FOUNDERS FIRST

2020 ANNUAL REPORT

CONTENTS

mighty craft

We're a powerful collection of brands, people and places – with one mighty love of Craft.

Craft to us is more about an ethos than a category.

It's a celebration of authenticity, creativity, enterprise and local connection.

Supporting the little guys, we're combining our strengths to create a thriving Independent Craft community.

A mighty Independent network of great brands, people and places.

Stronger together. For the love of Craft.

Strong growth despite COVID-19 impacts

- Maiden Full Year results after listing on the ASX in December 2019
- Revenue from Ordinary activities of $9.2m or +131% vs FY19 (total Income $10.4m at +160% vs FY19)
- Cash on Hand of $11.4 million
- Completed four acquisitions and executed eight equity investments

Wholesale growth acceleration demonstrates the model

- Beer Wholesale growth of 113% (+260% for consolidated entities) vs FY19
- Distribution footprint +151% vs FY19 for the total portfolio
- Venues returning to 60-80% of pre COVID-19 levels

CHAIRMAN'S LETTER

Dear Shareholder

I am proud to present to you our inaugural year as an ASX listed business. It's hard to know where to start given the amount that has been achieved, however it is important that we do reflect on the year gone by while re-iterating that this is just the beginning of the journey for Founders First / Mighty Craft. I am proud of what this business has achieved and excited for what lies ahead. The macro theme surrounding craft is accelerating as consumers demand more from beverage companies. Growth has accelerated through COVID-19 as consumers search for higher quality, authentic brands and locally made products. This growth theme is still in its early stage based on the learnings from overseas and I believe we have the business model and the team to create a significant beverage and hospitality company and provide strong returns to shareholders in the years to come.

I will take a moment to reflect on the key achievements of the Company, and particularly of MD/CEO Mark Haysman and his executive team as they have been significant. The team has:

- Raised over $54m in capital[1] to date including the IPO in December 2019;
- Built a portfolio of 13 businesses including the acquisition of Kangaroo Island Distillery and built a 64% stake in Jetty Road Brewery;
- Attracted a management team that is widely regarded as one of the best in the industry and has over 100 years of relevant industry experience;
- Laid the foundations for a much bigger business with critical and ongoing investment in technology, business processes and governance;
- Managed the impact of COVID-19 to venues and more importantly ensured the business is ready to accelerate after what has been a very difficult period;
- Reported very strong growth, especially in the wholesale space as consumers switched to consuming products at home; and
- Invested ahead of the curve in people, technology and brands setting the platform for even greater growth over the coming years.

It is important to acknowledge the fact that the business did report a significant loss for the year as we invested in the infrastructure and team to ensure the business thrives over the coming years. I would like to assure investors that these investments are carefully considered and are consistent with our stated growth strategy and desire to realise our ambitions.

The impact of COVID-19 has been significant. There are 14 venues across the wider group that all closed in late March 2020 in line with government guidelines. While most of these venues are open at the time of this Annual Report, they are operating at 60-80% capacity given the restrictions in place in the various states. Throughout this period the safety of our customers and employees has been our number one priority. To date we have achieved this and will continue to place the safety of people above all else. The Board takes its responsibility to provide a safe environment for customers and employees very seriously and has a zero-tolerance mindset.

In contrast to the negative impact of venue closures, we have seen an acceleration of sales in the off-premise channel. At home consumption has increased significantly through this period and in many ways, craft disproportionately benefits given the strength of the big players in the on-premise channel. What we have seen is a channel shift from on-premise to off-premise and the business has ensured that we were able to capitalise on this trend as reflected in our beer wholesale growth rate for the year of +113%.

While it is important to discuss what has already happened, our growth agenda is now ahead of us. We have outlined to the market the significant growth ambition that the business has planned. By 2025 the aim is to become a substantial player in the alcohol beverage market, selling over 12 million litres of beer, 500,000 bottles of spirits and 2,000 barrels of Whisky in stock. It is a bold ambition and one that the Board fully endorses. The Mighty Craft model is unique, and it solves many of the issues that prevent craft businesses growing to scale. We are hearing it from the retailers, we are hearing it from craft producers, and we are hearing it from logistics companies. The craft sector is fragmented and inefficient and our business model is uniquely placed to solve these industry issues. This gives the Board great confidence that the business will achieve its ambition and create a significant and profitable business over the coming years.

Having recently reviewed our plans for FY2021, I am very excited for the coming year and look forward to continuing the growth trajectory that is just beginning. I would like to thank all our shareholders for their ongoing support and look forward to virtually seeing everyone at this year's AGM in November.

