**) for the financial year ended 30 June 2020 (**Report**).

## DIRECTORS

The names and particulars of the directors of the Group in office during the year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

### MR JONATHON WILD

#### NON-EXECUTIVE CHAIRMAN

Jon Wild has been a marketing leader for the past twenty years across a diverse range of categories and companies including Unilever, British Telecom (where he launched the O2 brand in Europe), Telstra, Orbitz Worldwide and more recently at Groupon (NASDAQ:GRPN) in roles including CMO (APAC) and VP of Marketing (North America). Jon has extensive mobile, digital and commercial experience having led marketing strategy from start-ups to large multinational corporate organisations. His passion for disruptive narratives combined with a strong understanding of how technology is constantly changing the interaction between people, brands and business have built Jon's international reputation for marketing strategy leadership.

Mr Jon Wild has not been a director of any other listed entity in the last three years.

### MR SEAN SMITH

#### MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Sean Smith has almost two decades of experience growing and leading teams for a range of different sized business' including ASX-list Australian companies, NYSE-listed global businesses and one of Australia's privately funded start-up success stories. Most recently as Head of Customer Experience for Woolworth's Endeavour Drinks Group across its portfolio of liquor brands including Dan Murphy's, Cellarmasters, Langtons, WineMarket and BWS, Sean built customer experience and analytics teams focused on increasing customer retention, value and sustained profitability in a fast paced and crowded market environment.

Sean's extensive experience in the Australian marketplace includes Head of Marketing for online restaurant booking app, Dimmi, where he successfully launched the consumer proposition focusing on customer acquisition, retention and value growth. He led brand, communications and data strategy for HotelClub, an online hotel booking site owned by multinational travel business Orbitz Worldwide, where his focus included customer lifecycle strategy, customer experience and owned media commercialisation. Sean's experience and expertise includes general management, P&L responsibility, omni-channel retail, customer experience, data strategy, marketing technology and marketing strategy.

Mr Sean Smith has not been a director of any other listed entity in the last three years.

### MATHEW WALKER *(Appointed 9 July 2018)*

#### NON-EXECUTIVE DIRECTOR

Mathew Walker is a businessman and entrepreneur with extensive experience in the management of public and private companies, corporate governance and in the provision of corporate advice. In a management career spanning three decades, Mathew has served as executive Chairman or Managing Director for public companies with operations in North America, South America, Africa, Eastern Europe, Australia and Asia.

Mathew is the co-founder and Chairman of the Cicero Advisory Services Pty Ltd (**Cicero Advisory**) and the former Chairman of Yojee Limited (ASX: YOJ). He is also a director of Corizon Limited (ASX: CIZ) and co-founder and director of the Stone Axe Pastoral Company.

Mr Mathew Walker has been a director of the following listed entities in the last three years:

eMetals Limited (formerly Corizon Limited) (appointed 29 July 2012)

Blaze International Limited (appointed 22 July 2020)

### MRS LOREN KING

#### COMPANY SECRETARY (Appointed 30 April 2020)

Mrs King has worked in finance and back office administration roles with ASX listed companies, stockbroking and corporate advisory services for the past 13 years. During this time, she has gained invaluable experience in dealing with all aspects of corporate governance and compliance, specialising in initial public offerings (IPO), backdoor listings, private capital raising and business development.

As well as being a Director of, Cicero Corporate Services Pty Ltd, Mrs King currently holds the position of Company Secretary at Brookside Energy Limited (ASX: BRK). Mrs King has a Bachelor of Psychology, is a Fellow Member of the Governance Institute of Australia holding a Graduate Diploma of Applied Corporate Governance and has a Certificate IV in Financial Services (Bookkeeping).

### MR QUINTON MEYERS

#### COMPANY SECRETARY (Resigned 30 April 2020)

Mr. Meyers holds a Bachelor of Commerce, majoring in Accounting and Finance, and has been working within accounting firms since 2015. Mr. Meyers has performed a range of accounting and Company Secretarial duties for public and private companies and is experienced in audit management, preparation of accounts, capital budgeting and ASX listing rules. In addition to his position at Family Insights Group Limited, Quinton currently serves as Company Secretary for ASX listed entity Blaze International Limited (ASX: BLZ).

## DIRECTORS' SHAREHOLDINGS

At the date of this report the following table sets out the current directors' relevant interests in pre-consolidated shares and options of Frugl Group Limited and the relevant changes since 30 June 2019:

Directors	At Ordinary Shares		Options over Ordinary Shares	
	At Date of Report Current Holdings	Net increase/ (decrease)*	Holdings at Date of Report	Net increase/ (decrease)*
Mr Jonathon Wild	2,000,000	(48,000,000)	5,520,000	(68,960,000)
Mr Sean Smith	165,000	(4,335,000)	7,035,000	(92,680,000)
Mr Mathew Walker	9,000,000	(116,000,000)	-	-

\*Decreases due to a 50:1 consolidation of Company securities on 8 August 2019. Please refer to remuneration report Directors' Equity holdings table (i) for further details.

## ROUNDING OF AMOUNTS

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' reports and in the financial report have been rounded to the nearest dollar.

## REMUNERATION OF KEY MANAGEMENT PERSONNEL

Information about the remuneration of key management personnel is set out in the remuneration report on pages 4 - 9. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company.

# REMUNERATION REPORT (AUDITED)

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

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Share-based compensation
- D. Directors' equity holdings
- E. Relationship between the remuneration policy and company performance

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

## A. PRINCIPLES USED TO DETERMINE NATURE & AMOUNT OF REMUNERATION

The whole Board form the Remuneration Committee. The remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component with the flexibility to offer specific long-term incentives based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to manage the Group.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually and determines policy recommendations by reference to executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.
- The directors and executives who receive the superannuation guarantee contribution, as required by the government, received 9.5% of base salary for the year ended 30 June 2020 and do not receive any other retirement benefits.
- All remuneration paid to directors and executives is valued at the cost to the Group and expensed.
- The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews the remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required, which during the year none was required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is presently limited to \$250,000. Fees for non-executive directors are not linked to the performance of the Group.
- In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Group and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles. No external remuneration consultant was used during the year.

- All remuneration paid to Directors and Executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and directors and executive performance. Currently, this is facilitated through the issue of options to the directors and executives to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth. The Group currently has no performance-based remuneration component built into director and executive remuneration packages.

## NON-EXECUTIVE DIRECTORS

The remuneration of Non-Executive directors consists of directors' fees, payable in advance. Remuneration of Non-Executive directors is based on fees approved by the Board of directors and is set at levels to reflect market conditions and encourage the continued services of the directors. Non-Executive directors do not receive retirement benefits but are able to participate in share-based incentive programmes in accordance with Company policy.

The Group's Non-Executive directors are eligible to receive fees for their services in addition to their role and the reimbursement of reasonable expenses.

## OTHER BENEFITS

No other benefits were paid to Non-Executive directors during the year.

During the year ended 30 June 2019, the Non-Executive directors of the Group implemented an incentive package for the Group's Managing Director and Chief Executive Officer, Mr Sean Smith, to ensure the achievement of short-term operation goals of the Group.

The incentive package consisted of four different tranches of a \$15,000 cash payment to Mr Sean Smith for the total of possible cash payment of \$60,000.

The milestones were set by the Non-Executive Directors of the Group, Mr Jon Wild and Mr Mathew Walker. The Non-Executive Directors accessed the progress against the milestones on a monthly basis.

Mr Sean Smith achieved all four milestones and received a total of \$60,000.

## SERVICE CONTRACTS

The Group entered into services agreements with its executive Director and key management personnel as part of the onboarding process. At the same time, the Group also entered into Non-Executive Director appointment letters outlining the policies and terms of this appointment including compensation to the office of Director. The principal terms of the executive service agreements existing at reporting date are set out below:

### MR JONATHON WILD

#### NON-EXECUTIVE CHAIRMAN

The Group entered into a consultancy agreement with Mr Jon Wild in respect of his appointment as a Non-Executive Chairman of the Group. Mr Wild is paid a fee of \$96,000 per annum for his services as Non-Executive Chairman and is reimbursed for all reasonable expenses incurred in performing his duties. Payments for Mr Wild's services are made to Wild Consulting, a related entity.

The agreement may be terminated:

- by providing the Group with written notice allowing reasonable time for the Group to plan for the departure; or
- in accordance with the law or the Company's constitution.

## MR SEAN SMITH

### MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

The Group entered into an employment agreement with Mr Sean Smith in respect of his role as Managing Director and Chief Executive Officer of the Group. From 1 November 2018, Mr Smith was paid a salary of \$260,000 per annum (excluding superannuation) for his services as Managing Director and Chief Executive Officer. Prior to November, he was paid a salary of \$220,000 per annum (excluding superannuation). In addition, to this he was paid a total \$60,000 in bonuses during the year. Mr Sean Smith is reimbursed for all reasonable expenses incurred in performing his duties.

The agreement may be terminated:

- (a) by either party without cause with 3 months' written notice or if the Group elects to with payment in lieu of notice;
- (b) by the Group, at any time with written notice and without payment (other than entitlements accrued to the date of termination) as a result of any occurrence which gives the Group a right of summary dismissal at common law; or
- (c) by Mr Smith immediately, by giving notice, if the Group is in breach of a material term of this agreement.

## MATHEW WALKER

### NON-EXECUTIVE DIRECTOR

The Group entered into a consultancy agreement with Mr Mathew Walker in respect of his appointment as a Non-Executive Director of the Group. Mr Walker is paid a fee of \$120,000 per annum for his services as Non-Executive Director and is reimbursed for all reasonable expenses incurred in performing his duties. Payments for Mr Walker's services are made to Great Southern Flour Mills Pty Ltd, a related entity.

The agreement may be terminated:

- (a) by providing the Group with written notice allowing reasonable time for the Group to plan for the departure; or
- (b) in accordance with the law or the Group's constitution.

## B. DETAILS OF REMUNERATION

Details of remuneration of the directors and key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Frugl Group Limited are set out below.

The key management personnel of Frugl Group Limited are the directors as listed above.

The Group does not have any other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

The table below shows the 2020 figures for remuneration received by the Group's directors and key management personnel:

Directors	Short-term Employee Benefits				Share- based Payments	Post- employment	Total
	Salary & Fees	Super- annuation	Reimburse- ments	Other Benefits		Prescribed Benefits	
	\$	\$	\$	\$	\$	\$	\$
<b>2020</b>							
Jonathon Wild <sup>(i)</sup>	56,000	-	-	-	57,978	-	113,978
Sean Smith	260,000	24,700	-	-	72,473	-	357,173
Mathew Walker <sup>(ii)</sup>	120,000	-	-	-	-	-	120,000
	436,000	24,700	-	-	130,451	-	591,151



The table below shows the 2019 figures for remuneration received by the Group's directors and key management personnel:

Directors	Short-term Employee Benefits				Share-based Payments	Post-employment Prescribed Benefits	Total
	Salary & Fees \$	Super-annuation \$	Reimburse-ments \$	Other Benefits \$			
<b>2019</b>							
Jonathon Wild <sup>(i)</sup>	96,000	-	-	-	138,776	-	234,776
Sean Smith <sup>(iii)</sup>	246,667	23,433	-	60,000	185,035	-	515,135
Mathew Walker <sup>(ii)</sup>	120,000	-	-	-	-	-	120,000
	462,667	23,433	-	60,000	323,811	-	869,911

(i) Director fees for Jonathon Wild were paid to Wild Consulting Pty Ltd, a related entity of Mr Wild.

(ii) Director fees for Mathew Walker were paid to Great Southern Flour Mills Pty Ltd, a related entity of Mr Walker.

(iii) Other benefits paid to Sean Smith relate to the achievement of short-term operation goals of the Group..

## RELATED PARTY TRANSACTIONS

The Group entered into a mandate with Cicero Corporate Services Pty Ltd (**CCS**), a company related to Mr Walker for corporate administration services including financial reporting, company secretarial services, rent and administrative operations. CCS provided services to the amount of \$120,000 (2019: \$120,000). As at 30 June 2020, \$10,000 (2019: \$Nil amount payable) remains outstanding.

The Group entered into a mandate with Cicero Advisory Services Pty Ltd (**CAS**), a company related to Mr Walker for corporate advisory services. CAS provided services to the amount of \$60,000 (2019: \$162,654). As at 30 June 2020, \$Nil amount (2019: \$Nil amount payable) remains outstanding.

Other than the above, no KMP has received any loan and no balances are outstanding.

## C. SHARE-BASED COMPENSATION

Options can be issued to directors and executives as part of their remuneration. The options are not based on performance criteria, but are issued to align the interests of directors, executives and shareholders.

During the 2020 financial year, 5,000,000 and 4,000,000 options exercisable at \$0.15 on or before 30 June 2022 were issued to Mr Sean Smith and Mr Jon Wild, respectively.

All options issued fully vested as no performance or service conditions were attached. No further options have been granted to directors since.

Number of Options Issued	Grant Date	Expiry Date	Exercise Price	Total Value <sup>(i)</sup>	Recipient
9,000,000	16 Mar 2020	30 Jun 2022	\$0.15	130,451	Directors

Number of Options	Underlying share price (VWAP)	Exercise price	Expected volatility	Expiry date (years)	Expected dividends	Risk free rate	Probability of share issue	Value per option
9,000,000	\$0.040	\$0.15	117%	2.29	Nil	0.53%	Negligible	Negligible

During the 2019 financial year, 2,000,000 and 1,500,000 options exercisable at \$0.50 on or before 30 June 2021 were issued to Mr Sean Smith and Mr Jon Wild respectively.

All options issued fully vested as no performance or service conditions were attached. No further options have been granted to directors since.

Number of Options Issued <sup>(i)</sup>	Grant Date	Expiry Date	Exercise Price	Total Value	Recipient
175,000,000	10 Dec 2018	30 June 2021	\$0.01	323,811	Directors

Number of Options <sup>(i)</sup>	Underlying share price (VWAP)	Exercise price	Expected volatility	Expiry date (years)	Expected dividends	Risk free rate	Probability of share issue	Value per option
175,000,000	\$0.002	\$0.01	262%	2.56	Nil	1.93%	Negligible	Negligible

(i) Pre consolidation of equity on a 50:1 basis.

