

22 February 2021

Australian Securities Exchange (ASX)
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000

APPENDIX 4D AND CONDENSED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Please find attached the Frugl Group Limited's Appendix 4D and condensed interim financial report for the half-year ended 31 December 2020.

The condensed interim financial report does not include all the notes of the type normally included in an annual financial report and accordingly the condensed interim financial report should be read in conjunction with the annual financial report for the year ended 30 June 2020.

The condensed interim financial report for the half-year ended 31 December 2020 incorporates a review of operations during the half-year.

- ENDS -

By Order of the Board:

Sonu Cheema
Company Secretary

Frugl Group Limited
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APPENDIX 4D

for the half-year ended 31 December 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | |
|--|---------|
| Total Revenue and Other Income from Ordinary Activities: | 847,438 |
| Previous Corresponding Half-Year: | 853,565 |
| Percentage Change: | (1%) |

| | |
|-----------------------------------|---------|
| Net Loss Attributed to Members: | 219,067 |
| Previous Corresponding Half-Year: | 432,588 |
| Percentage Change: | (49%) |

| | |
|---|---------|
| Net Comprehensive Loss Attributed to Members: | 219,067 |
| Previous Corresponding Half-Year: | 450,388 |
| Percentage Change: | (51%) |

There is no proposal to pay a dividend.

Please refer to Operating Results and Review of Operations within the Directors Report for an explanation of the results.

| | |
|--|---------|
| Net Tangible Liabilities Per Security: | \$0.002 |
| Previous Corresponding Half-Year: | \$0.007 |

The Independent Auditor's Review Report includes an unmodified opinion drawing attention Note 2.3 Going Concern in the condensed interim financial report, which notes matters that indicate a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern.



ACN 096 870 978

**CONDENSED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 December 2020**

For personal use only

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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

COMPANY SECRETARY

Mr Sonu Cheema

REGISTERED OFFICE

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Subiaco WA 6008
AUSTRALIA

PRINCIPAL PLACE OF BUSINESS

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Subiaco WA 6008
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EXCHANGE

Australian Securities Exchange (ASX)

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Perth WA 6000

ASX Codes: FGL (Shares), FGLO (Options)

AUDITORS

HLB Mann Judd

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PERTH WA 6000

LAWYERS

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SHARE REGISTRY

Automic Group

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DIRECTORS' REPORT

The directors present their report together with the condensed interim financial report of Frugl Group Limited (**ASX: FGL**) (Company or Frugl) and its controlled entities (**Group**) for the half-year ended 31 December 2020 and the auditor's review report thereon. The condensed interim financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

DIRECTORS

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

- Mr Jonathon Wild (Non-Executive Chairman)
- Mr Sean Smith (Managing Director and Chief Executive Officer)
- Mr Mathew Walker (Non-Executive Director)

OPERATING RESULTS

The Group has incurred a net loss after tax for the half-year ended 31 December 2020 of \$219,067 (31 December 2019: \$435,822).

REVIEW OF OPERATIONS

The Company focused internal resources on the foundational development of the mobile application Frugl (**frugl**) to accelerate future Company revenue growth. The three focus areas were App Design and rollout and business development.

FRUGL APP

Frugl releases Version 2.0 of its grocery comparison app

The Company announced the launch of Version 2.0 of its ground-breaking grocery comparison and wellness App **frugl**.

The App allows shoppers to compare products across Woolworths and Coles supermarkets, create store-specific shopping lists and optimise shopping lists by cheapest prices. In addition, the App overlays wellness tools for shoppers to enable them to compare products and optimise shopping baskets by nutritional value, ingredient listings and allergen inclusions.