Sincerely yours,

Robin Levison
Non-Executive Chairman

1. Estimated funds post the recent capital raise.

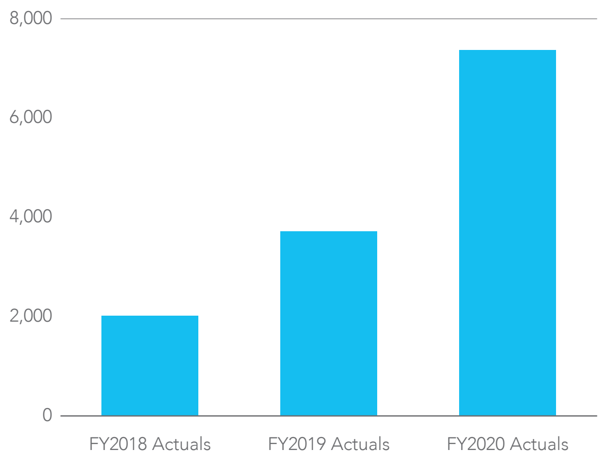
It has been a huge year and I am incredibly proud at how much the team has achieved and specifically how the group responded to COVID-19.

At the outset, I would like to thank all our employees for their incredible efforts throughout 2020. It has been a huge year and I am incredibly proud of how much the team has achieved and specifically how the group responded to COVID-19. We have over 14 venues in the wider group that closed from late March 2020 and while many are starting to re-open, they are operating at reduced capacity and Victorian venues remain closed. Throughout this period our primary concern has been the safety of our employees and customers. In many ways, the benefits of our business model were on show as we were able to learn and share ideas across a group that now exceeds 350 people and provide a forum where partners could lean on and support each other. It is important to acknowledge the impact to people with many of our employees stood down or on leave for extended periods which I understand has been tough. The resilience and ingenuity of our people have really made me proud and has ensured that we are coming out of COVID-19 in a stronger position than we went in.

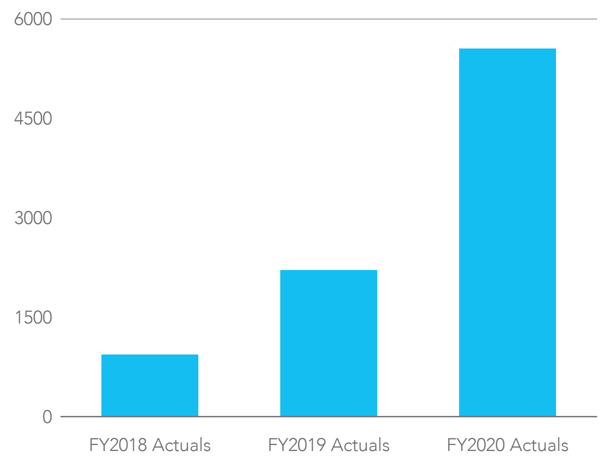
Our performance in 2020 has started to demonstrate the power of our unique model. Despite a significant impact to venues we grew sales by 131% vs FY2019. The best indicator of organic growth is beer wholesale growth on a 100% basis, and we grew the total portfolio by 113% vs FY2019. This demonstrates the benefit of having a broad portfolio and a balance across on-premise, off-premise, national retailers, and venues. I would also point out the significant growth that we have achieved in distribution, which is a key leading indicator for future growth.

As we have reported to the market, this will increase significantly again in August 2020 with around a 100% increase in ranging across National retailers for Founders First products.

WHOLESALE SALES[1] ($000)



DISTRIBUTION GROWTH[2]



1. On a 100% basis – Beer sales dollars (Pack and Keg) + KIS sales dollars over time (Invoiced sales via sales order system)
2. Unique distribution points (unique stores that have placed an order)

THE COMPANY TODAY

GROWTH

$9.2m	Revenue from Ordinary activities +131%
$10.4m	Total income +160%
	Wholesale beer growth
+113%	Total Portfolio 100% Basis[1]
+260%	Majority Owned
7x	Wholesale beer growth relative to craft category[2]

INVESTMENT

$11.4m	Cash on hand
$30.3m	Net assets

SCALE

45,000	Estimated spirits bottles on a 100% basis (annualised)
1.4m	Estimated beer litres on a 100% basis (annualised)
10	Brand investments
14	Licensed venues
5,555	Unique distribution points
80	Barrels of maturing whisky stock[3]

1 Sourced from partner Sales Order systems.
2 Retailer scan data.
3 Sourced from stocktake data from Kangaroo Island Distillery and Tasmanian Whisky term sheet.
All other numbers per audited F20 Financial Statements.

FOUNDERS FIRST PORTFOLIO

I will take a moment to reflect on the key achievements of the team over 2020 as I have no doubt we will look back on 2020 as the year that the foundations were laid for future success.

- **People** – we have handpicked a team of people from various backgrounds that are among the best in the industry. I make no apologies for investing ahead of the curve and building a team that can and will run a much bigger business in the future.
- **Portfolio** – 11 investments/acquisitions as at the date of this Annual Report.
- **Funding** – we have raised over $54M[1] to date including listing on the ASX which has given us the balance sheet to create the team, the portfolio and position the business for future growth.
- **Digital infrastructure** – Significant investments include a world class Digital Commerce platform through Ultra Commerce and a fit for purpose systems environment to allow the business to seamlessly grow.
- **Capacity** – A canning line installed at Jetty Road which now means the majority of our beer production will be done in-house across the group reducing the need for capital expenditure in FY2021.
- **Brand Marketing** – In FY2020 our focus was building sales capability and now we will upweight our brand investment in FY2021 to ensure we build awareness of our portfolio of brands across the country.
- **COVID-19** – COVID presented many challenges across the group. The business responded quickly and implemented several measures to ensure we mitigated the impact, including:
  - **Cash preservation:** Venue investment was deferred, executive pay cuts implemented for Q4 and staff levels managed,
  - **New Revenue streams:** All our businesses immediately started selling take away beverages and food, home delivery and a number of businesses manufactured and sold hand sanitiser.