## D. DIRECTORS' EQUITY HOLDINGS

(i) Fully paid ordinary shares of Frugl Group Limited:

The following fully paid ordinary shares were held directly, indirectly or beneficially by key management personnel and their related parties on a pre-consolidated basis during the years ended 30 June 2020 and 30 June 2019:

Directors	Balance at 1 July No.	Granted as remuneration No.	Acquired No.	Net other change* No.	At date of resignation No.	Balance at 30 June No.
<b>2020</b>						
Jonathon Wild	50,000,000	-	1,000,000	(49,000,000) <sup>(i)</sup>	-	2,000,000
Sean Smith	4,500,000	-	1,055,000	(5,390,000) <sup>(ii)</sup>	-	165,000
Mathew Walker	125,000,000	-	31,000,000	(147,000,000) <sup>(iii)</sup>	-	9,000,000
<b>2019</b>						
Jonathon Wild	2,000,000	-	48,000,000	-	-	50,000,000
Sean Smith	3,500,000	-	1,000,000	-	-	4,500,000
James Robinson	2,000,000	-	-	-	2,000,000	-
Mathew Walker	50,000,000	-	75,000,000	-	-	125,000,000

\*Consolidation of equity on a 50:1 basis on 8 August 2019

(i) 50,000,000 ordinary shares were consolidated with a ratio of 50:1.

(ii) Includes 1,000,000 ordinary shares acquired on 10 July 2019. Total of 5,500,000 ordinary shares were consolidated with a ratio of 50:1.

(iii) Includes 25,000,000 ordinary shares acquired on 9 July 2019. Total of 150,000,000 ordinary shares were consolidated with a ratio of 50:1.

(ii) Share options of Frugl Group Limited:

The following options were held directly, indirectly or beneficially by key management personnel and their related parties on pre-consolidation basis during the years ended 30 June 2020 and 30 June 2019:

Directors	Balance at 1 July No.	Granted as remuneration No.	Options Exercised No.	Net other change No.	At date of resignation No.	Balance at 30 June No. <sup>(i)</sup>
<b>2020</b>						
Jonathon Wild	76,000,000	4,000,000 <sup>(v)</sup>	-	(74,480,000) <sup>(iv)</sup>	-	5,520,000
Sean Smith	101,750,000	5,000,000 <sup>(v)</sup>	-	(99,715,000) <sup>(iv)</sup>	-	7,035,000
Mathew Walker	-	-	-	-	-	-
<b>2019</b>						
Jonathon Wild	6,000,000	75,000,000	-	(5,000,000) <sup>(i)</sup>	-	76,000,000 <sup>(iii)</sup>
Sean Smith	11,750,000	100,000,000	-	(10,000,000) <sup>(i)</sup>	-	101,750,000 <sup>(ii)</sup>
Mathew Walker <sup>(iii)</sup>	-	-	-	-	-	-

(i) Options issued in the year ended 30 June 2018 expired as they were unexercised on 31 August 2018.

(ii) Options are fully vested and exercisable.

(iii) Mathew Walker was appointed as a Non-executive Director on 9 July 2018.

(iv) Consolidation of equity on a 50:1 basis on 8 August 2019

(v) Options are fully vested and exercisable at \$0.15 on or before 30 June 2022.

(iii) Performance shares of Frugl Group Limited:

There were no performance shares held directly, indirectly or beneficially by the key management personnel or their related parties during the years ended 30 June 2020 or 30 June 2019.

## E. RELATIONSHIP BETWEEN THE REMUNERATION AND COMPANY PERFORMANCE

Per the Groups remuneration policy, directors remuneration can be linked to either short term or long term performance conditions. The Board feels that other than the short term incentives for the Group's Managing Director and Chief Executive Officer, Mr Sean Smith, currently the terms and conditions of options and shares currently on issue to the directors are a sufficient incentive to align the goals of the directors with those of the shareholders to maximise shareholder wealth, and as such, has not set any performance conditions for the directors of the Group. The Board will continue to monitor this policy to ensure that it is appropriate for the Group in future years.

The table below sets out summary information about the Group's earnings and movement in shareholder wealth for the four years to 30 June 2020:

	30 June 2020 <sup>(ii)</sup>	30 June 2019 <sup>(ii)</sup>	30 June 2018 <sup>(i)</sup>	30 June 2017 <sup>(i)</sup>	30 June 2016 <sup>(i)</sup>
Revenues from contracts with customers	5,772	10,887	12,220	40,195	116,706
Loss from ordinary activities after tax attributable to members	(1,365,594)	(3,182,653)	(6,004,172)	(5,073,278)	(7,740,266)
Net loss for the period attributable to members	(1,365,594)	(3,182,653)	(6,004,172)	(5,073,278)	(7,740,266)
Share price at start of year (\$)	0.05	0.15	0.008	0.019	0.041
Share price at end of year (\$)	0.026	0.05	0.003	0.008	0.03
Basic & diluted profit/(loss) per share	(0.02)	(0.08)	(0.006)	(0.007)	(0.014)

<sup>(i)</sup> Pre-consolidation basis

<sup>(ii)</sup> Post-consolidation basis

## ADOPTION OF REMUNERATION REPORT BY SHAREHOLDERS

The adoption of the remuneration report for the financial year ended 30 June 2019 was put to the shareholders of the Group at the Annual General Meeting (**AGM**) held on 29 November 2019. All proxies received were in favour of the resolution and the resolution was passed without amendment on a show of hands. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

## - - END OF REMUNERATION REPORT - -

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 18.

# DIRECTORS' REPORT (CONTINUED)

## DIRECTORS MEETINGS

The following table sets out the number of Directors' meetings held during the financial year ended 30 June 2020 and the number of meetings attended by each Director. During the period, 5 Board meetings were held. There is no separate nomination, remuneration or audit committee.

Board of Directors			
Board Member	Eligible to Attend	Attended	Circular Resolutions Passed
Jonathon Wild	5	5	5
Sean Smith	5	5	5
Mathew Walker	5	5	5

## PRINCIPAL ACTIVITIES

The principal activities of the Group are the sale and distribution, marketing and customer support of its suite of cyber safety and grocery comparison products and services.

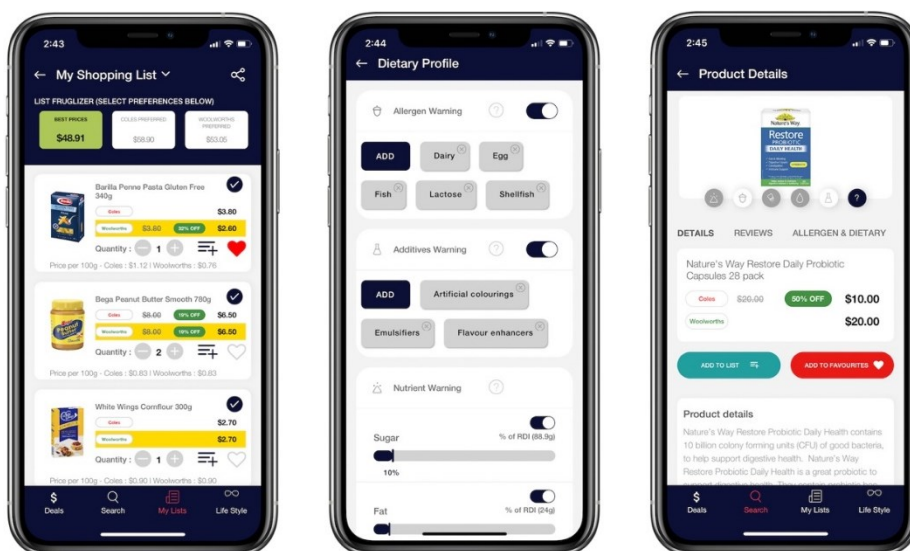
## REVIEW OF OPERATIONS

### DIRECTORS' COMMENTS

Frugl Limited (**Frugl** or the **Group**) is pleased to present its Audited Final Report for the year ended 30 June 2020 (**Period**).

The Company has developed technologies that incorporate real-time data capture, cloud-based storage and advanced cloud-based data analytics. Data intelligence generated is utilised to power useful consumer mobile applications as well as business intelligence and analytics capabilities.

During the Period the Company focused activities on development of its mobile application Frugl Grocery (**FRUGL**), a grocery comparison application that not only allow families and other shoppers to find the best prices across major supermarket retailers for the weekly shopping basket, but introduces tools to help shoppers optimise their shopping lists for health and wellness, incorporating allergens, ingredients and nutritional value into profile based alerts and warnings.



The four key focus areas of development on FRUGL were data warehouse architecture, data collation capabilities, mobile app design and business development.

In addition, the Company developed a Grocery Pricing & Promotion Analytics Platform utilising data collated since May 2019, with advanced product, category and retail supplier analytics capabilities in readiness for deployment with retail clients.

In order to accelerate future Company revenue growth, the Frugl child protection application and content hub have been given minimal development focus to allow a major focus of resources on the development of FRUGL.

## OPERATIONS UPDATE

Following a review of future data storage and analytics requirements in parallel with a review of currently available data warehouse platforms, the Company commenced the design and build of its data infrastructure utilising the Snowflake data warehouse platform on cloud-based Amazon Web Services (**AWS**) infrastructure.

Snowflake is a data warehouse solution built specifically for cloud-based handling of structured and semi-structured data, offering full integration with AWS, and utilising separated storage and processing performance configurations making it easier, faster and cheaper to configure than other data warehouse platforms as our data requirements develop in the future.

Snowflake is also fully compatible with downstream analytics and Business Intelligence tools from multiple vendors including PowerBI and Tableau, both heavily used in the retail sector. Furthermore, Snowflake allows the Company to harness machine learning techniques to further enhance app-based user experiences and broaden analytics capabilities.

The Company also continued to develop its data acquisition capabilities with full product, pricing, promotional, nutritional and catalogue data from three major grocery retailers (localised by state and region) being collated on an ongoing basis.



The Frugl Grocery mobile application is a supermarket comparison engine that allows shoppers to compare products across Woolworths and Coles supermarkets, create brand-specific shopping lists and optimise shopping lists by cheapest prices.

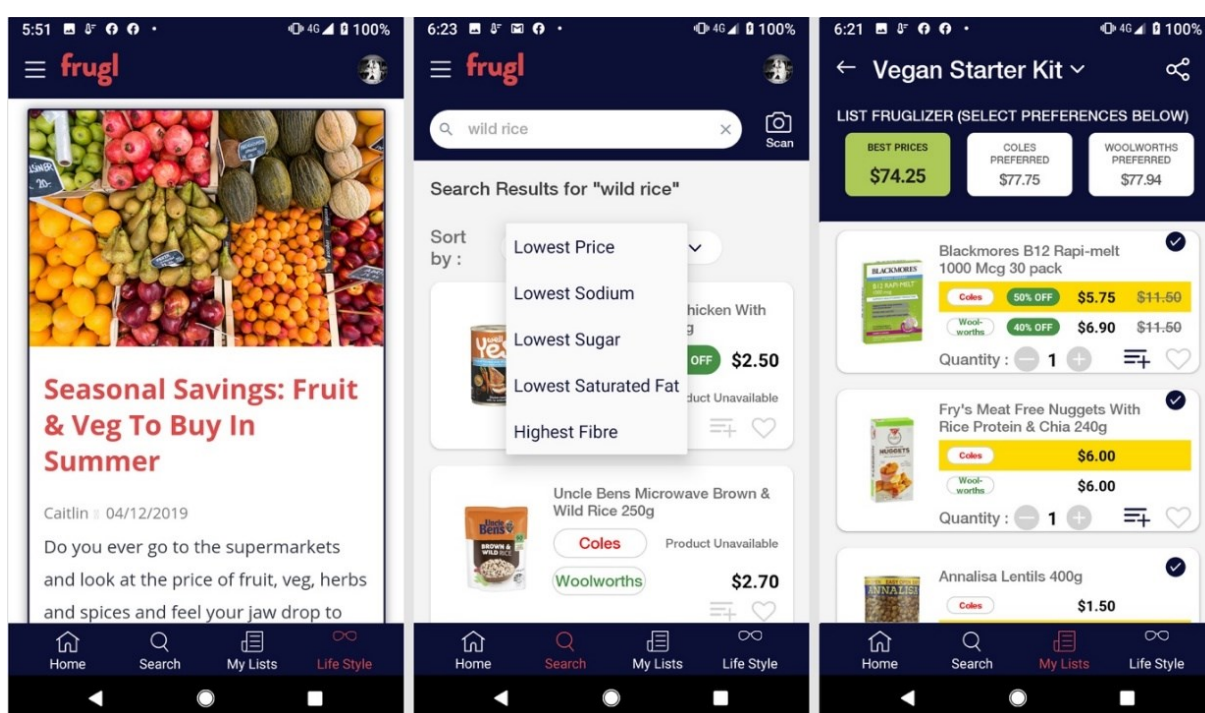


In addition, the Company is overlaying wellness tools for shoppers to enable them to compare products and optimise shopping lists by nutritional value, ingredient listings, allergen inclusions, health ratings and product sustainability.

Company resources were focused on customer research and design of FRUGL, with core functional specifications developed alongside shopper insight collation and data intelligence developed via ongoing grocery data collation.

On 24 October 2019, the Company announced it had completed development of a limited-dataset Proof of Concept version of its FRUGL mobile application and was continuing development of the beta release for iOS and Android users.

On 19 December 2019, the Company announced it had begun User Acceptance Testing (UAT) within its live production environment for both Android and iOS versions of FRUGL, enabling real time testing of FRUGL in preparation for a public release in the following quarter.



The Company also announced on 19 December 2019, its development of a Grocery Pricing & Promotions Analytics platform, Infocus Analytics (IA), an advanced product, category and retailer analytics platform utilising retail data collected commencing May 2019.

On 31 January 2020 the Company gave investors an update detailing the ongoing UAT testing of IG in readiness for its public launch in February.

On 11 February 2020, the Company announced the public launch of Version 1.0 of Frugl Groceries on both iOS and Android platforms. The Group included details of future additional features to be added to the development roadmap to continue FRUGL's development, including:

- Filtering by specific diets
- Additive pop-ups with descriptions
- Advanced 'Sort By' and 'Filter By' functionality
- Enhancements to the Product Search capability
- Addition of pre-curated, sharable featured lists to drive user growth
- Shopper product reviews

On 9 March 2020 the Company announced a non-binding Memorandum of Understanding with leading data intelligence company **Invigor Group (ASX:IVO)** to explore co-developed analytics and data solutions for BB customers.

On 2 April 2020 the Company announced Austerity Measures and a Company Restructure to reduce costs in response to the emerging Covid-19 pandemic and the resultant poor prevailing economic conditions. The measures reduced monthly costs by circa \$90,000 and included the following measures:

- Reduced permanent headcount by 57%
- A move to on-demand delivery of product and software development, technology support and marketing services
- Reduced overall occupancy and administrative costs in-line with staffing reductions
- Negotiated salary deferrals with Company employees and Directors

Despite the poor economic conditions expected, the Company detailed how the combination of poor future economic conditions, rising unemployment and increases in online shopping demand would create strong future growth conditions for FRUGL.