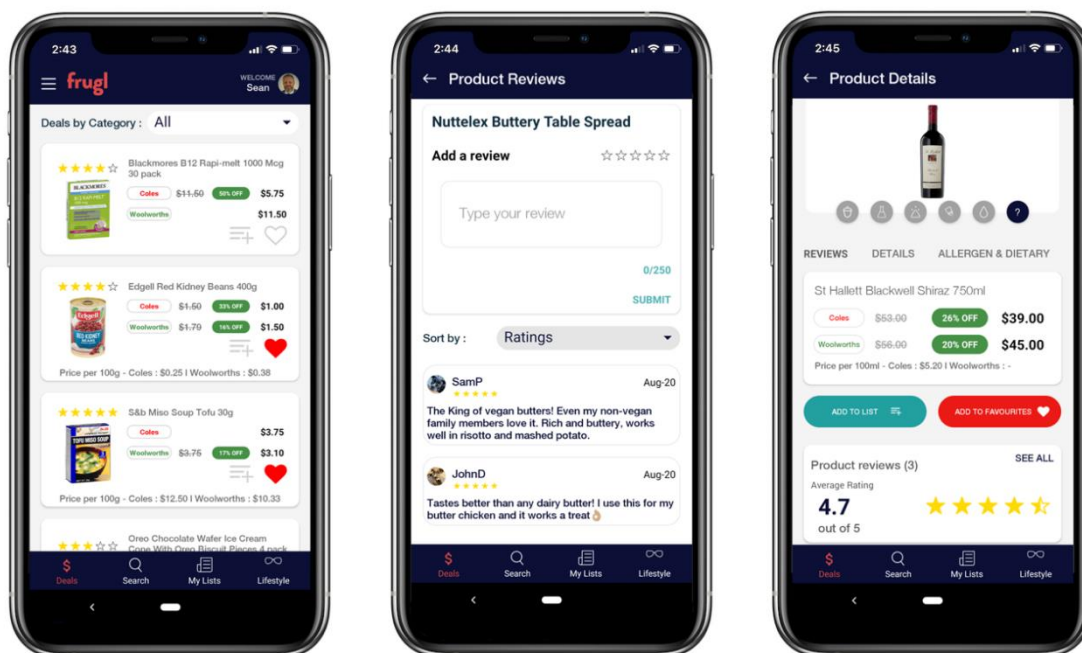
With the release of Version 2.0 the Company is looking forward to commencing marketing activities to drive user growth and further enhance the commercial offering for its data analytics products, which are currently being marketed to major Australian retailers and grocer suppliers.

DIRECTORS' REPORT

frugl Version 2.0 Major Update Summary

Compare Product Prices by Cost per 100g/ml

The most requested feature by users is the **Cost per 100g/ml** feature, allowing shoppers to view a true price comparison of products independent of pack size. Inclusion of **Cost per 100g/ml** has been added to the Product Screens as well as the Deals Listings and Search Results to help shoppers quickly compare value across multiple products.



Pre-populated 'Featured Lists' and Social List In-App Sharing

frugl added updatable **Featured Lists**, which demonstrate the full feature sets of lists and offer a range of different list types that demonstrate the different ways in which those lists can add value. In addition, frugl has added a new In-App sharing feature for lists **List Social Sharing** so that users can either copy and share **Featured Lists**, or share custom lists of their own, which prompt non-users to download the App to view and use lists themselves.

The new **List Social Sharing** feature offers opportunities for marketing activities as deep-linked frugl lists can be shared within news articles and other shareable content, such as ingredient lists for recipes, ingredient ideas for specific diets and other public relations activities.

Independent Customer Reviews

To further grow shopper engagement with the App and to further develop the product data asset, frugl allows users to leave their own independent customer reviews on all listed products, whilst also benefiting from product reviews added by the growing frugl community to inform future product selection decisions.

The Company has chosen to develop and maintain its own independent review platform to ensure ownership of the growing review asset, which can be further added to commercialised analytics reports in future across products and categories.