I would like to acknowledge the material loss the business made for the year of $8.5 million. This included $1.6 million of costs associated with listing on the ASX, acquisitions and integration. As a business we are investing ahead of the curve in people, process and technology so that we have a solid foundation for future growth. Our investment is planned and deliberate and we are confident this will provide strong returns for shareholders in the coming years. We have not paid any short or long-term bonuses for the year, reflecting the early-stage of the business and our desire to preserve cash.

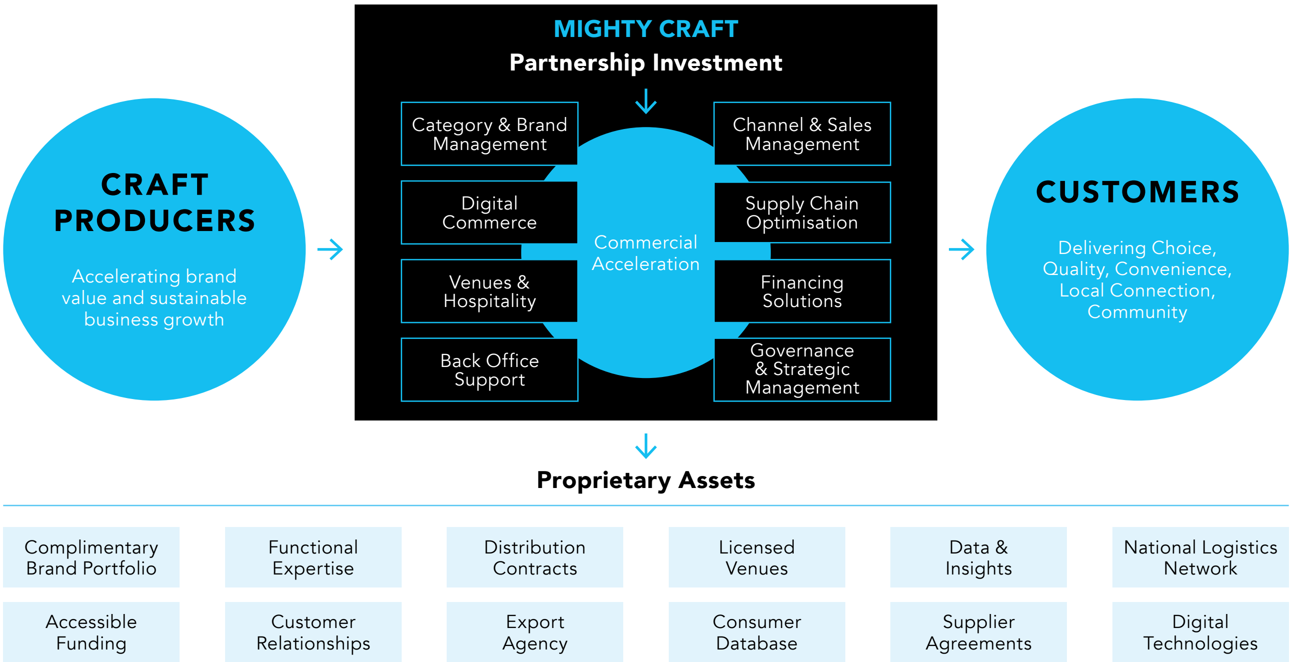
Needless to say, a big year for the business! However, I want to make it very clear to our investors that this is just the beginning of the journey. I will spend a moment now explaining our evolving identity, Mighty Craft.

KIS KI SPIRITS SPARKKE SEVEN SEASONS

1. Estimated funds post the recent capital raise.

THE COMPANY'S UNIQUE BUSINESS MODEL

Industry Aggregator/accelerator



Our model is unique, an aggregator and an accelerator that has a Mighty engine that gives our brands access to capability and funding that they otherwise would not have access to. The diagram above represents our model.

We have put a lot of time into articulating our model in a way that makes it easier for investors and stakeholders outside our business to understand. As we evolved our model through the year and talked to employees, partners, and customers, it became clear that our corporate brand was confusing. We are a mixture of partners, founders and entities that required an overarching identity that better reflected our purpose. Mighty Craft became clear very quickly.

We exist for the love of Craft. We stand for what the industry represents, a celebration of authenticity, creativity, enterprise and local connection. At this year's AGM we are proposing a formal change to the head company, Founders First Limited to "Mighty Craft" (ASX: MCL). One all-encompassing brand that positions us as a leader in the Independent Craft category. We hope you like it!