On 29 June 2020 the Australian Securities and Investment Commission (**ASIC**) recorded the Company's change of name from **Family Insights Group Limited (ASX:FAM)** to **Frugl Group Limited (ASX:FGL)**, after shareholders approved the name change at a shareholder meeting held on 16 March 2020. The Company announced the name change to the market on 2 July 2020.

## FINANCIAL UPDATE

The Company announced on 30 July 2019 it had entered into a loan facility agreement (**Loan agreement**) with Rocking Horse Pty Ltd (**Rocking Horse**) (**Lender**), an unrelated entity of the Company, for the amount of \$500,000 (**Loan**). As part of the Loan Agreement, the total amount drawn down under the Loan will be repaid with, and following receipt of, the 2019 financial year Research & Development Rebate.

On 1 July 2019, the Company lodged its Notification of Consolidation/Split with the ASX. The Company received shareholder approval at its general meeting held 5 August 2019 to perform a consolidation on a 1:50 basis.

On 6 September 2019, the Company announced it had received a Research and Development Tax Incentive Scheme cash rebate (**R&D Refund**) from the Australian Tax Office of \$846,972 for the financial year ending 30 June 2020. Following receipt of the R&D Refund, the Group repaid the Loan to Rocking Horse.

On 1 October 2019, and 4 October 2019 respectively, Mathew Walker and Jonathon Wild signed letters of deferral of director fees, to defer all accrued fees of service from 1 October 2019 (earlier amounts to 30 September 2019 having been paid in full) until the completion of a capital raising of not less than \$1,000,000.

On 4 October 2019, Cicero Corporate Services Pty Ltd signed a letter of deferral for corporate administration fees dated 4 October 2019, to defer the corporate administration fees accruing from their services from 1 October 2019 for financial reporting, company secretarial services, rental expense and administrative services (earlier amounts to 30 September 2019 having been paid in full) until the completion of a capital raising of not less than \$1,000,000.

On 16 October 2019, a binding loan facility agreement was entered into with Mathew Walker for up to \$600,000, available on call, unsecured, interest free and repayable on the earlier of 31 October 2020 and the completion of a capital raising of not less than \$1,000,000. If the Director loan remain unpaid at 31 October 2020, the loan will continue to roll on a quarterly basis until the capital raising has been completed.

On 31 January 2020, the Company announced the outcome of a Q2 review of Company costs and initiated a cost consolidation program to reduce ongoing operational costs of circa \$80,000 per quarter whilst allowing the core Company focus to continue on the development of FRUGL.

The Company also announced that it had entered into a binding local facility agreement with Mathew Walker, a Company director, for up to \$600,000, available on call, unsecured, interest free and repayable on 1 October 2020. The loan facility was subsequently varied up to \$700,000 with all other terms remaining the same. The Company has not drawn down on this loan.

## CHANGES TO SECURITIES

On 11 December 2019, the Company completed a placement issue of 16,000,000 fully paid ordinary shares at an issue price of \$0.062 per Placement Share to subscribers set out in the announcement of that date, to raise \$1,000,000 before costs.

On 6 May 2020 the Company announced that a non-renounceable entitlement issue on a 1 for basis at \$0.02 per fully paid ordinary shares, to raise up to \$660,000 before costs, had closed oversubscribed to existing shareholders.

## FINANCIAL REVIEW

For the year ended 30 June 2020 the Group incurred a net loss of \$1,365,594 (2019: \$3,182,653), a net operating cash outflow of \$1,428,835 (2019: \$1,958,806), and has net current liabilities of \$530,064 (2019: \$379,037) and net liabilities of \$567,391 (2019: \$929,370).

## RISK MANAGEMENT

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The key risks that the Board has currently identified are:

- Technology Risk
- Intellectual Property Rights
- Competition Risk
- Reliance on Key Personnel Risk

The Group believes that it is crucial for all Board members to be part of the process of managing risks through governance and oversight, and as such the Board has not established a separate risk management committee.

Furthermore, the Board has a number of mechanisms in place to ensure management's objectives and activities are aligned to the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of Board approved operating plans and Board monitoring of the progress against budgets.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 1 July 2019, the Group lodged its Notification of Consolidation/Split with the ASX. The Group received shareholder approval at its general meeting held 5 August 2019 to perform a consolidation on a 1:50 basis.

The Group issued 16,000,000 shares on the 11th of December 2019 at \$0.0625 a share to raise \$1,000,000 before costs.



The Group also issued 33,000,000 shares on 8 May 2020 at \$0.02 a share to raise \$660,000 before costs as part of a non-renounceable entitlement issue on a 1 for 2 basis.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group plans to release a fully operating version of the Frugl data comparison software for browser and phone-based users. This technology is expected to produce vast amounts of high-quality data that is valuable to large grocery retailers.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's activities to date have not been subject to any particular and significant environmental regulation under Laws of either the Commonwealth of Australia or a State or Territory of Australia.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 1 July 2020, the Group announced the changed of Company name to Frugl Group Limited (ASX:FGL) effective from 3 July 2020.

As disclosed in Note 19.2, the Group identified a legal dispute with a previous employee of a redundant subsidiary, Frugl (Australia) Pty Ltd (**Subsidiary**) with the Court of Victoria ruling in favour of the previous employee.

The Subsidiary recently received a cost estimate to pursue a counterclaim against the Former Employee (**Counter Claim**) and take that Counter Claim to trial (**Trial Cost**). As a result of this Trial Cost, the Group has resolved it is not in the best interest of shareholders to continue the Counter Claim and to loan monies to the Subsidiary for the purpose of pursuing the Counter Claim and for any other purpose.

Following a shareholder meeting of the Subsidiaries shareholders on 7 August 2020, it was resolved to place the Subsidiary into liquidation.

Subsequently Greg Dudley and Jerome Mohen of RSM Australia Partners were appointed liquidators.

The Group would like to advise that there are no assets of the Subsidiary currently deemed to be of any value to the Group and that all the intellectual property developed by the Company that is being used to support current operations remain unaffected and are held in a wholly owned Company subsidiary Family Insights IP Pty Ltd (ACN 633 347 332).

The Group notes that the acquisition terms of the Subsidiary, as announced to the ASX on 30 October 2018 provided for contingent consideration (as defined in Schedule 1 of this release) (Contingent Consideration). It is the Company's intention to seek shareholder approval for the re-instatement of these Contingent Consideration securities at a shareholder meeting to be convened in the near future.

On 22 September 2020, the Group announced that it has received firm commitments to raise \$1,485,000 through a two-tranche placement to unrelated sophisticated and professional investors. Frugl will issue a total of 49,500,000 fully paid ordinary shares in the Company at \$0.03 per share (Share)(Placement). Tranche 1 of the Placement was completed on 25 September 2020 raising \$742,500 before cost.

On 28 July 2020, the Group received confirmation of a \$750,000 loan facility with a director of the Group. The facility is available on call, is unsecured and interest free. As at the date of this report, the full amount of the facility is available for use as no amounts have been drawn. The facility expires on 31 December 2020.

## INDEMNITIES AND INSURANCE OF DIRECTORS AND OFFICERS

During the reporting period and up to the date of this report, the Group has paid premiums insuring all the directors of Frugl Group Limited against costs incurred in defending conduct involving a breach of duty and/or a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

The Group has agreed to indemnify all directors and executive officers of the Group against liabilities to another person (other than the Group or a related body corporate) that may arise from their position as directors of the Group, except where the liability has arisen as a result of a wilful breach of duty in relation to the Group. The agreement stipulates that the Group will meet the full amount of any such liabilities, including costs and expenses. The Group has paid a total of \$16,000 in insurance premiums, relating to Director and Officer insurance, during the financial year (2019: \$16,000).

## INDEMNITIES OF AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the Group.

## DIVIDENDS

No dividends were paid or declared during the financial year and no recommendation for payment of dividends has been made.

## OPTIONS

During the 2020 financial year, the Group issued 11,000,000 options to key management personnel (refer to remuneration report for details) and the Group's Chief Data Officer, Mr Alistair McCall, exercisable at \$0.15 on or before 30 June 2022. The grant dates for the options issues were as follows:

Grant Date	Expiry Date	Number of Options	Exercise Price	Value per Option	Total Value
16 March 2020	30 June 2022	11,000,000	\$0.15	\$0.01449	\$159,441

There were no vesting conditions or exercise conditions attached to the options.

There were 34,048,883 unissued ordinary shares in respect of which options are outstanding at the end of the year with a weighted average exercise price of \$0.055 (2019: \$0.010) and a weighted average remaining contractual life of 548 days (2019: 730 days).

During the 2020 financial year, no options were exercised, lapsed, cancelled or forfeited.

During the 2020 financial year, no performance shares were issued, lapsed or expired (2019: 50,000,000 performance shares lapsed). No performance shares were on issue as at 30 June 2020 or 30 June 2019.

## NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the Group and/or Group are important. No non-audit services were provided by the Group's current auditors, Pitcher Partners BA & A Pty Ltd during the year (2019: Nil).

## COMPLIANCE

### CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance of the Group. The Board guides and monitors the business affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable. The Corporate Governance policies and practices of the Group are reviewed annually in accordance with the standards required of the Group by the Directors, the ASX, ASIC and other relevant stakeholders, to ensure that the highest appropriate governance standards are maintained, commensurate with the size and operations of the Group.

The ASX Corporate Governance Council released the fourth edition of its Corporate Governance Principles and Recommendations on 27 February 2019 to take effect for the first full financial year commencing on or after 1 July 2020. The Group's Corporate Governance Statement, and associated policy documents complies as far as possible with the spirit and intentions of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations as appropriate, having regard to the size of the Group and the nature of its enterprise. The Corporate Governance Statement can be found on the Group's web site:

[www.familyinsightsgroup.com.au](http://www.familyinsightsgroup.com.au)

### INDEPENDENT PROFESSIONAL ADVICE

Directors of the Group are expected to exercise considered and independent judgement on matters before them and may need to seek independent professional advice. A director with prior written approval from the Chairman may, at the Group's expense obtain independent professional advice to properly discharge his responsibilities.

### BOARD COMPOSITION

The Board consists of one Executive and two Non-Executive Directors. Details of their skills, experience and expertise and the year of office held by each director have been included in the Directors' Report. The number of Board meetings and the attendance of the directors are set out in the Directors' Report.


The Board will decide on the choice of any new director upon the creation of any new Board position and if any casual vacancy arises. Decisions to appoint new directors will be minuted. The Board considers that due to the size and complexity of the Group's affairs it does not merit the establishment of a separate nomination committee. Until the situation changes the Board of the Group will carry out any necessary nomination committee functions.

### SHARE TRADING POLICY

Directors, officers and employees are prohibited from dealing in the Group shares when they possess inside information. The Board is to be notified promptly of any trading of shares in the Group by any director or officer of the Group.

This Directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

*For, and on behalf of, the Board of the Company,*



**Jonathon Wild**

Chairman

Perth, Western Australia this 30<sup>th</sup> day of September 2020.

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF FRUGL GROUP LIMITED  
(FORMERLY FAMILY INSIGHTS GROUP LIMITED)**

In relation to the independent audit for the year ended 30 June 2020, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of Frugl Group Limited and the entities it controlled during the year.

*Pitcher Partners BA&A Pty Ltd*

PITCHER PARTNERS BA&A PTY LTD



JOANNE PALMER  
Executive Director  
Perth, 30 September 2020

# DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Australian Accounting Standards and International Financial Reporting Standards as disclosed in Note 2 and giving a true and fair view of the financial position and performance of the Group for the year ended on that date;
- (c) the audited remuneration disclosures set out in the Directors' Report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Act and Regulations 2001; and
- (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* for the year ended 30 June 2020.

Signed in accordance with a resolution of the Board of Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

*For, and on behalf of, the Board of the Company,*



**Jonathon Wild**

Chairman

Perth, Western Australia this 30<sup>th</sup> day of September 2020.

**FRUGL GROUP LIMITED (FORMERLY FAMILY INSIGHTS GROUP LIMITED)**  
**ABN 80 096 870 978**

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF**  
**FRUGL GROUP LIMITED (FORMERLY FAMILY INSIGHTS GROUP LIMITED)**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Frugl Group Limited (formerly Family Insights Group Limited) (the "Company") and its controlled entities (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, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) 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
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

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 (including Independence Standards)* ("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.

*Material Uncertainty Related to Going Concern*

We draw attention to Note 2.1.3 Going Concern to the consolidated financial report which indicates that the Group incurred a net loss of \$1,365,594 during the year ended 30 June 2020 (2019: \$3,182,653), a net operating cash outflow of \$1,428,835 (2019: \$1,958,806), and as of that date, the Group had net current liabilities of \$530,064 (2019: \$379,037) and net liabilities of \$567,391 (2019: \$929,370). Furthermore, the Group's ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on the matters as set forth in Note 2.1.3 Going Concern to the consolidated financial report. These conditions indicate that a material uncertainty exists that may cast significant doubt about 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.