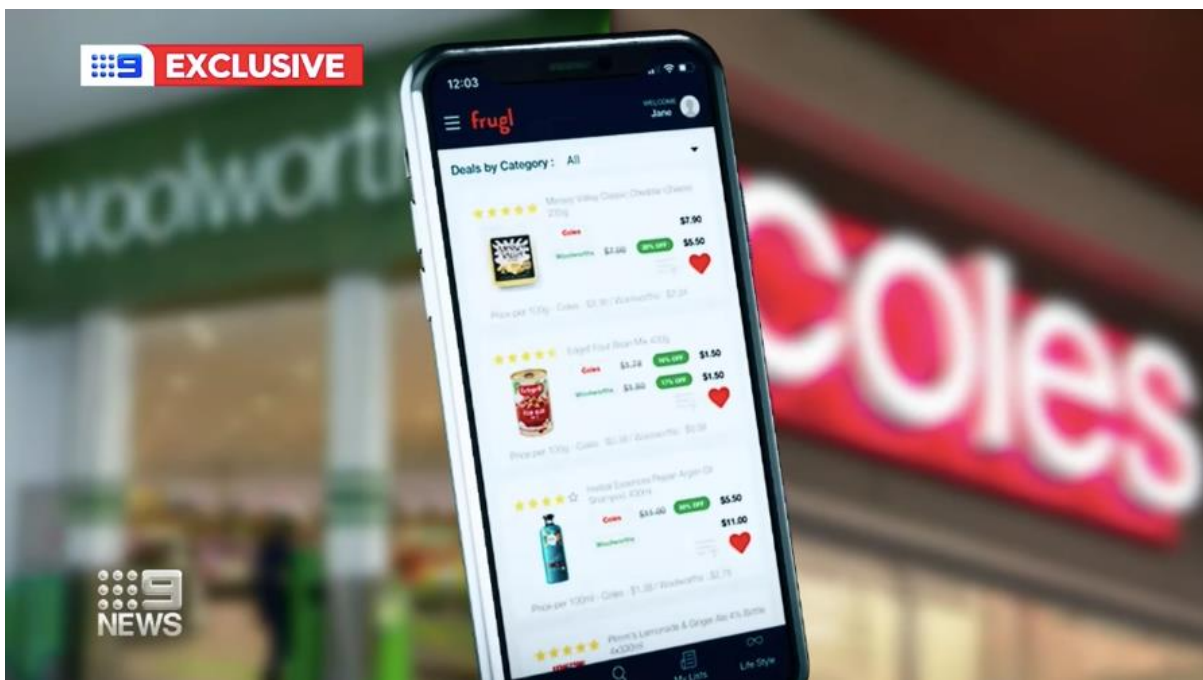
DIRECTORS' REPORT

Further App Development

The release during the September 2020 Quarter of version 2.0 of the Frugl Grocery app has seen an 11% increase in the number of users of the App. The Company is focused on maintaining the rate of growth of the App and has embarked on the development of another major app update including performance enhancements and added filtering and dietary features, with an anticipated major release expected within the March 2021 Quarter.

frugl featured on Channel 9 News

Following the release of version 2.0 of the App the Company was approached by the Channel 9 network to provide input into the challenges faced by today's shoppers as a result of the Covid-19 pandemic and its impact on the economy.



The feature story aired on Channel 9 News on **11 September 2020** and is available to view via the **fruglgroup.com** website.

BUSINESS DEVELOPMENT

FRUGL PARTNERS WITH STUDENT EDGE

On 12 October 2020, the Company announced a partnership with Student Edge to promote the Frugl Grocery mobile app to its 1,100,000 users. Under the terms of the partnership, Student Edge agreed to actively promote the Frugl Grocery mobile app to its membership utilising direct email campaigns, targeted display advertising and social amplification via its social media channels. During November the Company engaged in a test marketing campaign over a 5-week period with Student Edge, driving 1,228 incremental app downloads and over 230 product reviews.

DIRECTORS' REPORT

Frugl Revenue Model Summary

| Revenue Model | Solutions | Dependencies | Customer Targets | Market Potential |
|---|--|---|--|---|
| 1. Retail Intelligence (Product, Price, Range & Promotion analysis) | InFocus Analytics (IA) <ul style="list-style-type: none"> High quality retail intelligence 19+ months of historical data Online platform delivery (SaaS) | <ul style="list-style-type: none"> Ongoing retail data acquisition Data warehouse solution Analytics expertise & client management | <ul style="list-style-type: none"> Grocery retailers (product, range & promotional planning) Over 2,000 grocery suppliers Associated retail verticals (liquor, pet supplies, supplements, pharmacy etc) | AU data analytics market > \$1B *Gartner Report |
| 2. Customer Behavioural Intelligence and Shopper Panel Research | InFocus Analytics (IA) <ul style="list-style-type: none"> Customer behavioural intelligence added as additional service Frugl Research Panel <ul style="list-style-type: none"> Rewards-based membership | <ul style="list-style-type: none"> Frugl app user growth to drive profile & behavioural data Establishment of Rewards Program to support panel development Customer research expertise | <ul style="list-style-type: none"> Grocery retailers (Marketing) Over 2,000 grocery suppliers Market research agencies Associated retail verticals (liquor, pet supplies, supplements, pharmacy etc) | AU market research industry > \$3.1B *IbisWorld Industry Report |
| 3. In-app Merchandising & Advertising | Frugl Grocery Mobile App <ul style="list-style-type: none"> In-app merchandising & advertising space created at key points in the user journey | <ul style="list-style-type: none"> In-app merchandising space created at key points in the user journey Frugl app user growth | <ul style="list-style-type: none"> Grocery retailers (Marketing) Over 2000 grocery suppliers Non-grocery advertisers Media agencies | AU digital ad spend \$8.8B *IAB Australia |
| 4. Data Enrichment & Online Advertising | Data Exchange for Ad Platforms <ul style="list-style-type: none"> Frugl segment and behavioural data to enrich audience profiles Audience profiles utilised for targeted digital ad campaigns | <ul style="list-style-type: none"> Frugl app user growth Collated segment profile data Collated behavioural data sets | <ul style="list-style-type: none"> Digital Media agencies Data Management Platforms Data Exchanges Direct digital advertisers | AU data spend in 2019 \$485 Million *OnAudience.com |
| 5. E-commerce Capability | Frugl Grocery Mobile App <ul style="list-style-type: none"> Inclusion of transactional capability to Frugl app | <ul style="list-style-type: none"> Audience growth and app use Development of transactional capability within Frugl app | <ul style="list-style-type: none"> Grocery retailers Over 2000 grocery suppliers Associated retail verticals | 2021 AU Food & Personal Care ecommerce estimate = \$7.7B (USD) *Statistica.com |