There is a huge opportunity for Mighty Craft over the coming years and we are determined to help create a thriving craft sector and along the way, a significant and profitable business. We recently released our 2025 ambition and it is a mighty aspiration. We are aiming to become Australia's strongest Independent Craft drinks collective. We are playing in an $8B market in which consumers are demanding more from the products they consume. Consumers want better quality, local brands and meaningful experiences.

By 2025 we will create a business that is selling 12m+ litres of beer, 500,000+ bottles of spirits and laying down 2,000+ barrels of whisky. We will have 10-12 brands in our beer portfolio, 5-6 spirit brands and 20+ venues. A big ambition but one fit for Mighty Craft.

THE COMPANY AMBITION 2025

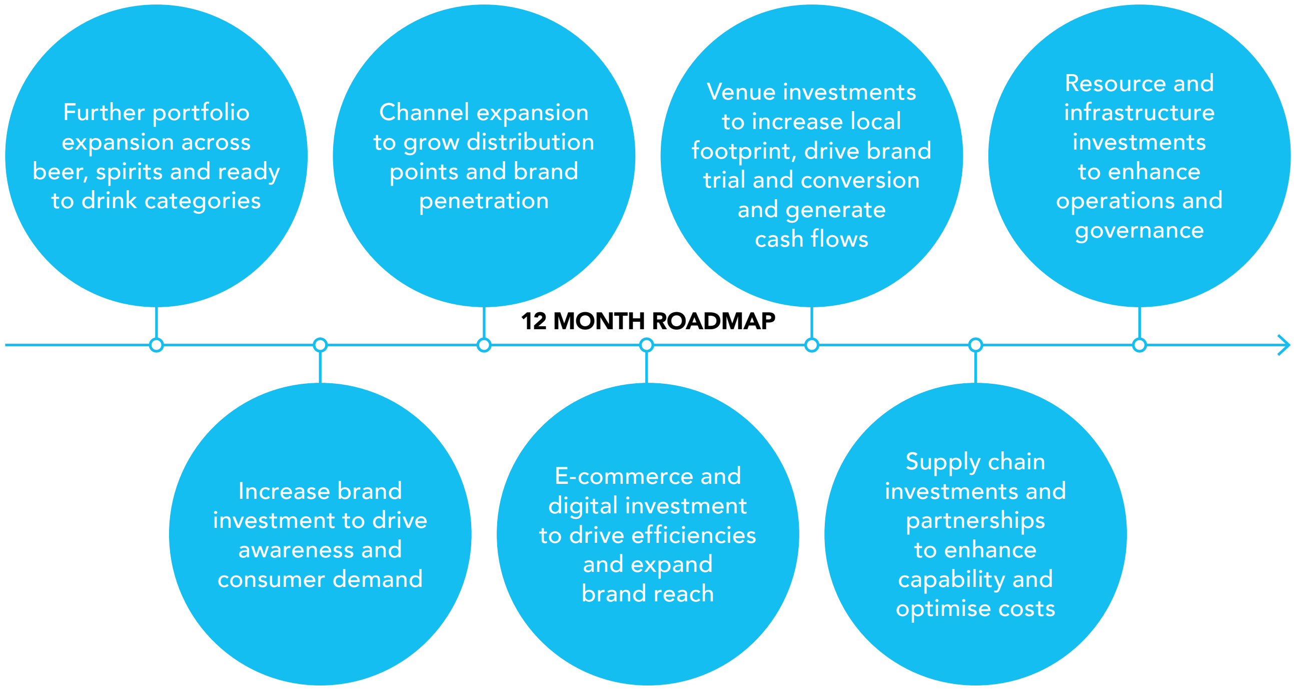
By 2025 the Australian beer industry is expected to generate revenues of $5.2 Billion[1] per annum and spirits $3.2 Billion[2]

Founders First

12M	Litres of beer	10-12	Beer brands
500,000	Bottles of spirits	5-6	Spirit brands
2,000+	Barrels of aging whisky stock	20+	Venues

1 IBIS World Beer Manufacturing in Australia, May 2020 and Craft Beer Production in Australia November 2019.
2 IBIS World Spirit Manufacturing in Australia, April 2020.

FY21 STRATEGY – INVESTING FOR SCALE AND GROWTH



Looking into the year ahead I will spend a moment outlining our key priorities. It is critical that we increase brand investment. This is important to give our brands the competitive advantage they deserve to drive greater brand awareness and consumer demand.

We have plans to expand the portfolio. Beer is a scale game and our ambition is to have 10-12 beer brands along with 5-6 spirit brands in the stable. Our distribution footprint both locally and internationally will expand through our export business – Mighty Craft Export. We will complete our investment into eCommerce and technology to ensure we are able to seamlessly scale. Our venue footprint will increase to drive trial and brand conversion. This is critical to the success of our brands. Supply chain investment is also important to us, to ensure we are operating efficiently and effectively. We have a big agenda and we are focused on executing game changing priorities.