**FRUGL GROUP LIMITED (FORMERLY FAMILY INSIGHTS GROUP LIMITED)**  
**ABN 80 096 870 978**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
FRUGL GROUP LIMITED (FORMERLY FAMILY INSIGHTS GROUP LIMITED)**

<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matter</b>
<b>Recoverability of non-current assets</b>	
Refer to Note 8 and 9 to the financial report	
<p>The Group's accounting policy is that subject to certain criteria being met, as outlined in AASB 136 Impairment of Assets ("AASB 136"), expenditure relating to the development of the Group's product offerings is capitalised.</p> <p>AASB 136 requires an entity to test non-current assets where there are indicators of impairment.</p> <p>The evaluation of the recoverable amount of the Group's cash generating units ("CGUs") requires significant judgement in determining the key assumptions and estimates, including but not limited to:</p> <ul style="list-style-type: none"> <li>• discount factors; and</li> <li>• forecast future cash flows</li> </ul> <p>supporting the expected future cash flows of the business and the utilisation of the relevant assets.</p> <p>Due to the significance to the Group's financial report and the level of judgment involved in assessing the recoverable amount of the Group's CGUs, we consider this to be a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <p>Obtaining an understanding of and evaluating the processes and controls associated with the assessment of the Group's CGUs.</p> <p>Assessing management's determination of the Group's CGUs based on our understanding of the nature of the Group's business and the economic environment.</p> <p>Critically reviewing and challenging management's assessment of impairment indicators.</p> <p>Critically assessing and challenging the Group's judgements in respect of the key assumptions and estimates used to determine the recoverable value of the Group's CGUs in accordance with AASB 136.</p> <p>Testing the mathematical accuracy of the model used in assessing the recoverable amount of the Group's CGUs.</p> <p>Assessing the adequacy of the disclosures included within the financial report.</p>
<b>Share based payments</b>	
Refer to Note 2.1.4, Note 2.10 and Note 14.5.1 to the financial report	
<p>During the year ended 30 June 2020, the Group issued the following options:</p> <ul style="list-style-type: none"> <li>• 9,000,000 to Directors; and</li> <li>• 2,000,000 to employees.</li> </ul> <p>Under Australian Accounting Standards, equity settled awards are measured at fair value on grant date taking into consideration the probability of the vesting conditions (if any) attached. This amount is recognised as an expense either immediately if there are no vesting conditions, or over the vesting period if there are vesting conditions.</p> <p>Due to the significance to the Group's financial report and the level of judgment involved in determining the valuation of the share based payments, we consider the Group's calculation</p>	<p>Our procedures included, amongst others:</p> <p>Obtaining an understanding of and evaluating the processes and controls associated with the preparation of the valuation model used to assess the fair value of share-based payments, including those relating to volatility of the underlying security and the appropriateness of the model used for valuation.</p> <p>Critically evaluating and challenging the methodology and assumptions of management in their preparation of valuation models, agreeing inputs to internal and external sources of information.</p>



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of the share based payment expense to be a key audit matter.	<p>Assessing the appropriateness of share-based payments expensed during the year pursuant to the requirements of Australian Accounting Standards.</p> <p>Assessing the adequacy of the disclosures in the financial report including the Group's accounting policy for compliance with the requirements of AASB 2 <i>Share-based Payments</i>.</p>
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**Measurement of contingent consideration**

Refer to Note 21 to the financial report

<p>During the year ended 30 June 2019, the Group acquired 95.71% of the issued share capital of Frugl Group Limited.</p> <p>Consideration for the acquisition included a contingent element which becomes payable if certain milestones are achieved.</p> <p>AASB 3 <i>Business Combinations</i> requires contingent consideration that is within the scope of AASB 9 <i>Financial Instruments</i> to be measured at fair value at each reporting date and changes in fair value to be recognised in profit or loss.</p> <p>Determining the fair value of the contingent consideration as at the reporting date requires significant judgment in determining the key assumptions and estimates, including but not limited to:</p> <ul style="list-style-type: none"> <li>the assigned probability of the four milestones in the sale agreement being achieved.</li> </ul> <p>Due to the significance to the Group's financial report and the level of judgment involved in determining the fair value of the contingent consideration as at the reporting date, we consider this to be a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <p>Obtaining an understanding of and evaluating the processes and controls associated with the determination of the likelihood of achieving the revenue for each of the four milestones in the sale agreement and hence the fair value of the contingent consideration as at the reporting date.</p> <p>Critically evaluating the Group's judgments in the determination of the likelihood of achieving the revenue for each of the four milestones in the sale agreement and hence the calculation of fair value of the contingent consideration as at the reporting date.</p> <p>Checking the mathematical accuracy of calculations associated with the calculation of fair value of the contingent consideration as at the reporting date.</p> <p>Assessing the classification of the contingent consideration as a current or non-current liability.</p> <p>Assessing the adequacy of the disclosures included within the financial report.</p>
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*Other Information*

The Directors 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 our 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.



**FRUGL GROUP LIMITED (FORMERLY FAMILY INSIGHTS GROUP LIMITED)**  
**ABN 80 096 870 978**

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF**  
**FRUGL GROUP LIMITED (FORMERLY FAMILY INSIGHTS GROUP LIMITED)**

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.

*Responsibilities of the Directors 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 ability of the Group 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 have 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, 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 related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion. We communicate with the Directors regarding, among other

**FRUGL GROUP LIMITED (FORMERLY FAMILY INSIGHTS GROUP LIMITED)**  
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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, actions taken to eliminate threats or safeguards applied.

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**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 4 to 9 of the Directors' report for the year ended 30 June 2020. In our opinion, the Remuneration Report of Frugl Group Limited (formerly Family Insights Group Limited), for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The Directors of the Group 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.

*Pitcher Partners BA&A Pty Ltd*

PITCHER PARTNERS BA&A PTY LTD



JOANNE PALMER  
Executive Director  
Perth, 30 September 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2020

	Notes	2020 \$	2019 \$
Revenue from contracts with customers	3.1	5,772	10,887
R+D Tax Rebate		722,082	673,234
Other income	3.2	142,731	8,099
Fair value gain on contingent consideration	21	326,371	-
Reversal of prior period impairment	9.1	124,890	542,081
<b>Total income</b>		<b>1,321,846</b>	<b>1,234,301</b>
Research and development costs, materials and consultants		(118,059)	(525,108)
Directors' fees, salaries, superannuation and consulting expenses		(680,231)	(562,183)
Depreciation and amortisation expenses	7.1	(57,749)	(78,563)
Public company costs, fees, share registry, shareholder expenses		(64,200)	(91,098)
Occupancy expenses		(32,516)	(66,360)
Employee expenses		(832,245)	(1,277,425)
Legal fees		(223,462)	(104,750)
Audit fees		(87,584)	(52,540)
Insurances		(36,978)	(36,712)
Interest expenses		(45,060)	(19,035)
Foreign exchange gain		-	5,751
Other expenses from ordinary activities		(60,860)	(251,136)
Corporate fees		(169,942)	(120,000)
Share-based payments	14.5.1	(159,441)	(323,811)
Impairment expense – goodwill	8.2	-	(622,699)
Impairment expense – development costs	9.1	(119,113)	(287,100)
Impairment expense – trade receivable		-	(4,185)
<b>Loss before income tax expense</b>		<b>(1,365,594)</b>	<b>(3,182,653)</b>
Income tax (benefit)/expense		-	-
Loss after income tax expense from continuing operations		(1,365,594)	(3,182,653)
<b>Loss after income tax expense for the year attributable to the owners of the Company</b>		<b>(1,365,594)</b>	<b>(3,182,653)</b>
<b>Other comprehensive income, net of tax:</b>			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(17,800)	(4,772)
<b>Total comprehensive loss for the year</b>		<b>(1,383,394)</b>	<b>(3,187,425)</b>
<b>Loss for the year attributable to:</b>			
Owners of the Company		(1,350,676)	(3,157,934)
Non-controlling interests		(14,918)	(24,719)
		<b>(1,365,594)</b>	<b>(3,182,653)</b>
<b>Total comprehensive loss for the year is attributable to:</b>			
Owners of the Company		(1,368,476)	(3,162,706)
Non-controlling interests		(14,918)	(24,719)
		<b>(1,383,394)</b>	<b>(3,187,425)</b>
<b>Loss per share</b>			
Basic and diluted loss per share (cents per share)	4.1	(0.02)	(0.08)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes, which form an integral part of the final annual report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

## Current assets

Cash and cash equivalents  
Trade and other receivables  
Total current assets

## Non-current assets

Plant and equipment  
Development costs  
Intangible Assets  
Total non-current assets

## Total assets

## Liabilities

### Current liabilities

Trade and other payables  
Borrowings  
Contingent consideration  
Employee entitlements  
Total current liabilities

### Non-current liabilities

Contingent consideration  
Total non-current liabilities

## Total liabilities

## Net liabilities

## Equity

Issued capital  
Reserves  
Accumulated losses  
Non-controlling interest  
Total equity

Notes	2020 \$	2019 \$
19.2	330,675	192,653
6	35,822	82,582
	<b>366,497</b>	<b>275,235</b>
7	-	-
9	-	-
8	-	-
	<b>-</b>	<b>-</b>
	<b>366,497</b>	<b>275,235</b>
10	447,564	576,751
11	195,600	-
21	186,635	-
	66,762	77,521
	<b>896,561</b>	<b>654,272</b>
21	37,327	550,333
	<b>37,327</b>	<b>550,333</b>
	<b>933,888</b>	<b>1,204,605</b>
	<b>(567,391)</b>	<b>(929,370)</b>
12	32,244,951	30,659,019
13	1,230,000	1,522,844
	(34,002,705)	(33,086,514)
	(39,637)	(24,719)
	<b>(567,391)</b>	<b>(929,370)</b>

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes, which form an integral part of the final annual report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2020

	Share Capital \$	Option Reserve \$	Performance Share Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Non-Controlling Interests \$	Total \$
Balance at 1 July 2018	28,375,771	75,508	434,485	22,572	(29,257,340)	-	(349,004)
Consolidated loss for the year	-	-	-	-	(3,157,934)	(24,719)	(3,182,653)
Foreign currency translation effect	-	-	-	(4,772)	-	-	(4,772)
<b>Total comprehensive loss for the year</b>	-	-	-	<b>(4,772)</b>	<b>(3,157,934)</b>	-	<b>(3,187,425)</b>
Shares/Options issued during the year	2,599,065	323,811	-	-	-	-	2,922,876
Share/Option issue costs	(315,817)	-	-	-	-	-	(315,817)
Reversal of lapsed options	-	671,240	-	-	(671,240)	-	-
<b>Balance at 30 June 2019</b>	<b>30,659,019</b>	<b>1,070,559</b>	<b>434,485</b>	<b>17,800</b>	<b>(33,086,514)</b>	<b>(24,719)</b>	<b>(929,370)</b>
Balance at 1 July 2019	30,659,019	1,070,559	434,485	17,800	(33,086,514)	(24,719)	(929,370)
Consolidated loss for the year	-	-	-	-	(1,350,676)	(14,918)	(1,365,594)
Foreign currency translation effect	-	-	-	(17,800)	-	-	(17,800)
<b>Total comprehensive loss for the year</b>	-	-	-	<b>(17,800)</b>	<b>(1,350,676)</b>	-	<b>(1,383,394)</b>
Shares/Options issued during the year	1,660,000	159,441	-	-	-	-	1,819,441
Share/Option issue costs	(74,068)	-	-	-	-	-	(74,068)
Reversal of lapsed performance shares	-	-	(434,485)	-	434,485	-	-
<b>Balance at 30 June 2020</b>	<b>32,244,951</b>	<b>1,230,000</b>	-	-	<b>(34,002,705)</b>	<b>(39,637)</b>	<b>(567,391)</b>

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes, which form an integral part of the final annual report.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(2,393,064)	(3,174,262)
Receipts from customers		5,825	11,871
Government grants		113,770	-
Interest received		2,047	7,305
Interest paid		(4,385)	(19,035)
R&D Tax Rebate		846,972	1,215,315
Net cash used in operating activities	19	(1,428,835)	(1,958,806)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	7	-	(22,179)
Acquisition of Frugl, net of cash acquired	21	-	(105,935)
Payments for intangible assets; R&D costs	9.1	(119,113)	(287,100)
Net cash used in investing activities		(119,113)	(415,214)
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares	12.1	1,660,000	2,599,065
Payments of share issue costs	12.1	(74,068)	-
Proceeds from borrowings	11	195,600	-
Payment for principal portion of lease liabilities	26	(60,624)	-
Payments for early termination of lease	26	(34,938)	(315,817)
Net cash generated by financing activities		1,685,970	2,283,248
<b>Net decrease in cash and cash equivalents</b>		<b>138,022</b>	<b>(90,772)</b>
Cash and cash equivalents at the beginning of the year		192,653	288,197
Foreign exchange effects		-	(4,772)
<b>Cash and cash equivalents at the end of the year</b>	19.2	<b>330,675</b>	<b>192,653</b>

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes, which form an integral part of the final annual report.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

## 1. GENERAL INFORMATION

Frugl Group Limited (**the Group and controlled entities**) is a limited company incorporated in Australia. The principal activity in the course of the financial year was the development, compliance and commercialisation of the Frugl application.

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group and its controlled entities (**collectively the Group**).

The financial statements were authorised for issue by the directors on 30 September 2020.

### 2.1. BASIS OF PREPARATION

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

#### 2.1.1. Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**), and the *Corporations Act 2001* (Cth).

#### 2.1.2. Historical cost convention

The financial report has been prepared on the accruals basis and under the historical cost convention.

#### 2.1.3. Going concern

The financial report has been prepared on the going concern basis which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The Directors recognise that the going concern of the Group is dependent upon, managing its costs and raising additional funds through future capital raisings and research & development claims. For the year ended 30 June 2020 the Group incurred a net loss of \$1,365,594 (2019: \$3,182,653), a net operating cash outflow of \$1,428,835 (2019: \$1,958,806), and has net current liabilities of \$530,064 (2019: \$379,037) and net liabilities of \$567,391 (2019: \$929,370).

The Directors have reviewed the business outlook, cash flow forecasts and immediate capital requirements and are of the opinion that the use of the going concern basis of accounting is appropriate as the Directors believe the Group will be able to pay its debts as and when they fall due.



In forming this view the Directors have taken into consideration the following:

- On 22 September 2020, the Group announced its intention to raise \$1,485,000 through a two-tranche placement to unrelated sophisticated and professional investors by issuing a total of 49,500,000 fully paid ordinary shares in the Company at \$0.03 per share (Share)(Placement). Tranche 1 of the Placement was completed on 25 September 2020 raising \$742,500 before costs. The Group has received confirmation from the appointed broker that commitments of \$742,500 have been received from unrelated sophisticated and professional investors in respect of tranche 2 of the Placement. Completion of tranche 2 of the Placement is subject to shareholder approval which is expected to be received at the AGM in November 2020.
- In addition to the Placement, Mr Mathew Walker, a Company director, intends to seek Shareholder approval at the AGM in November 2020 for the issue to him of up to 10,000,000 Shares on the same terms as the Placement, to raise a further \$300,000;
- Research and development expenditure projects are undertaken to which the Group will seek to apply for the R&D tax incentive rebate (R&D Rebate) at 43.5%. On the basis that the Group's expenditure from 1 July 2019 to 30 June 2020 is fully eligible, the Group expects to receive an R&D rebate of approximately \$500,000 in October 2020; and
- The Group's ability to reduce operational expenditure as and when required including, but not limited to, reviewing all expenditure for deferral or elimination, until the Group has sufficient funds to meet its liabilities as and when they fall due.

The Directors have carefully assessed the uncertainties relating to the likelihood of securing additional funding, the Group's ability to effectively manage their expenditures and cash flows from operations. This assessment contemplates the successful launch of Frugl Version 2.0 which is anticipated to drive growth in the Group's shopper behaviour database whilst facilitating the commercialisation of retail and customer analytics capabilities.