Frugl Revenue Model (Refer ASX release dated 27 January 2021)

FINANCIAL UPDATE

On 22 September 2020, the Group announced that it has received firm commitments to raise \$1,845,000 through a two-tranche placement to unrelated sophisticated and professional investors. Frugl issued 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 and Tranche 2 was completed on 14 December 2020, raising \$1,845,000 before costs.

FINANCIAL PERFORMANCE

The total net loss for the half-year ended 31 December 2020 was \$219,067 (2019: loss \$435,822).

The Group had negative cash flows from operating activities for the half-year amounting to \$708,557 (2019: (\$544,627)), and had working capital of \$1,057,773 (30 June 2020: \$530,064 deficit) and net assets of \$1,057,733 (30 June 2020: net deficit of \$567,391) as at 31 December 2020.

DIRECTORS' REPORT

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no material events after balance date.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under Section 307C of the *Corporations Act 2001* in relation to the review for the half-year is set out on page 9 of this report.

This report is presented in accordance with a resolution of the Board of Directors made pursuant to s.306 (3) of the Corporations Act 2001 and is signed for and on behalf of the directors by:



Mr Jonathon Wild

Chairman

Perth, Western Australia this 22nd day of February 2021

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Frugl Group Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
22 February 2021



N G Neill
Partner

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Frugl Group Limited

Report on the Condensed Interim financial report

Conclusion

We have reviewed the accompanying interim financial report of Frugl Group Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Frugl Group Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2.3 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

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



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
22 February 2021



N G Neill
Partner

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Frugl Group Limited (**Company**):
 - a. the accompanying interim financial statements and notes are in accordance with the *Corporations Act 2001* including:
 - i. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - ii. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half- year then ended.
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made in accordance with a resolution of the directors.



Mr Jonathon Wild

Chairman

Perth, Western Australia this 22nd day of February 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 December 2020

| | Note | 31 Dec 2020 \$ | 31 Dec 2019 \$ |
|--|------|--------------------|--------------------|
| Continuing operations | | | |
| Revenue from contracts with customers | | 1,911 | 5,110 |
| Other income | | 14,167 | 1,483 |
| R&D tax rebate | | 438,162 | 722,082 |
| Government grant and subsidies | | 169,236 | - |
| Fair value gain on contingent consideration | 15 | 223,962 | - |
| Reversal of impairment | 3 | - | 124,890 |
| Total revenue and other income | | 847,438 | 853,565 |
| Research and development costs, materials and consultants | | (107,690) | (103,503) |
| Directors' fees, salaries, superannuation and consulting costs | | (268,525) | (258,370) |
| Employee expenses | | (266,769) | (500,794) |
| Right-of-use asset amortisation | | - | (38,500) |
| Public company costs, fees, share registry, shareholder costs | | (24,812) | (41,144) |
| Occupancy costs | | (17,623) | (11,401) |
| Legal fees | | (121,823) | (85,498) |
| Audit fees | | (26,306) | (43,151) |
| Insurances | | (9,779) | (23,125) |
| Interest expenses | | (28,164) | (9,014) |
| Corporate fees | | (100,295) | (56,472) |
| Share-based payments | 7 | (86,204) | - |
| Impairment expense | 3 | - | (19,971) |
| Marketing and investor relations expenses | | (110,822) | - |
| Other expenses from ordinary activities | | (284,836) | (43,411) |
| Fair value loss on contingent consideration | | - | (55,033) |
| Total expenses | | (1,453,648) | (1,289,386) |
| Loss before income tax expense | | (606,210) | (435,822) |
| Income tax expense | | - | - |
| Loss after income tax expense from continuing operations | | (606,210) | (435,822) |
| Gain on deconsolidation of subsidiary | 9.2 | 387,143 | - |
| Loss after income tax expense for the half-year attributable to the owners of the Company | | (219,067) | (435,822) |
| Other comprehensive income, net of tax: | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on translation of foreign operations | | - | (17,800) |
| Total comprehensive loss for the half-year | | (219,067) | (453,622) |
| Loss for the half-year attributable to Owners of the Company: | | | |
| Owners of the Company | | | |
| - from continuing operations | | (606,210) | (432,588) |
| - from discontinued operations | | 387,143 | - |
| Profit / (loss) attributable to non-controlling interests | | - | (3,234) |
| | | (219,067) | (435,822) |
| Total comprehensive loss for the half-year is attributable to: | | | |
| Owners of the Company | | | |
| - from continuing operations | | (606,210) | (450,388) |
| - from discontinued operations | | 387,143 | - |
| Profit / (loss) attributable to non-controlling interests | | - | (3,234) |
| | | (219,067) | (453,622) |
| Loss per share from continuing operations | | | |
| Basic and diluted loss per share (cents per share) | | (0.005) | (0.007) |
| Profit per share from discontinued operations | | | |
| Basic and diluted profit per share (cents per share) | | 0.003 | - |