In closing, I would like to thank all our shareholders. We are truly appreciative of the support we have received through the IPO and the recent capital raise and are determined to create a high growth and profitable business in the coming years. We are now well funded with ~$25 million of cash estimated by October, after the conclusion of the recent capital raise, which gives us the firepower to further accelerate growth and realise opportunities in a post COVID-19 world.

Our future is exciting, and I am privileged to be leading the Mighty Craft team. Thank you to the Board, the leadership team, and the broader business.

We have set the foundation for future success. Our ambition is bold, and we have a very talented team who I have no doubt will deliver against this ambition. Thank you again, and I look forward to seeing everyone virtually at the upcoming AGM.

Mark Haysman
CEO & Managing Director

BOARD MEMBERS

Robin Levison
Chairman &
Non-Executive Director

More than 15 years' experience in small to mid-cap corporate finance and restructure. Currently Executive Chairman of PPK Group. Previously Managing Director and CEO of Industrea Limited. Former Global Director of M&A at GE Mining. Board experience across ASX and NZX listed companies.

Daniel Wales
Founder &
General Manager Beer

Over 20 years' experience in senior sales, marketing and strategy roles with the largest Global FMCG Food and Beverage Multinationals. Previously Head of Category Strategy in beverages industry.

John Hood
Non-Executive Director

Significant experience in accounting and finance. Currently holds a number of directorships including Flinders University and Intersect. Previously director of Port Adelaide Football Club and Foodbank (SA). Held senior roles with PwC and was a Partner at Deloitte.

Mark Haysman
CEO and
Managing Director

Over 25 years' experience in the beverages, retail and hospitality industries. Previously with Carlton & United Breweries (AB InBev) as the National Sales Director, SAB Miller, Lion, Port Adelaide FC and Deloitte. Director experience includes the Moseley Bar & Kitchen, the RD Jones Group, the University of SA Business School, Starlight Foundation, and Marine Stores Pty Ltd.

Stuart Morton
Founder &
Investment Director

Co-founder of AIM-listed Empresaria Group plc which developed a similar investment model. Experienced corporate finance professional with extensive experience within the property industry.

MANAGEMENT TEAM

Stuart Morton
Founder &
Investment Director

Co-founder of AIM-listed Empresaria Group plc which developed a similar investment model. Experienced corporate finance professional with extensive experience within the property industry.

Ash Cranston
Venue &
Hospitality Director

Experienced Marketing Manager in the Food & Beverage, Hospitality and FMCG industries, including leadership roles working with local and national brewers. Skilled in Management, Sales, Strategic Planning, and Business and Venue Development.

Daniel Wales
Founder &
General Manager Beer

Over 20 years' experience in senior sales, marketing and strategy roles with the largest Global FMCG Food and Beverage Multinationals. Previously Head of Category Strategy in beverages industry.

Jess Lyons
General Counsel

An experienced General Counsel and Executive Leader, with deep beverage industry knowledge. Over 20 years' experience in mergers & acquisitions, project management, corporate governance, risk management and legal compliance.

Mark Haysman
CEO and
Managing Director

Over 25 years' experience in the beverages, retail and hospitality industries. Previously with Carlton & United Breweries (AB InBev) as the National Sales Director, SAB Miller, Lion, Port Adelaide FC and Deloitte. Director experience includes the Moseley Bar & Kitchen, the RD Jones Group, the University of SA Business School, Starlight Foundation, and Marine Stores Pty Ltd.

Andrew Syme
CFO &
Company Secretary

Certified Practising Accountant with over 20 years' experience in finance and strategy. Held senior finance and governance roles with a number of entities including Mondelez International, Kraft Foods Group and Cadbury.

Cameron Buckland
Sales Director

Experienced Sales leader with over 20 years' of industry experience with the alcoholic beverage category across FMCG, Retail & Manufacturing. Experience includes senior sales and business management roles with Carlton & United Breweries and Dan Murphy's.

DIRECTORS' REPORT

The directors of Founders First Limited ("the Company") present their report, together with the financial statements, on the Company and its controlled entities ("the Group") for the year ended 30 June 2020.

Directors
The following persons were directors of Founders First Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Robin Levison	Non-Executive Chairman
Mark Haysman	Chief Executive Officer & Managing Director
Stuart Morton	Executive Director
Daniel Wales	Executive Director
John Hood	Non-Executive Director

Company secretary
The following person was the Company Secretary of Founders First Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Andrew Syme	Appointed 8 May 2020
Jodie Hannaford	Appointed 16 April 2018, Resigned 8 May 2020

Principal activities
Founded in 2017, Founders First (ASX:FFL) is aiming to build the world's strongest craft beverage collective through supporting and growing independent craft brewery and distillery businesses. FFL has invested in select craft beverages and is accelerating the brands growth through equity and debt funding whilst providing access to FFL's leading team of liquor industry professionals providing functional excellence to craft operators. Founders First's focus is on allowing founders to play to their strengths while the FF team of industry experts supports by covering their gaps constraining growth and profitability.