Should the Group not be successful in obtaining adequate funding, or adequately reducing operational expenditure as required, there may be material uncertainty as to the ability of the Group to continue as a going concern and it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business.

#### 2.1.4. Share Based Payments

The Group measures the cost of equity-settled transactions with suppliers and employees by reference to the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted. The fair value of the equity instruments granted is determined using the 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.

## 2.2. PRINCIPLES OF CONSOLIDATION

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

### 2.2.1. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquisition; plus



- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;  
less
- the net recognised amount of the identifiable assets acquired, and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

### 2.2.2. Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

### 2.2.3. Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or put through profit and loss or through other comprehensive income depending on the election adopted.

### 2.2.4. Transactions eliminated on consolidation

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### 2.2.5. Foreign currency transactions and balances

#### *Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

#### *Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

### *Group companies and foreign operations*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed, or the Board approves the discontinuation of the foreign currency operations.

## **2.3. TAXATION**

### **2.3.1. Tax Consolidation**

The Group is wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2016 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Frugl Group Limited. As Frugl is not a wholly owned subsidiary it cannot form part of the tax-consolidated group. The Group owns 95.71% of Frugl Group Limited.

Current tax liabilities and assets and deferred tax assets arising from the unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Group (as head entity in the tax-consolidated group).

### **2.3.2. 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 calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income 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 recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, 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, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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 a legally enforceable right of set-off exists, 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.

### 2.3.3. Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the consolidated statement of financial position.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### 2.3.4. Fair Value

#### *Fair Value of Assets and Liabilities*

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable AASB.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly unforced transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information

where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

### Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

## 2.4. PLANT AND EQUIPMENT

### 2.4.1. Recognition and measurement

Items of plant and equipment are measured on the cost basis and carried at cost less accumulated depreciation (see below) and impairment losses (see accounting Note 2.7 Impairment of non-financial assets).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

### 2.4.2. Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Any costs of the day-to-day servicing of plant and equipment are recognised in the income statement as an expense as incurred.

### 2.4.3. Depreciation

Depreciation is charged to profit or loss on a diminishing value or straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

Depreciation rates and methods are reviewed annually for appropriateness. The depreciation rates using the straight-line method for the current and comparative period are:

Class of fixed asset	Depreciation rate (%)
Plant and Equipment	20
Motor Vehicles	20
Office Equipment	20-40
Furniture and Fittings	20
Computer Equipment	40-100

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within "other income" in profit or loss.

## 2.5. RESEARCH & DEVELOPMENT EXPENDITURE

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following has been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent to initial recognition, capitalised development costs are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit, which will normally be the useful life of the asset. During the period of development, the asset is tested for impairment annually.

## 2.6. BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in

accordance with AASB 9. Other contingent consideration that is not within the scope of AASB 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

## **2.7. IMPAIRMENT OF NON-FINANCIAL ASSETS**

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting Note 2.3.2) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.



Where the Group receives a R&D tax rebate and the expenditure to which it relates has been previously capitalised, the R&D tax rebate is offset against the capitalised expenditure resulting in an equivalent impairment reversal for the period.

## 2.8. FINANCIAL INSTRUMENTS

### 2.8.1. Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

The Group's accounting policy for financial instruments is detailed as follows:

#### *Financial Assets*

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit and loss.

The classification of financial instruments at initial recognition depends on the financial asset's contractual cashflow characteristics and the Group's business model for managing them. With the exception of the Group's trade receivables that do not contain a significant financing component, the Group initially measures the financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with the Group's accounting policy for revenue recognition.

For trade receivables, the Group applies a simplified approach in calculating expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. In determining the provision required, the Group utilises its historical credit loss experience, adjusted only where appropriate for forward-looking factors specific to the debtors and economic environment.

### 2.8.2. Classification of financial assets

Financial assets recognised by the Group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

- a) the Group's business model for managing the financial assets; and
- b) the contractual cash flow characteristics of the financial asset.

### 2.8.3. Classification of financial liabilities

Contingent consideration payable by the Group for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the Group are subsequently measured at amortised cost.

#### 2.8.4. 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 based on the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

#### 2.8.5. Trade and other receivables

Trade and other receivables arise from the Group's transactions with its customers and are normally settled within 30 days.

Consistent with both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

### 2.9. EMPLOYEE BENEFITS

#### 2.9.1. Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled wholly within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

#### 2.9.2. Other long-term benefits

The Group's obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the Reserve Bank of Australia's cash rate at the report date that have maturity dates approximating the terms of the Group's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

#### 2.9.3. Termination benefits

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All



other termination benefits are accounted for on the same basis as other long-term employee benefits.

#### 2.9.4. Equity-settled compensation

The Group operates an employee share option plan. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

### 2.10. SHARE-BASED PAYMENTS TRANSACTIONS

Under AASB 2 *Share-Based Payments*, the Group must recognise the fair value of options granted to directors, employees and consultants as compensation as an expense on a pro-rata basis over the vesting period in profit or loss with a corresponding adjustment to equity.

### 2.11. PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

### 2.12. CONTINGENT LIABILITY

Contingent liabilities are not recognised but are disclosed in the consolidated financial statements, unless the possibility of settlement is remote, in which case no disclosure is made. If settlement becomes probable and the amount can be reliably estimated, a provision is recognised.

The amount disclosed as a contingent liability is the best estimate of the settlement.

### 2.13. EARNINGS PER SHARE

#### 2.13.1. Basic earnings per share

Basic earnings per share is determined by dividing net profit or loss after income tax attributable to members of the Group, 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 year.

#### 2.13.2. 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. When the Group makes a loss, the number of shares is not adjusted by the potential ordinary shares as the impact would be to reduce the loss per share.

## 2.14. REVENUE AND OTHER INCOME

The Group is in the business of sale and distribution and marketing of its suite of cyber safety and grocery comparison products and services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the Customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group's revenue accounting policy is detailed below:

### *Subscription revenues*

Subscription/service revenue is recognised over time over the life of the service contract as the Groups service obligations under the contract are satisfied.

### *Sales of Books*

Revenue from the sale of books is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the book. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. customer loyalty points). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

#### 2.14.1. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

The Group's income from the Australian Government's Research & Development (**R&D**) Tax Incentive and the Australian Government's COVID-19 stimulus packages is accounted for as a government grant.

#### 2.14.2. Interest income

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

## 2.15. SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operations of the business are regularly reviewed by the Group's Managing Director to determine if segment reporting is required.

The Group operates in one industry and develops a single technology.

The Group solely operates within the geographical location of Australia on the basis NextGen Networks Limited, incorporated in New Zealand, is 100% dormant.

## 2.16. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### 2.16.1. Key Estimate - Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by tax authorities in relevant jurisdictions. Refer Note 5 Income Tax.

### 2.16.2. Key Estimate - Intangible assets and amortisation

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.

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of four years.

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 four years.

The purchase consideration of Frugl Group Limited was using the estimate of likelihood of achieve revenue milestone set out in the acquisition announcement.

### 2.16.3. Key Estimate - Contingent Consideration

Contingent consideration, resulting from the acquisition of Frugl Group Limited, was valued at fair value at the acquisition date as part of the transaction. The contingent consideration meets the definition of a financial liability and is therefore subsequently remeasured to fair value at each reporting date. The determination of the fair value of the deferred consideration at each reporting date is based on a probability weighted payout approach factoring in the likelihood of achieving the revenue targets as disclosed on Note 21.

### 2.16.4. Key Estimate – Provision for R&D

Where the Group receives the Australian Government's R&D Tax Incentive, the Group accounts for the amount refundable on accrual basis. In determining the amount of the R&D provision at year end, there is an estimation process utilising a conservative approach. Any changes to the estimation are recorded in the subsequent financial year.

### 2.16.5. Share-Based Payments

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted using a 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.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted using a Black-Scholes option pricing model.

#### 2.16.6. Impairment of Assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

#### *Impairment of receivables from contracts with customers and other receivables*

The Group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for both receivables from contracts with customers and contract assets. Under the AASB 9 simplified approach, the Group determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the instrument. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

The Group determines expected credit losses based on the Group's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. When material, the time value of money is incorporated into the measurement of expected credit losses. There has been no change in the estimation techniques or significant assumptions made during the reporting period.

#### 2.16.7. Identifying performance obligations

The Group provides users access to its cyber security software application Frugl (**App**), which users can download from the Apple App Store or Google Play Store (**Application Stores**). Users can download the App via Application Stores and subscribe to the platform on a month-by-month basis. The subscription is a promise from the Group to the user that they will be allowed access to the App for the month. Granting and supporting the access to the App is the sole performance obligation for the Group.

The timing of revenue recognition for the Group focuses on the successful subscription to the App by the user. Once the user has accepted the terms and conditions of the App and successfully subscribes, revenue is recognised.

### 2.17. NEW, REVISED OR AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are mandatory for the current reporting period. Any new, revised or amending AASBs that are not yet mandatory have not been early adopted. The adoption of these AASBs did not have any significant impact on the financial performance or position of the Group.

### 2.18. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

#### 2.18.1. New Accounting Standards adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. AASB 16 Leases became mandatorily effective on 1 January 2019. Accordingly, this standard applies to this set of consolidated financial statements.

The accounting policies adopted by the Group are consistent with those of the previous financial period, except as follows:

## AASB 16 Leases

AASB 16 replaced AASB 117 Leases (**AASB 17**) and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- (a) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
  - i. investment property, the lessee applies the fair value model in AASB 140: *Investment Property* to the right-of-use asset; or
  - ii. property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: *Property, Plant and Equipment* to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- (b) lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

In accordance with the transition requirements of AASB 16, the Group has elected to apply AASB 16 retrospectively to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect of initially applying the new standard recognised at the beginning of the current reporting period (i.e., at 1 July 2019). Accordingly, comparative information has not been restated.

The application of AASB 16 resulted in the recognition of a right-of-use asset with an aggregate carrying amount of \$89,832 (referred to in these financial statements as "Right-of-use asset") and a corresponding lease liability as at 1 July 2019. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities is 8%.

Further details of the Group's accounting policy for leases, for the year ended 30 June 2020 follows.

### Lease assets

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

### Lease liabilities

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

### Leases of 12-months or less and leases of low value assets

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

## 2.19. 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 effective and have not been adopted by the Group for the annual reporting period ending 30 June 2020. It is not expected that these Australian Accounting Standards and Interpretations will have a material impact on the Group when they are adopted in future reporting periods.

## 3. REVENUE

### 3.1. REVENUE FROM CONTRACTS WITH CUSTOMERS: CONTINUING OPERATIONS

	2020 \$	2019 \$
Revenue from sale, distribution and marketing of cyber safety and grocery comparison products	3,829	6,502
Revenue from book sales	1,943	4,385
	<u>5,772</u>	<u>10,887</u>

Revenue from contracts with customers is generated wholly within the geographical location of Australia and is recognised at the point in time the product is delivered to the customer.

### 3.2. OTHER INCOME

	2020 \$	2019 \$
Interest income	2,047	7,305
Grants and subsidies	113,770	-
Miscellaneous income	26,914	794
	<u>142,731</u>	<u>8,099</u>



## 4. LOSS PER SHARE

### 4.1. BASIC LOSS PER SHARE

On 1 July 2019, the Group lodged its Notification of Consolidation/Split with the ASX. The Group received shareholder approval at its general meeting held 5 August 2019 to perform a consolidation on a 1:50 basis. As a result of the consolidation, the earnings per share for the year ended 30 June 2019 has been restated to (0.08) cents per share. The earnings per share for the year ended 30 June 2020 has been calculated as (0.02) cents per share.

From continuing operations

Total basic loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

2020 Cents Per Share	2019 Cents Per Share
(0.02)	(0.08)
(0.02)	(0.08)

Loss for the year

Loss for the year

2020 \$	2019 \$
(1,365,594)	(3,182,653)
(1,365,594)	(3,182,653)

Weighted average number of ordinary shares for the purposes of basic loss per share

No.	No.
63,827,398	2,067,506,206

### 4.2. DILUTED LOSS PER SHARE

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted loss per share:

Unlisted options exercisable at \$0.01 on or before 30 June 2021

Unlisted options exercisable at \$0.15 on or before 30 June 2022

2020 No.	2019 No.
23,048,883	1,152,444,168
11,000,000	-

## 5. INCOME TAX

### 5.1. INCOME TAX RECOGNISED IN PROFIT OR LOSS

Current tax

Deferred tax

2020 \$	2019 \$
-	-
-	-
-	-



The income tax expense for the year can be reconciled to the accounting (loss) as follows:

	2020 \$	2019 \$
Loss before tax	(1,365,594)	(3,182,653)
Income tax (benefit) calculated at 27.5% (2019: 27.5%)	(375,538)	(875,230)
Tax effect of lower foreign tax rates	190	(202)
Effect of expenses not deductible and income in determining taxable profit or loss	(223,403)	-
Current year deferred taxes not booked	-	122,114
Other deductible/other non-deductible and non-assessable items	7,399	379,356
Effect of current year tax losses not recognised as deferred tax assets	591,352	373,962
Income tax expense in consolidated statement of comprehensive income	-	-

The tax rate used for the 2020 year of 27.5% (2019: 27.5%) is the corporate tax rate of payable by small business entities on taxable profits under Australian law.

## 5.2. TAX LOSSES

Deferred tax assets on the unused revenue tax losses of \$12,416,186 (2019: \$10,296,916) have not been recognised as the future recovery of these losses is subject to the Group satisfying the requirements imposed by the regulatory authorities, including the application of the available fraction rules. The benefit of deferred tax assets not brought to account will only be brought to account if:

- Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised.
- The conditions for deductibility imposed by tax legislation continue to be complied with and no changes in tax legislation adversely affect the Group in realising the benefit.

## 5.3. DEFERRED TAX ASSETS

Deferred tax assets recognised directly in equity	125,240	139,286
Revenue income tax losses not brought to account at 27.5% (2019: 27.5%)	3,414,451	2,831,652
Other temporary differences	29,511	37,268
Unrecognised deferred tax assets relating to the above temporary differences	3,569,202	3,008,206

## 5.4. TAX CONSOLIDATION

The Group and its wholly owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2016. The accounting policy in relation to this legislation is set out in Note 2.3.1.

# 6. CURRENT TRADE AND OTHER RECEIVABLES

	2020 \$	2019 \$
Trade debtors	1,900	1,900
Provision for expected credit loss	(1,900)	(1,900)
Sundry debtors	35,822	82,582
	35,822	82,582

Trade receivable are non-interest bearing and generally on terms of 14-60 days.

Other than those receivables fully provided for, all receivables are considered fully recoverable.

A provision for expected credit loss is recognised in accordance with Note 2.8.4.