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 condensed interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

Assets

Current assets

| | | |
|-----------------------------|-----------|---------|
| Cash and cash equivalents | 1,108,377 | 270,675 |
| Trade and other receivables | 72,250 | 35,822 |
| Other assets | 76,390 | 60,000 |
| Total current assets | 1,257,017 | 366,497 |

Total assets

Liabilities

Current liabilities

| | | |
|---------------------------|---------|---------|
| Trade and other payables | 143,404 | 447,564 |
| Borrowings | 8 - | 195,600 |
| Contingent considerations | 9 - | 186,635 |
| Employee entitlements | 55,880 | 66,762 |
| Total current liabilities | 199,284 | 896,561 |

Non-current liabilities

| | | |
|-------------------------------|-----|--------|
| Contingent consideration | 9 - | 37,327 |
| Total non-current liabilities | - | 37,327 |

Total liabilities

Net assets / (liabilities)

Equity

| | | |
|--------------------------|--------------|--------------|
| Issued capital | 4 33,963,301 | 32,244,951 |
| Reserves | 5 1,316,204 | 1,230,000 |
| Accumulated losses | (34,221,772) | (34,002,705) |
| Non-controlling interest | - | (39,637) |
| Total equity/(deficit) | 1,057,733 | (567,391) |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2020

| | Share Capital \$ | Option Reserve \$ | Performance Share Reserve \$ | Foreign Currency Translation Reserve \$ | Accumulated Losses \$ | Non- controlling interests \$ | Total \$ |
|---|------------------------|-------------------------|---------------------------------------|---|-----------------------------|--|------------------|
| Balance at 1 July 2019 | 30,659,019 | 1,070,559 | 434,485 | 17,800 | (33,086,513) | (24,719) | (929,370) |
| Loss for the half-year | - | - | - | - | (432,588) | (3,234) | (435,822) |
| Other comprehensive income for the half-year | - | - | - | (17,800) | - | - | (17,800) |
| Total comprehensive loss for the half-year | - | - | - | (17,800) | (432,588) | (3,234) | (453,622) |
| Shares issued during the half-year | 1,000,000 | - | - | - | - | - | 1,000,000 |
| Share issue costs | (60,000) | - | - | - | - | - | (60,000) |
| Balance at 31 December 2019 | 31,599,019 | 1,070,559 | 434,485 | - | (33,519,101) | (27,953) | (442,992) |
| Balance at 1 July 2020 | 32,244,951 | 1,230,000 | - | - | (34,002,705) | (39,637) | (567,391) |
| Loss for the half-year | - | - | - | - | (219,067) | - | (219,067) |
| Other comprehensive loss for the half-year | - | - | - | - | - | - | - |
| Total comprehensive loss for the half-year | - | - | - | - | (219,067) | - | (219,067) |
| Disposal of subsidiary | - | - | - | - | - | 39,637 | 39,637 |
| Shares issued during the half-year | 1,860,000 | - | - | - | - | - | 1,860,000 |
| Options issued during the half-year | - | 86,204 | - | - | - | - | 86,204 |
| Share issue costs | (141,650) | - | - | - | - | - | (141,650) |
| Balance at 31 December 2020 | 33,963,301 | 1,316,204 | - | - | (34,221,772) | - | 1,057,733 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2020