The principal activities of the Group during the financial year were the acquisition and operation of various breweries, distilleries, bars and restaurant businesses throughout Australia.

During the financial year there were no significant changes in the nature of those activities.

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

Review of operations
The consolidated loss of the Group after providing for income tax amounted to $9,235,655 (30 June 2019: $1,880,583). The loss attributable to the owners of Founders First Limited after providing for income tax amounted to $8,516,682 (30 June 2019: $1,526,159).

The Group achieved significant top line sales growth through both acquisition and increases in unique distribution points. Revenue from ordinary activities was $9,221,807, which is up 131% on the prior year. Overall total income closed at $10,434,747, up 161% on the prior year.

The loss attributable to the owners of Founders First Limited was significant (loss: $8,516,682), however it is important to note that 2020 represents a significant investment year for the Group. The Group is deliberately investing ahead of the curve in building a team that can run a much larger business. Investing behind people (largely sales and marketing) is a critical part of the strategy and sales growth is responding. It is important to note that distribution gains secured towards the end of the year and announced to the ASX will ensure this growth trajectory continues to strengthen.

It is important to note that the Group incurred significant costs in relation to the costs of listing the business, the four acquisitions completed during the year and the execution of eight equity investments. There were also associated costs in relation to the integration of businesses in to the Group and setting up the Group for future growth endeavours. These costs included legal fees and consultancy costs totalling approximately $1.6 Million.

The acquisitions that contributed to this growth included Kangaroo Island Distillery Pty Ltd, Potters Brewery and Bar Pty Ltd in the Hunter Valley (business now running under new entity, Mighty Hunter Valley Pty Ltd) and Momentum Food & Wine Pty Ltd (subsequently renamed Mighty Craft Operations Pty Ltd). Existing controlling interests in Foghorn Brewery Pty Ltd and Jetty Road Brewery Pty Ltd also achieved considerable top line growth despite the closure of venues.

Review of operations (continued)

AASB 16 'Leases' had a notable impact on the current period. The result was reduced by $219,012. This included an increased depreciation and amortisation expense of $574,392 and increased finance costs of $431,955, offset by a reduction in other expenses (reclassification of lease expenses) of $754,054. As at 30 June 2020, net current assets were reduced by $153,401 (attributable to current lease liabilities) and net assets were reduced by $366,853 (attributable to right-of-use assets and lease liabilities).

The impact of the Coronavirus (COVID-19) pandemic up to 30 June 2020 has been challenging for the Group. The Group experienced venue closures across the country from March 2020 which had a significant impact on sales and people (employees and customers).

Throughout this period, the Group's primary concern has been the safety of its employees and customers. It is important to acknowledge the impact to people with many of our employees stood down or on leave for extended periods. The business mitigated the financial impact of the closures as much as possible accessing all available government stimulus, implementing executive pay cuts and using spare capacity to manufacture hand sanitiser. From a sales perspective, the impact was mitigated as sales growth in the off-premise channel accelerated as consumers purchased more beverages to consume at home.

The financial position of the Group is strong with net assets totalling $30.3 Million. This is predominately made up cash, investments made in to our portfolio of brands and goodwill relating to acquisitions. The Group is well funded going in to FY21 with $11.4 Million of cash on the balance sheet.

The growth trajectory heading in to FY21 is strong and the business expects this to continue. Distribution is the key leading indicator of future growth and gains in footprint will increase again from August 2020 in national retailers (as announced to the ASX). The Group has made important investments in digital infrastructure that will ensure the foundations are strong to allow seamless growth going forward. The strength of the balance sheet leaves the Group poised for further growth through investment opportunities and the craft industry further consolidates on the back of COVID-19. The Group is well funded after executing a successful capital raise, raising $15 Million across a $7.5 Million placement and debt facility of $7.5 Million from PURE Asset Management Pty Ltd. A portion of the equity raise and debt raise will be put to the shareholders at the AGM for approval. While a huge amount has been achieved in FY20, the Group is focused on executing its growth strategy and with a strong balance sheet is well placed to accelerate momentum in to FY21.

Significant changes in the state of affairs

On 17 December 2019, Founders First Ltd listed on the Australian Stock Exchange (ASX), raising $15.78 Million in capital at an IPO price of $0.50 per share.

During the year, Founders Momentum International Pty Ltd (subsequently renamed Mighty Craft Export Pty Ltd), a subsidiary of Founders First Ltd, acquired 100% of the ordinary shares of Momentum Food & Wine Pty Ltd (subsequently renamed Mighty Craft Operations Pty Ltd) for $835,000. The company exports multiple products including wine, and will drive the export sales of the Group's portfolio of beverages.

During the year, Mighty Craft Spirits Plus Pty Ltd (formerly Founders First Global Pty Ltd), a subsidiary of Founders First Ltd, acquired 100% of the ordinary shares of Kangaroo Island Distillery Pty Ltd (also known as Kangaroo Island Spirits - KIS) for $1,500,000. KIS produces a range of award winning gin and other spirits at the cellar door on Kangaroo Island, in South Australia.