## 6.1. FAIR VALUE AND CREDIT RISK

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

## 7. PLANT AND EQUIPMENT

	2020 \$	2019 \$
Plant and equipment at cost	385,383	385,383
Accumulated depreciation and impairment	(385,383)	(385,383)
	-	-
Motor vehicles at cost	85,972	85,972
Accumulated depreciation	(85,972)	(85,972)
	-	-
Office equipment at cost	64,596	64,596
Accumulated depreciation	(64,596)	(64,596)
	-	-
Office furniture at cost	35,678	35,678
Accumulated depreciation	(35,678)	(35,678)
	-	-
Computer equipment at cost	99,515	99,515
Accumulated depreciation	(99,515)	(99,515)
	-	-
Carrying amount	-	-

### 7.1. MOVEMENT IN CARRYING AMOUNTS:

	Plant & Equipment \$	Motor Vehicles \$	Office Furniture \$	Computer Equipment \$	Total \$
Carrying amount at 30 June 2018	2,654	7,585	3,516	42,629	56,384
Acquisitions	5,545	-	13,455	3,2179	22,179
Depreciation expense	(8,199)	(7,585)	(16,971)	(45,808)	(78,563)
Carrying amount at 30 June 2019	-	-	-	-	-
Acquisitions/(Disposals)	-	-	-	-	-
Depreciation expense	-	-	-	-	-
Carrying amount at 30 June 2020	-	-	-	-	-

As at 30 June 2019, the Board reviewed the carrying value of its depreciable assets and determined the recoverable value of all the depreciable assets was nil. The Board subsequently depreciated all assets to a nil carrying value.

As at 30 June 2020, the Board reassessed the recoverable amount of its depreciable assets and determined the recoverable value continued to be nil.

## 8. INTANGIBLE ASSETS

### 8.1. INTANGIBLE ASSETS CARRYING BALANCE:

	2020 \$	2019 \$
Technology rights at cost	500,000	500,000
Capitalised patent expenditure at cost	548,022	548,022
Accumulated amortisation – technology rights and patent	(425,759)	(425,759)
Impairment – technology rights and patent	(622,263)	(622,263)
	-	-
Licence and know-how at cost	400,100	400,100
Accumulated amortisation – licence	(140,000)	(140,000)
Impairment – licence	(260,100)	(260,100)
	-	-
Goodwill at cost	672,697	672,697
Impairment – goodwill	(672,697)	(672,697)
	-	-
Assets acquired on acquisition of NexGen Networks Limited	6,086,956	6,086,956
Assets acquired as part of B Class shareholders interest	3,116,929	3,116,929
Impairment – asset acquisition	(9,203,885)	(9,203,885)
	-	-

### 8.2. MOVEMENT IN GOODWILL NET BOOK VALUE:

	2020 \$	2019 \$
Goodwill opening netbook value	-	-
Goodwill recognised on acquisition of Frugl Group Limited	-	622,669
Impairment - goodwill	-	(622,669)
Goodwill closing balance	-	-

On the date of the acquisition of Frugl Group Limited, 22 January 2019, the group recognised \$622,669 of goodwill.

At 30 June 2020 a \$622,699 provision for impairment on goodwill. This was based on a conservative review of the fair value of the goodwill using a value-in-use model. Based on a 5-year present value net cash flow, the goodwill was deemed to have a carrying value of approximately nil as at 30 June 2020. Therefore, a full impairment has been recognised. The key assumptions for the value-in-use models were; Forecasted revenue generated from developed forecasted development costs and ongoing support costs of technologies, forecasted staff costs associated with developing and marketing of technologies and providing technical support to users, forecasted marketing costs of technologies and a discount rate of 13.8%.

## 9. CAPITALISED DEVELOPMENT COSTS

### 9.1. MOVEMENT IN CAPITALISED DEVELOPMENT COSTS:

	2020 \$	2019 \$
Capitalised software development costs, opening net book value	-	-
Capitalised software development costs during the year	119,113	287,100
Reversal of capitalised software development costs during the year <sup>(i)</sup>	(124,890)	(542,081)
Reversal of capitalised software development costs impairment during the year <sup>(i)</sup>	124,890	542,081
Impairment of capitalised software development costs during the year	(119,113)	(287,100)
Capitalised software development costs, closing net book value	-	-

i) As per the Group account policy, cash inflows from the Research and Development Tax Incentive Scheme are credited against where the original expenditure was allocated. As a result of the cash inflow of \$846,972 (2019: \$1.215 million) received in the year ended 30 June 2020, \$124,890 (2019: \$542,081) was credited against the original capitalised expenditure. As the original capitalised expenditure had been fully impaired in prior years, a reversal of impairment to the amount \$124,890 (2019: \$542,081) was recognised in the current year.

### 9.2. CAPITALISED DEVELOPMENT COSTS CARRYING BALANCE:

	2020 \$	2019 \$
Capitalised software development costs	3,111,359	2,992,245
Accumulated impairment of capitalised software development costs	(3,111,359)	(2,992,245)
Other capitalised development costs	51,456	51,456
Accumulated impairment of other capitalised development costs	(51,456)	(51,456)
	-	-

During the year, \$119,113 was recognised as a provision for impairment on capitalised development costs. This was based on a review of the recoverable value of the relevant assets factoring in a number of subjective assumptions using a value-in-use model. Based on a 5-year present value net cash flow, the directors have taken a conservative view of the recoverable value and deemed the capitalised software development costs to have a carrying value of approximately \$nil as at 30 June 2020. Therefore, a full impairment has been recognised. The key assumptions for the value-in-use model were; Forecasted revenue generated from capitalised software development costs and ongoing support costs of technologies, forecasted staff costs associated with developing and marketing of technologies and providing technical support to users, forecasted marketing costs of technologies and a discount rate of 13.8%.

## 10. TRADE AND OTHER PAYABLES

	2020 \$	2019 \$
Current		
Unsecured trade creditors	203,394	213,934
Sundry creditors and accruals	244,170	362,817
	447,564	576,751

Trade and other payables are non-interest bearing. Due to the short-term nature of these payables, their carrying amount is assumed to approximate their fair value.

## 11. BORROWINGS

	2020 \$	2019 \$
Current		
Loan from Rocking Horse Nominees Pty Ltd	195,600	-
	<u>195,600</u>	<u>-</u>

The loan bears an interest rate of 1.25% per month, with term of loan of 91 days. The Loan is secured against the Company's 2020 Financial Year Research and Development Offset Rebate. The Loan was issued by Rocking Horse Nominees Pty Ltd.

## 12. ISSUED CAPITAL

All references to securities in the Group have been reported on a post-consolidation basis.

On 1 July 2019, the Group lodged its Notification of Consolidation/Split with the ASX. The Group received shareholder approval at its general meeting held 5 August 2019 to perform a consolidation on a 1:50 basis. As a result of the consolidation, the earnings per share for the year ended 30 June 2019 has been restated to (0.08) cents per share. The earnings per share for the year ended 30 June 2020 has been calculated as (0.02) cents per share.

	2020 \$	2019 \$
99,000,000 fully paid ordinary shares (2019: 50,000,000)	32,244,951	30,659,019

### 12.1. FULLY PAID ORDINARY SHARES

All references to securities in the Group have been reported on a post-consolidation basis.

	2020		2019	
	No.	\$	No.	\$
Balance at beginning of year <sup>(i)</sup>	50,000,000	30,659,019	1,352,237,366	28,375,771
Shares issued <sup>(ii)</sup>	49,000,000	1,660,000	1,147,762,635	2,599,065
Share issue costs	-	(74,068)	-	(315,817)
Balance at end of year	99,000,000	32,244,951	2,500,000,001	30,659,019

<sup>(i)</sup> On 1 July 2019, the Group lodged its Notification of Consolidation/Split with the ASX. The Group received shareholder approval at its general meeting held 5 August 2019 to perform a consolidation on a 1:50 basis.

<sup>(ii)</sup> The Group issued 16,000,000 shares on the 11th of December 2019 at \$0.0625 a share to raise \$1,000,000 before costs. The Group also issued 33,000,000 shares on 8 May 2020 at \$0.02 a share to raise \$660,000 before costs as part of a non-renounceable entitlement issue on a 1 for 2 basis.

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Ordinary shares participate in the proceeds on winding up of the Group in proportion to the number of shares held. Ordinary shares have no par value.

### 13. RESERVES

	2020 \$	2019 \$
Option reserve balance at beginning of year	1,070,559	75,508
Options issued during the year (Note 14.5.2)	159,441	323,811
Reversal/(lapse) of options during previous periods	-	671,240
Option reserve balance at end of the financial year	1,230,000	1,070,559

The Option reserve arises on the grant of share options to executives, employees, consultants and advisors and upon issue of options to shareholders or buyers. Amounts are transferred out of reserve and into accumulated losses when options expire or lapse.

Performance share reserve balance at beginning of year	434,485	434,485
Lapse of performance shares	(434,485)	-
Performance share reserve balance at end of the financial year	-	434,485

The Performance share reserve arose on the grant of performance shares to A Class Share vendors, consultants and advisors in previous years.

During the year ended 30 June 2019 the Group's performance shares lapsed. The balance in the reserve has therefore been transferred out of the performance share reserve and into accumulated losses.

During the 2020 financial year, no performance shares were issued, lapsed or expired.

No performance shares were on issue as at 30 June 2020 or 30 June 2019.

	2020 \$	2019 \$
Foreign currency translation reserve at beginning of year	17,800	22,572
Movement during year <sup>(i)</sup>	(17,800)	(4,772)
Foreign currency translation reserve at end of year	-	17,800

(i) During the year the Group ceased its operation of its foreign operations and therefore there is no translation reserve at 30 June 2020.

Option reserve	1,230,000	1,070,559
Performance share reserve	-	434,485
Foreign currency translation reserve	-	17,800
Total reserves balance at end of the financial year	1,230,000	1,522,844

#### Employee incentive option plan

On 30 November 2019, the Group received shareholder approval to adopt an employee incentive scheme titled Incentive Option Plan (Option Plan) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

The Option Plan allows the Group to issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. This issue of options to employees under the Option Plan is at the absolute discretion of the Board of Directors.

As at 30 June 2020, and subsequently, no options have been issued under the Option Plan.

## 14. SHARE OPTIONS

All references to securities in the Group have been reported on a post-consolidation basis.

Each option issued converts into one ordinary share of Frugl Group Limited on exercise. Options carry neither rights to dividends, nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

All share options issued during the year and on issue at 30 June 2020 are fully vested.

### 14.1. MOVEMENTS IN SHARE OPTIONS DURING THE YEAR

The following reconciles the share options outstanding at the beginning and end of the year:

	2020		2019	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the year <sup>(i)</sup>	23,048,883	0.01	420,828,065	0.021
Granted during the year	11,000,000	0.15	900,650,970	0.01
Expired during the year	-	-	(169,034,867)	0.038
Balance at end of the year	34,048,883	0.055	1,152,444,168	0.01
Exercisable at end of the year	34,048,883	0.055	1,152,444,168	0.01

(i) On 1 July 2019, the Group lodged its Notification of Consolidation/Split with the ASX. The Group received shareholder approval at its general meeting held 5 August 2019 to perform a consolidation on a 1:50 basis.

No options lapsed, cancelled or forfeited during the year.

### 14.2. SHARE OPTIONS EXERCISED DURING THE YEAR

During the year no options were converted into shares (2019: Nil).

### 14.3. SHARE OPTIONS OUTSTANDING AT THE END OF THE YEAR

The share options of 34,048,883 outstanding at the end of the year had a weighted average exercise price of \$0.055 (2019: \$0.010) and a weighted average remaining contractual life of 548 days (2019: 730 days).

### 14.4. SHARE OPTIONS ON ISSUE

Share options issued by the Group carry no rights to dividends and no voting rights.

As at 30 June 2020, the Group had the following unlisted share options on issue on a post consolidation basis:

	Number	Exercise price \$
Unlisted Options exercisable on or before 30 June 2021:		
Balance at 1 July 2019 <sup>(i)</sup>	23,048,883	0.010
Options issued during the year	11,000,000	0.15
Balance at 30 June 2020	34,048,883	-

(i) On 1 July 2019, the Group lodged its Notification of Consolidation/Split with the ASX. The Group received shareholder approval at its general meeting held 5 August 2019 to perform a consolidation on a 1:50 basis.



## 14.5. SHARE BASED PAYMENTS

Share-based payments made during the year ended 30 June 2020 are summarised below.

### 14.5.1. Recognised Share-Based Payment Expense

	2020 \$	2019 \$
Options issued to key management personnel and employees <sup>(i)</sup>	159,441	-
Options issued to key management personnel <sup>(ii)</sup>	-	328,811
	<u>159,441</u>	<u>328,811</u>

(i) During the 2020 financial year, the Group issued 11,000,000 options to key management personnel (refer to remuneration report for details) and the Group's Chief Data Officer, Mr Alistair McCall, exercisable at \$0.15 on or before 30 June 2022. The options had no vesting conditions attached and vested immediately on issue.

(ii) In the prior year, the Group issued 175,000,000 Options to key management personnel (refer to remuneration report for details), exercisable at \$0.01 on or before 30 June 2021. The options had no vesting conditions attached and vested immediately on issue.

### 14.5.2. Options Granted During the Year

The Group granted the following options during the year ended 30 June 2020:

Number of Options Issued	Grant Date	Expiry Date	Exercise Price	Total Value <sup>(i)</sup>	Recipient
9,000,000	16 Mar 2020	30 Jun 2022	\$0.15	130,451	Directors
2,000,000	16 Mar 2020	30 Jun 2022	\$0.15	28,990	Employee

Number of Options	Underlying share price (VWAP)	Exercise price	Expected volatility	Expiry date (years)	Expected dividends	Risk free rate	Probability of share issue	Value per option
9,000,000	\$0.040	\$0.15	117%	2.29	Nil	0.53%	Negligible	Negligible
2,000,000	\$0.040	\$0.15	117%	2.29	Nil	0.53%	Negligible	Negligible

(i) As the options issued are unlisted, the Company determined the most appropriate value using the Black Scholes Model applying the following inputs: share price at grant date of \$0.04 ; expected volatility of 117%, expected dividends of nil; and a risk-free rate of 0.53%.