Cash flows from operating activities

| |
|---------------------------------------|
| Payments to suppliers and employees |
| Receipts from customers |
| Government grants |
| Interest received |
| Interest paid |
| Receipt of R&D tax rebate |
| Net cash used by operating activities |

Cash flows from investing activities

| |
|---|
| Net payments for capitalised software development costs and receipt of R&D Rebate |
| Net cash generated by investing activities |

Cash flows from financing activities

| |
|---|
| Proceeds from issues of shares |
| Payments of share issue costs |
| Repayments of borrowings |
| Payments for principal portion of lease liabilities |
| Net cash generated by financing activities |

Net increase in cash and cash equivalents

Cash and cash equivalents at the beginning of the half-year

Cash and cash equivalents at the end of the half-year

| Note | 31 Dec 2020 \$ | 31 Dec 2019 \$ |
|------|-------------------|-------------------|
| | (1,252,945) | (1,260,600) |
| | 1,911 | 1,422 |
| | 169,236 | - |
| | 85 | 1,483 |
| | (5,006) | (9,014) |
| | 438,162 | 722,082 |
| | (648,557) | (544,627) |
| | - | 104,919 |
| | - | 104,919 |
| 4 | 1,845,000 | 1,000,000 |
| | (135,583) | (60,000) |
| | (223,158) | - |
| | - | (39,897) |
| | 1,486,259 | 900,103 |
| | 837,702 | 460,395 |
| | 270,675 | 192,653 |
| | 1,108,377 | 653,048 |

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

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2020

1. REPORTING ENTITY

Frugl Group Limited (**Company**) is a company limited by shares, incorporated and domiciled in Australia. The condensed interim financial report as at and for the half-year ended 31 December 2020 covers the consolidated group of Frugl Group Limited and its controlled entities, together referred to as the '**Group**'. The Group is a for-profit entity.

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

The condensed interim financial report is a consolidated general-purpose financial report which has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Standards IAS 34 *Interim Financial Reporting*. The condensed interim financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets.

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the annual financial statements. Accordingly, this condensed interim financial report is to be read in conjunction with the annual financial statements for the year ended 30 June 2020 and any public announcements made by Frugl Group Limited during the interim reporting period in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX listing rules.

The same accounting policies and methods of computation have generally been applied in these half-year financial statements as compared with the most recent annual financial statements, except for the adoption of new standards and interpretation effective as of 1 July 2020.

2.2. ADOPTION OF NEW AND REVISED STANDARDS

STANDARDS AND INTERPRETATIONS APPLICABLE TO 31 DECEMBER 2020

In the half-year ended 31 December 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2020.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Group accounting policies.

STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2020

2.3. GOING CONCERN

The condensed interim 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.

During the half-year ended 31 December 2020 the Group incurred a net loss of \$219,067 (2019: \$435,822), a net operating cash outflow of \$708,557 (2019: \$544,627), and has total current liabilities of \$143,404 (2019: \$896,561) and net assets of \$1,057,733 (2019: net liabilities of \$567,391).

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. The Directors however note that the Company will require additional funding to continue to meet its business objectives. The Directors have carefully assessed the uncertainties relating to the likelihood of securing additional funding and the Group's ability to effectively manage its expenditures and cash flows from operations. This assessment contemplates the successful launch of Frugl Version 3.0 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 is a material uncertainty that may cast significant doubt as to the ability of the Group to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2020

3. INTANGIBLE ASSETS

There was no movement in the carrying balance of intangible assets during the half year.