During the year, Mighty Hunter Valley Pty Ltd (formerly Founders First Hunter Valley Pty Ltd), a subsidiary of Founders First Ltd, acquired the leasehold and business assets of the venue formerly known as Potters Brewery for $1,500,000. This is a hospitality business operating in the Hunter Valley, NSW.

During the year, Mighty Moonee Ponds Pty Ltd (formerly Founders First Moonee Ponds Pty Ltd), a subsidiary of Founders First Ltd, acquired the leasehold and business assets of the venue at 690-694 Mt Alexander Rd, Moonee Ponds for $1,000,000. This is a hospitality business operating from November 2020 (COVID-19 willing) after redevelopment in Moonee Ponds, VIC.

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

Matters subsequent to the end of the financial year

Post 30 June 2020, the following significant events occurred:

a) The Company entered into a partnership agreement with Mr Chris Malcolm, former CEO of ASX listed Australian Whisky Holdings and former Chairman of Lark Distillery, which will see Founders First invest $0.5 Million for a 60% equity stake in a new company which will acquire 68 barrels of whisky, with expected packaged valuation at maturity of $1.64 Million.

b) The Company converted existing loans to equity in Torquay Beverage Company Pty Ltd (formerly K.Booch Alcoholic Kombucha Co. Pty Ltd) to secure a 50% equity shareholding and solutions partnership. The Company announced the incubation and national ranging of NoSh Boozy Seltzer available for sale in October 2020.

c) The Company raised $7.5 Million through Placement and announced a Share Purchase Plan of $1.5m at $0.35 per share.

d) The Company secured a $7.5 Million debt facility with PURE Asset Management Pty Ltd, on a four year term at 9.75% interest. PURE Asset Management Pty Ltd will be issued with 15 Million warrants, which will have an exercise price of $0.60, and be exercisable any time up to the week prior to maturity date.

The impact of the Coronavirus (COVID-19) pandemic is ongoing, having an impact on forced closure of venues partially offset by an increase in demand through off-premise channels up to 30 June 2020. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. Likely restrictions on maximum capacities at the Group's venues will impact sales performance.

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

Likely developments and expected results of operations

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

Environmental regulation

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

Information on directors

Name:	Robin Levison
Title:	Non-Executive Chairman
Qualifications:	Masters of Business Administration from the University of Queensland, Chartered Accountant and Graduate and Fellow of the Australia Institute of Company Directors.
Experience and expertise:	Currently Chairman of PPK Group ($300m+ market capitalisation). Previously Managing Director and CEO of Industrea Limited and Global Director of M&A at GE Mining. Has held senior roles at KPMG, Barclays Bank and Merrill Lynch.
Current directorships:	PPK Group (ASX: PPK)
Former directorships (last 3 years):	Eureka Group Holdings (ASX: EGH)
Special responsibilities:	Chair of the Board
Interests in shares:	3,602,261
Interests in performance rights:	Nil
Contractual rights to shares:	Nil

Name:	Mark Haysman
Title:	Chief Executive Officer and Managing Director
Qualifications:	Bachelor of Economics (Accounting) from the University of Adelaide, Member of the Institute of Chartered Accountants, Member of the Australia Institute of Company Directors.
Experience and expertise:	Over 25 years' experience in the beverages, retail and hospitality industries. Previously with Carlton & United Breweries (AB InBev) as the National Sales Director, SAB Miller, Lion, Port Adelaide FC and Deloitte. Director experience includes the Moseley Bar & Kitchen, the RD Jones Group, the University of SA Business School, Starlight Foundation, and Marine Stores Pty Ltd.
Current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	4,564,473
Interests in performance rights:	Nil
Contractual rights to shares:	Nil

Name:	Stuart Morton
Title:	Executive Director
Qualifications:	Masters of Business Administration and Masters of Finance from the Bond University, Member of the Australia Institute of Company Directors.
Experience and expertise:	Co-founder of AIM-listed Empresaria Group plc which developed a similar investment model; Extensive experience within the property industry and currently on the Board of Founders First's investments in Jetty Road Brewery and Foghorn Brewery.
Current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	7,047,557
Interests in performance rights:	Nil
Contractual rights to shares:	Nil

Name:	Daniel Wales
Title:	Executive Director
Qualifications:	Bachelor of Commerce (Marketing) from the University of Wollongong
Experience and expertise:	Over 20 years' experience in senior sales, marketing and strategy roles with the largest Global FMCG Food and Beverage Multinationals. Previously Head of Category Strategy in beverages industry.
Current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	5,660,896
Interests in performance rights:	Nil
Contractual rights to shares:	Nil

Name:	John Hood
Title:	Non-Executive Director
Qualifications:	Bachelor of Economics, Dip Accounting from the Flinders University in South Australia
Experience and expertise:	Significant experience in accounting and finance. Currently holds a number of directorships including Flinders University. Previously held directorships with Port Adelaide FC, Foodbank SA, and held senior role at PwC and Partner at Deloitte.
Current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	3,072,494
Interests in performance rights:	500,000
Contractual rights to shares:	Nil

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

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

Company secretary
Andrew Syme (CPA) was appointed Company Secretary on 8 May 2020. He has over 20 years experience and has held senior finance and governance roles with a number of entities including Mondelez International, Kraft Foods Group and Cadbury. Andrew is a Certified Practising Accountant.