The Group granted the following options during the year ended 30 June 2019:

Number of Options Issued	Grant Date	Expiry Date	Exercise Price	Total Value <sup>(i)</sup>	Recipient
725,650,970	25 July 2019	30 June 2021	\$0.01	Nil	Shareholders
175,000,000	10 Dec 2018	30 June 2021	\$0.01	323,811	Directors

Number of Options	Underlying share price (VWAP)	Exercise price	Expected volatility	Expiry date (years)	Expected dividends	Risk free rate	Probability of share issue	Value per option
725,650,970	\$0.003	\$0.01	262%	2.56	Nil	1.93%	Negligible	Negligible
175,000,000	\$0.002	\$0.01	262%	2.56	Nil	1.93%	Negligible	Negligible

(i) As the options issued are unlisted, the Company determined the most appropriate value using the Black Scholes Model applying the following inputs: share price at grant date of \$0.002 for the 175,000,000 options and \$0.003 for the 725,650,970 options; expected volatility of 262%, expected dividends of nil; and a risk-free rate of 1.93%.

## 15. FINANCIAL INSTRUMENTS

### 15.1. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2018.

The Group is not subject to any externally imposed capital requirements.

### 15.2. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Board of directors provides services to business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include interest rate risk, liquidity risk and credit risk.

The Group seeks to minimise the effects of these risks by making use of credit risk policies and future cash requirements. These are approved by the Board of directors and are reviewed on a regular basis.

The totals for each category of financial instruments, measured in accordance with AASB 9 *Financial Instruments*, as detailed in the accounting policies to these financial statements below.

### 15.3. INTEREST RATE RISK

The Group is exposed to interest rate risk on its cash reserves held with the NAB or other acceptable Australian Banking entities. The risk of interest rate movements is managed by the Group by maintaining an appropriate mix between short term deposits and at call deposits.

The Group is not subject to any other interest rate risk as none of its other financial assets or liabilities is subject to variable interest rates.

The Group's exposure to interest rate on financial assets subject to variable interest rates is detailed in the interest rate risk sensitivity analysis section of this note.

#### 15.3.1. Interest rate sensitivity analysis

An increase of 50 basis points in interest rates (all other variables remaining constant) would have decreased the Group's loss by \$1,653 (2019: \$963). Where interest rates decreased, there would be an equal and opposite impact on the loss.

#### 15.3.2. Fair value of financial assets and liabilities

The carrying amount of financial assets and financial liabilities recorded in the consolidated financial statements represents their respective fair values, determined in accordance with the accounting policies disclosed in Note 2.

At risk amounts are as follows:

#### *Financial assets*

Cash and cash equivalents  
Trade and other receivables

2020 \$	2019 \$
330,675	192,653
29,286	82,582
359,961	275,235

### Financial liabilities

Trade and other payables	736,566	576,751
Contingent consideration	223,961	550,333
	<u>960,527</u>	<u>1,127,084</u>

## 15.4. LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations with financial liabilities. Ultimate responsibility for liquidity risk management rests with the Board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium, and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring forecast and actual cash flows and identifying when further capital raising initiatives are required as disclosed in Note 0. The Group presently has no significant source of operating income and it is reliant on equity contributions and cooperation of creditors and lenders to continue as a going concern.

The Group currently has a financing facility of \$200,000 in place with Rocking Horse Nominees Pty Ltd of which \$195,600 is utilised as at the reporting date. Refer to Note 11 for terms and conditions.

In addition, during the year a director provided a binding letter of support for the following amounts, by way of an unsecured interest free on-call loan facility with the following limits, and subsequent amendments to the same facility:

16 October 2019: up to a maximum of \$600,000 repayable at the earlier of 31 October 2020 or when the Company completes a capital raising of no less than \$1 million;

29 January 2020: facility limit revised up to a maximum of \$600,000 repayable on 1 October 2020;

29 April 2020: facility limit revised up to a maximum of \$700,000 repayable on 1 October 2020; and

Accordingly, as at 30 June 2020, the Group has a \$700,000 loan facility with a director of the Group (**Director Loan**). The Director Loan is available on call, is unsecured and interest free.

Subsequent to year end, on 28 July 2020, the Director Loan was increased to a maximum limit of \$750,000 and the repayment date extended to 31 December 2020.

As at 30 June 2020 and the date of this report, no amounts have been drawn down on the Director Loan facility.

Contractual cash flows						
	Interest Rate %	Carrying amount \$	<6 months \$	>6-12 months \$	>12 months \$	Total contractual cash flows \$
<b>2020</b>						
<i>Financial assets</i>						
Cash and cash equivalents	Nil	270,675	270,675	-	-	270,675
Term deposits	1.75	60,000	-	60,700	-	60,700
Trade and other receivables	Nil	35,822	-	35,822	-	35,822
		<u>366,497</u>	<u>270,675</u>	<u>96,522</u>	<u>-</u>	<u>367,197</u>
<i>Financial liabilities</i>						
Trade and other payables	Nil	285,098	285,098	-	-	285,098
Borrowings	1.25	195,600	216,148	-	-	216,148
Contingent consideration	Nil	223,961	-	186,635	37,327	223,961
		<u>704,659</u>	<u>501,246</u>	<u>186,635</u>	<u>37,327</u>	<u>725,207</u>
Net Exposure		<u>(338,162)</u>	<u>(230,571)</u>	<u>(90,113)</u>	<u>(37,327)</u>	<u>(358,010)</u>

Contractual cash flows					
Interest Rate %	Carrying amount \$	<6 months \$	>6-12 months \$	>12 months \$	Total contractual cash flows \$

## 2019

### Financial assets

Cash and cash equivalents	Nil%	132,653	132,653	-	-	132,653
Term deposits	2.35%	60,000	-	60,940	-	60,940
Trade and other receivables	Nil%	75,829	-	75,829	-	75,829
		268,482	132,653	136,769	-	208,482

### Financial liabilities

Trade and other payables	Nil%	388,802	388,802	-	-	388,802
Contingent consideration	Nil%	550,333	-	-	550,333	550,333
		939,135	388,802	-	550,333	939,135

### Net Exposure

		(670,653)	(256,149)	136,769	(550,333)	(730,653)
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## 15.5. CREDIT RISK

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. In respect of financing activities, the Group is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and financial institutions. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Group's bank has an "AA-" long term issuer rating by Standards & Poors (S&P).

The total Group exposure to credit risk is as follows:

	2020 \$	2019 \$
Cash and cash equivalents	330,675	192,653
Trade and other receivables	35,822	82,582
	366,497	275,235

## 15.6. FOREIGN CURRENCY EXCHANGE RISK MANAGEMENT

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising if necessary forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

### 30 June 2020

NZ Dollars

- Financial assets
- Financial liabilities

### 30 June 2019

NZ Dollars

- Financial assets
- Financial liabilities

Consolidated	
Short term exposure \$'000	Long term exposure \$'000
-	-
-	-
-	-
8,889	8,889
118	118
9,007	9,007

The Group does not consider its exposure to foreign currency exchange risk to be material.

## 16. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2.2.2. Details of subsidiary companies are as follows:

Entity	Incorporation	2019 Ownership	2018 Ownership
Premium Pipe Services Pty Ltd	Australia	100%	100%
NexGen Networks Limited	New Zealand	100%	100%
Wangle Operations Pty Ltd	Australia	100%	95.71%
Frugl (Australia) Pty Ltd	Australia	95.71%	100%
Family Insights IP Pty Ltd	Australia	100%	100%

Family Insights IP Pty Ltd has been incorporated on 8 May 2019 as a pure corporate holding Company.

Refer to Note 24 for events after the reporting date in relation to Frugl (Australia) Pty.

## 17. KEY MANAGEMENT PERSONNEL DISCLOSURES

### 17.1. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2020 \$	2019 \$
Short-term employee benefits	460,700	486,100
Post-employment benefits	-	-
Other benefits	-	60,000
Share-based payments	130,451	323,811
	591,151	869,911

The compensation of each member of the key management personnel of the Group is set out in the Directors' Remuneration Report on pages 4 to 9.

## 18. RELATED PARTY TRANSACTIONS

The immediate parent and ultimate controlling party of the Group is Frugl Group Limited. Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

### 18.1. LOANS TO KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

There have been no loans to key management personnel during the current or prior year and no balances were outstanding as at the reporting date.

### 18.2. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

#### *Key management personnel related parties*

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Transactions with key management personnel related parties are set out below.

The Group entered into a mandate with Cicero Corporate Services Pty Ltd (**CCS**), a company related to Messrs Walker for corporate administration services including financial reporting, company secretarial services, rent and administrative operations. CCS provided services to the amount of \$120,000 (2019: \$120,000). As at 30 June 2020, \$10,000 amount payable (2019: \$Nil) remains outstanding. The Group entered into a mandate with Cicero Advisory Services Pty Ltd (**CAS**), a company related to Messrs Walker for corporate advisory services. CAS provided services to the amount of \$60,000 (2019: \$162,654). As at 30 June 2020, \$Nil amount (2019: \$Nil amount payable) remains outstanding.

## 19. RECONCILIATION OF LOSS FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2020 \$	2019 \$
(Loss) for the year	(1,365,594)	(3,182,653)
<i>Non-cash items</i>		
Depreciation and amortisation	57,749	78,563
Impairment of intangible assets and development costs	119,113	913,984
Share-based payments	159,441	323,811
Other non-operational expenditure	(44,277)	-
Fair Value movement on contingent consideration	(326,371)	115,704
	(1,399,939)	(1,750,591)
<i>Movements in working capital</i>		
Decrease in trade and other receivables	46,760	64,447
(Decrease) in trade and other payables in provisions	(75,656)	(272,662)
Net cash used in operating activities	(1,428,835)	(1,958,806)
Reconciliation to cash at the end of the year		
Balance as per Note 19.2	330,675	192,653
Balance as per statement of cash flows	330,675	192,653

There are no available financing facilities.



## 19.1. NON-CASH TRANSACTIONS

The only non-cash investing or financing activity relates to the contingent consideration payable of \$223,962 (2019: \$550,333) by the entity as a result of the acquisition of Frugl Group Limited.

## 19.2. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2020 \$	2019 \$
Cash and cash equivalents	330,675	192,653

## 20. COMMITMENTS & CONTINGENT LIABILITIES

### 20.1. COMMITMENTS

#### *Commitments in respect of non-cancellable operating lease (30 June 2019)*

The following information relates to non-cancellable operating lease arrangements of the prior year reporting period only, and is presented in accordance with the predecessor accounting standard AASB 117 Leases.

	Office Lease
Agreement start date	10/08/18
Expiry date	10/08/2020
Monthly amount	6,650
Terms of agreement	152 days
Within 12 months to June 2020	93,100
Total	93,100

Through its subsidiary Wangle Operations Pty Ltd (**Wangle Operations**), the Group was previously party to an operating lease agreement for its office and software development facilities for a period of 24 months from 1 September 2018, with no option to extend. Wangle Operations did not have an option to purchase the leased asset at the expiry of the lease period.

The operating lease agreement was cancelled effective from 31 March 2020 by mutual consent with the lessor.

#### *Other commitments*

	2020 Corporate Fees
Monthly amount	10,000
Terms of agreement	90 days
Within 12 months to June 2020	60,000
Total	60,000

Agreement start date  
Expiry date  
Monthly amount

Terms of agreement<sup>(i)</sup>

Within 12 months to June 2020  
Total

2019 Executive Fees	2019 Corporate Fees
25/01/2017	1/01/2019
25/01/2020	1/01/2020
20,000	10,000
90 days	90 days
140,000	60,000
140,000	60,000

## 20.2. CONTINGENT LIABILITIES

As per the ASX announcement on 22 January 2019, the Group identified a legal dispute with a previous employee of a redundant subsidiary, Frugl (Australia) Pty Ltd (**Dispute**). On 18 November 2019, the County Court of Victoria ruled in favour of the previous employee awarding a principal amount and interest totalling \$211,122. This amount has been provided for by the Group and is included in trade and other payables in the statement of financial position. The County Court of Victoria also ruled that the previous employees costs relating to the Dispute also be paid by the Group. As at the date of this report, the quantum of the costs payable has not been determined.

In addition, refer to Note 25 for events after the reporting date in relation to subsequent action regarding Frugl (Australia) Pty Ltd as a result of the Dispute.

## 21. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTEREST

On 22 January 2019, the Group acquired 95.71% of the voting shares of Frugl Group Limited (**Frugl**), a non-listed company based in Perth, Australia. Frugl is a grocery price comparison platform with advanced analytics capabilities, that collects and process numerous data streams including behavioural shopper and browsing data, in real time, across any device. Frugl provides shoppers with up-to-date products, promotions and pricing information to find the lowest price each week across Australia's leading supermarkets.

The Group has elected to measure the non-controlling interest at the proportionate share of the value of net identifiable assets acquired. The amount recognised for goodwill is only the acquirer's shares. The choice of method used by the Group is decided on a transaction-by-transaction basis, rather than being a policy choice.

### Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Frugl as at the date of Acquisition were:

	FAIR VALUE AT RECOGNISED ON ACQUISITION
<b>Assets</b>	
Cash and cash equivalents	10,207
Trade and other receivables	43,559
Intellectual Property	-
	<hr/> 53,766
<b>Liabilities</b>	
Trade and other payables	(129,375)
	<hr/> (129,375)
Total identifiable net assets at fair value (100%)	<hr/> (75,609)
Non-controlling interest	3,243
Goodwill on acquisition	622,699
<b>Fair value of contingent consideration</b>	<hr/> <b>550,333</b>

On the basis of their short-term nature, the fair value of the trade and other receivables amount of \$41,689, and trade and other payables amount of \$123,825 was considered to be their carrying value in the books of Frugl as at the acquisition date.

The intellectual property and underlying technologies were in state of care and maintenance when Frugl was acquired by the Group. Based on the state of the technologies, management assessed the fair value as \$nil as at the acquisition date.

The goodwill of \$622,699 comprises the value of expected synergies arising from the acquisition and its intellectual property, which is not separately recognised. Goodwill is allocated entirely to the grocery comparison engine.

From the date of acquisition, Frugl contributed (\$653,481) of expenses and loss before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, expenses from continuing operations would have been (\$1,245,885).

### Purchase consideration

	\$
Shares issued, at fair value	-
Contingent consideration liability	550,333
	<hr/> 550,333

### Analysis of cashflows on acquisition:

	\$
Transaction costs of the acquisition	(115,704)
Net cash acquired with the subsidiary	9,769
	<hr/> (105,935)

Transaction costs of \$115,704 were expensed and are included in other expenses from ordinary activities.