3.1. MOVEMENT IN CAPITALISED DEVELOPMENT COSTS:

| | Half-year to 31 Dec 2020 \$ | Year to 30 Jun 2020 \$ |
|--|-----------------------------------|------------------------------|
| Capitalised software development costs, opening net book value | - | - |
| Capitalised software development costs incurred | - | 119,113 |
| Reversal of capitalised software development costs ⁽ⁱ⁾ | - | (124,890) |
| Reversal of capitalised software development costs impairment ⁽ⁱ⁾ | - | 124,890 |
| Impairment of capitalised software development costs | - | (119,113) |
| Closing balance | - | - |

(i) As per the Group accounting 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 received in the year ended 30 June 2020, \$124,890 was credited against the original capitalised software development costs. As the original capitalised software development costs had been fully impaired in prior years, a reversal of impairment to the amount \$124,890 was recognised in prior year.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2020

4. ISSUED CAPITAL

161,000,000 fully paid ordinary shares
(30 June 2020: 99,000,000)

| As at 31 Dec 2020 \$ | As at 30 Jun 2020 \$ |
|----------------------------|----------------------------|
| 33,963,301 | 32,244,951 |

4.1. FULLY PAID ORDINARY SHARES

| | Half-year to 31 Dec 2020 | | Year to 30 Jun 2020 | |
|---|-----------------------------|------------|------------------------|------------|
| | No. | \$ | No. | \$ |
| Opening balance | 99,000,000 | 32,244,951 | 50,000,000 | 30,659,019 |
| Issued for cash - placements ⁽ⁱ⁾ | 61,500,000 | 1,845,000 | 49,000,000 | 1,660,000 |
| Issued to supplier | 500,000 | 15,000 | - | - |
| Share issue costs | - | (141,650) | - | (74,068) |
| Closing balance | 161,000,000 | 33,963,301 | 99,000,000 | 32,244,951 |

(i) The Group issued 24,750,000 shares on the 25 September 2020 at \$0.03 a share to raise \$742,500 before costs. The Group also issued 36,750,000 shares on 14 December 2020 at \$0.03 a share to raise \$1,102,500 before costs.

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 Company in proportion to the number of shares held.

5. RESERVES

| | Half- year to 31 Dec 2020 \$ | Year to 30 Jun 2020 \$ |
|----------------------------------|------------------------------------|------------------------------|
| Option reserve opening balance | 1,230,000 | 1,070,559 |
| Options issued during the period | 86,204 | 159,441 |
| Option reserve closing balance | 1,316,204 | 1,230,000 |

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

| | | |
|---|---|-----------|
| Performance share reserve opening balance | - | 434,485 |
| Lapse of performance share | - | (434,485) |
| Performance share reserve closing balance | - | - |

The Performance share reserve arises on the grant of performance shares to A Class Share vendors, consultants and advisors. As at 31 December 2020 none of the Group's performance shares had been issued. Amounts will be transferred out of the Performance Share reserve and into accumulated losses when performance shares expire or lapse.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2020

5. RESERVES (CONTINUED)

| | Half-year to 31 Dec 2020 \$ | Year to 30 Jun 2020 \$ |
|--|-----------------------------------|------------------------------|
| Foreign currency translation reserve opening balance | - | 17,800 |
| Movement during the period ⁽ⁱ⁾ | - | (17,800) |
| Foreign currency translation reserve closing balance | - | - |

(i) In the prior year, the Group ceased its operation of its foreign operations.

6. SHARE OPTIONS

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.

6.1. MOVEMENTS IN SHARE OPTIONS DURING THE PERIOD

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

| | Half-year to 31 Dec 2020 | | Year to 30 Jun 2020 | |
|------------------------------|-----------------------------|-----------|------------------------|-----------|
| | Number of options | \$ | Number of options | \$ |
| Opening balance | 34,048,883 | 1,230,000 | 23,048,883 | 1,070,559 |
| Granted during the period | 14,000,000 | 86,204 | 11,000,000 | 159,441 |
| Closing balance | 48,048,883 | 1,316,204 | 34,048,883 | 1,230,000 |
| Exercisable at end of period | 48,048,883 | 1,316,204 | 34,048,883 | 1,230,000 |

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2020

7. SHARE-BASED PAYMENTS

Share-based payments made during the half-year are summarised below.

7.1. RECOGNISED SHARE-BASED PAYMENT EXPENSE

Options issued to directors ⁽ⁱ⁾
Options issued to employees
Options issued to adviser

| 31 Dec 2020 \$ | 31 Dec 2019 \$ |
|-------------------|-------------------|
| 32,224 | - |
| 30,846 | - |
| 23,134 | - |
| 86,204 | - |

(i) On 14 December 2020 the Company issued 7,000,000 Options to Directors, following shareholder approval on 30 November 2020. The options had no vesting conditions and vested immediately on issue.

7.1.1. OPTIONS GRANTED DURING THE HALF YEAR

The Group granted the following options during the half-year ended 31 December 2020:

| Number of Options Issued | Grant Date | Expiry Date | Exercise Price | Total Value ⁽ⁱ⁾ | Recipient |
|--------------------------|-------------|-------------|----------------|----------------------------|-----------|
| 7,000,000 | 30 Nov 2020 | 30 Jun 2022 | \$0.15 | 32,224 | Directors |
| 4,000,000 | 10 Dec 2020 | 30 Jun 2022 | \$0.15 | 30,846 | Employees |
| 3,000,000 | 10 Dec 2020 | 30 Jun 2022 | \$0.15 | 23,134 | Adviser |

| Number of Options | Underlying share price | Exercise price | Expected volatility | Expiry date (years) | Expected dividends | Risk free rate | Probability of share issue | Value per option |
|-------------------|------------------------|----------------|---------------------|---------------------|--------------------|----------------|----------------------------|------------------|
| 7,000,000 | \$0.034 | \$0.15 | 100% | 1.58 | Nil | 0.09% | Negligible | \$0.0046 |
| 4,000,000 | \$0.034 | \$0.15 | 100% | 1.58 | Nil | 0.09% | Negligible | \$0.0077 |
| 3,000,000 | \$0.044 | \$0.15 | 100% | 1.58 | Nil | 0.09% | Negligible | \$0.0077 |

(i) The fair value of the options at grant date was determined using a Black Scholes pricing method that took into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The table above lists the inputs to the model used for valuation of the unlisted options.

8. BORROWINGS

Balance at beginning of period
Loan from Rocking Horse Nominees Pty Ltd
Interest and borrowing cost capitalised
Repayments made
Balance at end of period

| Half-year 31 Dec 2020 \$ | Year to 30 June 2020 \$ |
|--------------------------------|-------------------------------|
| 195,600 | - |
| - | 195,600 |
| 27,558 | - |
| (223,158) | - |
| - | 195,600 |

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

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2020

9. COMMITMENTS & CONTINGENT LIABILITIES

9.1. COMMITMENTS

There were no commitment as at 31 December 2020.

9.2. CONTINGENT LIABILITIES

On 22 January 2019, the Group acquired 95.71% of the voting shares of Frugl (Australia) Pty Ltd (**Liquidated Subsidiary**), a non-listed company based in Perth, Australia.

As part of the purchase agreement with the previous shareholders of Frugl Australia, contingent consideration has been agreed. The total contingent consideration is the issue of 1,914,200,000 fully paid ordinary shares which are to be issued to previous shareholders of Frugl 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.

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

The Group would like to advise that there are no assets of the Liquidated Subsidiary 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 has fully written-off all outstanding receivables from the Liquidated Subsidiary totalling to \$1,393,226, which were eliminated to nil in prior years.

The Group notes that the acquisition terms of the Liquidated 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 Liquidated Subsidiary, the fair value of the contingent consideration was estimated to be \$nil as at 31 December 2020 (30 June 2020: \$223,962).

The Liquidated Subsidiary has consequently been deconsolidated, and a gain on deconsolidation of \$387,143 has been recorded in the current period.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2020

10. RELATED PARTY TRANSACTIONS

The immediate parent and ultimate controlling entity of the Group is Frugl Group Limited.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

The Company is engaged in a contract with Cicero Group Pty Ltd (**Cicero Group**), which Mr Mathew Walker is a shareholder of, for the provision of Company Secretary and Administration services to the amount of \$10,000 (exc. GST) a month with a 3-month termination period. During the half-year a total of \$60,000 (exc. GST) was paid. As at 31 December 2020, there was no amount outstanding to Cicero Group.

11. EVENTS AFTER THE REPORTING DATE

There have been no material events subsequent to balance date.

12. 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 App. The financial information presented in the consolidated statement of profit or loss and other 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.

13. COMPARATIVES

Where necessary, prior half-year comparatives have been reclassified to be consistent with the current half-year's presentation.

14. DIVIDENDS

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

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2020

15. FAIR VALUE MEASUREMENT

15.1. 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 following table provides the fair value of the financial asset held by the Group.

| 31 December 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 | 31 December 2020 | - | - | - | - |
| Total financial assets | | - | - | - | - |

| 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 |

15.2. RECONCILIATION OF LEVEL 3 FAIR VALUE MOVEMENTS

| | As at 31 Dec 2020 \$ | As at 30 Jun 2020 \$ |
|--|----------------------|----------------------|
| Liabilities measured at fair value | | |
| Opening balance | 223,962 | 550,333 |
| Fair value movement recognised in profit or loss | (223,962) | (326,371) |
| Closing balance | - | 223,962 |