### Contingent consideration

As part of the purchase agreement with the previous shareholders of Frugl Group Limited, a contingent consideration has been agreed. There will be the issue of fully paid ordinary shares in Frugl Group Limited to the previous shareholders of Frugl Group Limited. The total contingent

consideration is 1,914,200,000 fully paid ordinary shares which are to be issued to previous shareholders of Frugl Group Limited in four equal tranches of 478,550,000 upon realisation of the following milestones:

- \$1,000,000 revenue before costs on or before 30 June 2021;
- \$2,000,000 revenue before costs on or before 30 June 2021;
- \$6,000,000 revenue before costs on or before 30 June 2022; and
- \$10,000,000 revenue before costs on or before 30 June 2022.

As at the acquisition date, the fair value of the contingent consideration was estimated to be \$550,333 based on the assigned probability of the milestones being achieved.

On 22 January 2019 the parties to the purchase agreement agreed to amend the terms of the purchase agreement, specifically the first Revenue milestone for which deferred consideration is payable.

- If the settlement sum is equal to or less than \$100,000, the revenue milestone shall be \$1,000,000;
- If the settlement sum is greater than \$100,000 and less than \$250,000, the revenue milestone shall be the settlement sum plus \$1,000,000; and
- If the settlement sum is greater than \$250,000, the revenue milestone shall be \$1,250,000.

All other revenue milestones remain the same.

## 21.1. MOVEMENT IN CONTINGENT CONSIDERATION:

	2020 \$	2019 \$
Fair value as at beginning of year	550,333	-
Fair value as at acquisition date	-	550,333
Fair value movement recognised in profit or loss	(326,371)	-
Fair value as at end of year	223,962	550,333

As at 30 June 2020, the fair value of the contingent consideration was estimated to be \$223,962 (30 June 2019: \$550,333) in accordance with the accounting policies disclosed in the annual financial report and based on the assigned probability of between 5% and 50% of achieving each milestone and an underlying Group share price of \$0.026 as at that date.

## 22. REMUNERATION OF AUDITORS

The auditor of Frugl Group Limited and its subsidiary is Pitcher Partners BA & A Pty Ltd.

	2020 \$	2019 \$
Audit and review of the financial statements	71,354	52,540
	71,354	52,540

## 23. SEGMENT INFORMATION

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Board of directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group operates primarily in development of the Frugl mobile application. The financial information presented in the consolidated statement of comprehensive income and the consolidated statement of financial position is the same as that presented to the chief operating decision maker.

Unless stated otherwise, all amounts reported to the Board of directors as the chief operating decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

## 24. EVENTS AFTER THE REPORTING PERIOD

On 1 July 2020, the Group announced the changed of Company name to Frugl Group Limited (ASX:FGL) effective from 3 July 2020.

As disclosed in Note 20.2, the Group identified a legal dispute with a previous employee of a redundant subsidiary, Frugl (Australia) Pty Ltd (**Subsidiary**) with the Court of Victoria ruling in favour of the previous employee.

The Subsidiary recently received a cost estimate to pursue a counterclaim against the Former Employee (**Counter Claim**) and take that Counter Claim to trial (**Trial Cost**). As a result of this Trial Cost, the Group has resolved it is not in the best interest of shareholders to continue the Counter Claim and to loan monies to the Subsidiary for the purpose of pursuing the Counter Claim and for any other purpose.

Following a shareholder meeting of the Subsidiaries shareholders on 7 August 2020, it was resolved to place the Subsidiary into liquidation.

Subsequently Greg Dudley and Jerome Mohen of RSM Australia Partners were appointed liquidators of the Subsidiary.

The Group would like to advise that there are no assets of the Subsidiary currently deemed to be of any value to the Group and that all the intellectual property developed by the Company that is being used to support current operations remain unaffected and are held in a wholly owned Company subsidiary Family Insights IP Pty Ltd (ACN 633 347 332).

The Group notes that the acquisition terms of the Subsidiary, as announced to the ASX on 30 October 2018 provided for contingent consideration (Contingent Consideration). As the Contingent Consideration is based on revenue targets in the Subsidiary, it is the Company's intention to seek shareholder approval for the re-instatement of these Contingent Consideration securities at a shareholder meeting to be convened in the near future.

On 22 September 2020, the Group announced that it has received firm commitments to raise \$1,485,000 through a two-tranche placement to unrelated sophisticated and professional investors. Frugl will issue a total of 49,500,000 fully paid ordinary shares in the Company at \$0.03 per share (Share)(Placement). Tranche 1 of the Placement was completed on 25 September 2020 raising \$742,500 before cost.

On 28 July 2020, the Group received confirmation of a \$750,000 loan facility with a director of the Group. The facility is available on call, is unsecured and interest free. As at the date of this report, the full amount of the facility is available for use as no amounts have been drawn. The facility expires on 31 December 2020.

## 25. PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 2 for a summary of the significant accounting policies relating to the Group.

	2020 \$	2019 \$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	21,320	92,566
Trade and other receivables	16,820	15,896
Other current assets	-	-
Total current assets	38,140	108,462
Non-current assets	-	-
Development costs	-	-
Intellectual property	-	-
Total non-current assets	-	-
<b>Total assets</b>	<b>38,140</b>	<b>108,462</b>
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	294,308	128,277
Employee entitlements	53,526	41,157
Total current liabilities	347,834	169,434
Non-current liabilities		
Contingent consideration	223,962	550,333
Total non-current liabilities	223,962	550,333
<b>Total liabilities</b>	<b>571,796</b>	<b>719,767</b>
<b>Net liabilities</b>	<b>(533,656)</b>	<b>(611,305)</b>
<b>Equity</b>		
Issued capital	32,244,951	30,659,019
Reserves	1,664,485	1,618,647
Accumulated losses	(34,443,091)	(32,888,971)
<b>Total equity</b>	<b>(533,655)</b>	<b>(611,305)</b>
Statement of comprehensive income		
<b>Total loss and comprehensive expense</b>	<b>(235,517)</b>	<b>(3,002,451)</b>

## 26. LEASES

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Through its subsidiary Wangle Operations Pty Ltd (**Wangle Operations**), the Group was previously party to a lease agreement for its office and software development facilities for a period of 24 months from 1 September 2018, with no option to extend. Wangle Operations did not have an option to purchase the leased asset at the expiry of the lease period.

The operating lease agreement was cancelled effective from 31 March 2020 by mutual consent with the lessor.

	Office Lease
	\$
Impact of initial adoption of AASB 16 – Right-of-use asset	
Recognised on 1 July 2019	89,832
Amortisation from 1 July 2019 to 31 March 2020	(57,749)
De-recognition of right-of-use given lease was cancelled effective from 31 March 2020	(32,083)
Carrying amount as at 30 June 2020	-

	Office Lease
	\$
Impact of initial adoption of AASB 16 – Lease liability	
Recognised on 1 July 2019	89,832
Interest expense from 1 July 2019 to 31 March 2020	4,385
Payments for principal portion of lease liabilities for the year	(60,624)
De-recognition of lease liability given lease was cancelled effective from 31 March 2020	(33,593)
Carrying amount as at 30 June 2020	-

	As at 30 June 2020
	\$
Amounts recognised in consolidated statement of cashflows	
Interest expense on lease liability for the year	4,385
Payments for principal portion of lease liabilities for the year	60,624
Payments for early termination lease	34,938
Total cash outflow in relation to leases for the year	99,947

	Office Lease
	\$
Reconciliation between AASB 16 right-of-use asset and lease commitments as at 30 June 2019	
Lease commitments at 30 June 2019	93,100
Discounting of lease liabilities	(3,268)
Right-of-use asset and lease liability recognised at 1 July 2019	89,832

The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities is 8%.

## 27. FAIR VALUE MEASUREMENT

### 27.1. FAIR VALUE HIERARCHY

Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,
- Level 3: Inputs for the asset or liability that are not based on observable market data.

The Group's contingent consideration liability of \$223,962 has been fair valued using significant unobservable inputs (Level 3) for which market data is not available and developed using the best information available about the realisation of the milestones and the underlying share price of the Group as at 30 June 2020. Refer to Note 21 above for further details.



The best information available relates to the directors determination of the current operational status of the Group and the directors best estimate of the probability of achieving the milestones based on the current operational status of the Group. The following table provides the fair value of the financial asset held by the Group.

30 June 2020	Date of valuation	Total \$	Quoted prices in active markets (level 1) \$	Significant observable inputs (level 2) \$	Significant unobservable inputs (Level 3) \$
Liabilities measured at fair value					
Contingent consideration	30 June 2020	223,962	-	-	223,962
Total financial assets		223,962	-	-	223,962

30 June 2019	Date of valuation	Total \$	Quoted prices in active markets (level 1) \$	Significant observable inputs (level 2) \$	Significant unobservable inputs (Level 3) \$
Liabilities measured at fair value					
Contingent consideration	30 June 2019	550,333	-	-	550,333
Total financial assets		550,333	-	-	550,333

## 27.2. RECONCILIATION OF LEVEL 3 FAIR VALUE MOVEMENTS

	As at 30 June 2020 \$	As at 30 Jun 2019 \$
Liabilities measured at fair value		
Opening balance	550,333	-
Acquisition of Frugl	-	550,333
Fair value movement recognised in profit or loss	(326,371)	-
Closing balance	223,962	550,333

# ADDITIONAL SHAREHOLDERS' INFORMATION

Frugl Group Limited's issued capital on a post-consolidated basis is as follows:

## ORDINARY FULLY PAID SHARES

At the date of this report there are 123,750,000 Ordinary fully paid shares in the Group.

	Number of shares
Balance at the beginning of the year	50,000,000
Movements of share options during the year and to the date of this report	73,750,000
Total number of shares at the date of this report	123,750,000

## SHARES UNDER OPTION

At the date of this report there are 34,048,883 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	23,048,883
Movements of share options during the year and to the date of this report	11,000,000
Total number of options outstanding at the date of this report	34,048,883

The balance is comprised of the following:

Number of options	Expiry date	Exercise price (cents)	Listed/Unlisted
23,048,883	30 June 2021	\$0.50	Listed
11,000,000	30 June 2022	\$0.15	Unlisted

No person entitled to exercise any option referred to above has had, by virtue of the option, a right to participate in any share issue of any other body corporate.

## RANGE OF SHARES AS AT 27 SEPTEMBER 2020

Range	Total Holders	Units	% Issued Capital
1 - 1,000	891	252,967	0.20%
1,001 - 5,000	467	1,223,398	0.99%
5,001 - 10,000	163	1,254,258	1.01%
10,001 - 100,000	431	14,495,431	11.71%
100,001 - > 100,001	142	106,523,946	86.08%
<b>Total</b>	<b>2,094</b>	<b>123,750,000</b>	<b>100.00%</b>

## UNMARKETABLE PARCELS AS AT 27 SEPTEMBER 2020

	Minimum parcel size	Holders	Units
\$500.00 parcel at \$0.04 per unit	12,500	1,734	3,641,956

## TOP 20 HOLDERS OF ORDINARY SHARES AS AT 27 SEPTEMBER 2020

#	HOLDER NAME	Units	%
1	THE TRUST COMPANY (AUSTRALIA) LIMITED <MOF A/C>	11,685,295	9.44%
2	GREAT SOUTHERN FLOUR MILLS PTY LTD	9,000,000	7.27%
3	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	7,505,426	6.07%
4	GOLDEN STATE CAPITAL	5,650,000	4.57%
5	TERRITORY TRADING GROUP PTY LTD	5,251,941	4.24%
6	MR GREGORY PETER WILSON	5,014,980	4.05%
7	STARTRADE PTY LTD <STAR INVESTMENT A/C>	3,481,472	2.81%
8	SCINTILLA STRATEGIC INVESTMENTS LIMITED	2,750,000	2.22%
9	PETERLYN PTY LTD <RPC SALMON SUPER FUND A/C>	2,625,000	2.12%
10	MR ROBERT GREGORY LOOBY <FAMILY ACCOUNT>	2,335,000	1.89%
11	CARDUP SYNDICATE HOLDINGS PTY LTD <THE CARDUP SYNDICATE A/C>	2,024,500	1.64%
12	MR JONATHAN MARK WILD	2,000,000	1.62%
13	MR JASON PAUL GITMANS	1,692,000	1.37%
14	MISS EVELYN KOJC	1,323,215	1.07%
15	MR KEVIN COOPER <ROBERTSON A/C>	1,250,000	1.01%
16	RIMOYNE PTY LTD	1,218,901	0.99%
17	MR PETER KLIMIS	1,149,081	0.93%
18	MR ZHENGZHONG TANG	1,124,888	0.91%
19	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	1,046,680	0.85%
20	ALI AYSHA PTY LTD	1,022,988	0.83%
Total of Top 20 Holders of ORDINARY SHARES		<b>69,151,367</b>	<b>55.88%</b>

## TOP 20 HOLDERS OF QUOTED OPTIONS AS AT 27 SEPTEMBER 2020

#	HOLDER NAME	Units	%
1	KEIL INVESTMENTS PTY LTD <THE KEIL PRIV PEN FUND A/C>	2,000,000	8.68%
2	SEAN PAUL SMITH	2,000,000	8.68%
3	THE TRUST COMPANY (AUSTRALIA) LIMITED <MOF A/C>	1,666,666	7.23%
4	JONATHAN MARK WILD	1,500,000	6.51%
5	FIRST GROWTH FUND LIMITED	1,333,333	5.78%
6	MORELAND SKIP BINS PTY LTD	1,160,664	5.04%
7	MR GRAHAM DENNIS CARTER & MRS YVONNE MARIA CARTER <CARTEGRA SUPER FUND A/C>	1,000,000	4.34%
8	MR GURBACHAN SINGH KHAIHRA	1,000,000	4.34%
9	MR JENS ROESTEL	1,000,000	4.34%
10	SCINTILLA STRATEGIC INVESTMENTS LIMITED	500,000	2.17%
11	KHAZA NOMINEES PTY LTD	400,000	1.74%
12	SACCO DEVELOPMENTS AUSTRALIA PTY LIMITED <THE SACCO FAMILY A/C>	400,000	1.74%
13	TYCHE INVESTMENTS PTY LTD	400,000	1.74%
14	STARTRADE PTY LTD <STAR INVESTMENT A/C>	372,590	1.62%
15	G & J SUPER FUND PTY LTD <G & J SUPER FUND A/C>	333,333	1.45%
16	MR SHANE ROBERT MARTIN	300,000	1.30%
17	RUBYCHLO PTY LTD	266,666	1.16%
18	1215 CAPITAL PTY LTD	265,000	1.15%
19	MR BRETT ANDREW MAWSON	250,000	1.08%
20	MR PAUL SIMON DONGRAY <THE DONGRAY FAMILY NO 2 A/C>	240,038	1.04%
<b>Total of Top 20 Holders of quoted option holders</b>		<b>16,363,051</b>	<b>70.99%</b>