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

	Full board	
	Attended	Held
Robin Levison	6	8
Mark Haysman	8	8
Stuart Morton	8	8
Daniel Wales	8	8
John Hood	8	8

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

Post listing on the ASX, board meetings were held monthly. In addition to formal meetings outlined above, weekly updates were held with the Board to monitor the impacts of the COVID-19 on the business. These have been ongoing since March 2020.

Remuneration report (audited)

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

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

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness with respect to the scale of the Group's business, the executive's core performance requirements, and industry labour market conditions
- acceptability to shareholders
- alignment of executive compensation with individual and corporate performance

The Board is currently not of a relevant size to justify the formation of separate committees. However, the Board has adopted a Remuneration and Nominations Charter. Until such time that a separate Remuneration and Nomination Committee is constituted, the Board remains responsible for such matters and will discharge its responsibilities in accordance with the Committee Charter (to the extent applicable). The Board recognises that the performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

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

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

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

The executive remuneration and reward framework has four components:
- fixed remuneration
- performance-based remuneration
- equity-based remuneration
- other remuneration such as superannuation and long service leave

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

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

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

Performance-based remuneration, or short-term incentives ('STI') are designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, leadership contribution and other strategic contributions.

Equity-based remuneration, or long-term incentives ('LTI') include share-based payments. Shares are awarded to executives over a period of two or more years based on long-term incentive measures. These include increases in shareholders value relative to the entire market and the increase compared to the Group's direct competitors.

Group performance and link to remuneration
Remuneration for certain individuals is directly linked to the performance of the Group, or the performance of specific subsidiaries. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board. Refer to the section 'Additional information' below for details of key metrics considered for the last three years.

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

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Founders First Limited:
- Robin Levison - Non-Executive Chairman
- John Hood - Non-Executive Director
- Mark Haysman - Managing Director and Chief Executive Officer
- Stuart Morton - Executive Director
- Daniel Wales - Executive Director

And the following person:
- Andrew Syme - Chief Financial Officer and Company Secretary (commenced as key management personnel on 2 December 2019)

Changes since the end of the reporting period:
None.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares *	Equity-settled performance rights	Total
2020	$	$	$	$	$	$	$	$
Non-Executive Directors:								
Robin Levison (Chairman)	44,086	-	-	-	-	-	-	44,086
John Hood	23,331	-	-	-	-	-	-	23,331
Executive Directors:								
Mark Haysman	309,301	-	-	29,384	-	44,029	-	382,714
Stuart Morton	162,686	-	-	15,455	-	-	-	178,141
Daniel Wales	194,547	-	-	18,346	-	-	-	212,893
Other Key Management Personnel:								
Andrew Syme **	136,518	-	-	12,873	-	-	39,485	188,876
	870,469	-	-	76,058	-	44,029	39,485	1,030,041

* $44,029 represents the fair value of the limited recourse loan under Mr Haysman's Employee Incentive Plan Loan Agreement for 4,062,500 shares at $0.40 each.

** Represents remuneration from 2 December 2019 to 30 June 2020

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled performance rights	Total
2019	$	$	$	$	$	$	$	$
Non-Executive Directors:								
Robin Levison (Chairman)	-	-	-	-	-	-	-	-
John Hood	-	-	-	-	-	-	-	-
Executive Directors:								
Mark Haysman	78,133	-	-	7,423	-	70,000	-	155,556
Stuart Morton	90,000	-	-	8,550	-	-	-	98,550
	168,133	-	-	15,973	-	70,000	-	254,106

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2020	Fixed remuneration 2019	At risk - STI 2020	At risk - STI 2019	At risk - LTI 2020	At risk - LTI 2019
Non-Executive Directors:						
Robin Levison (Chairman)	100%	-	-	-	-	-
John Hood	100%	-	-	-	-	-
Executive Directors:						
Mark Haysman	88%	55%	-	-	12%	45%
Stuart Morton	100%	100%	-	-	-	-
Daniel Wales	100%	-	-	-	-	-
Other Key Management Personnel:						
Andrew Syme	79%	-	-	-	21%	-

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Group performance and link to remuneration'. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Board.

Service agreements

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

Name:	Mark Haysman
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	19 November 2018
Term of agreement:	Ongoing (until termination by either party)
Details:	Base salary of $380,000 plus superannuation, to be reviewed annually by the Board. 6 month termination notice by either party, cash bonus of 50% as per Board approval and KPI achievement, non-solicitation and non-compete clauses. Limited recourse loan agreement for $1,625,000 to fund acquisition of shares under Employee Incentive Plan, repayable on disposal of shares, recourse limited to buying back or selling Plan Shares.

Name:	Stuart Morton
Title:	Executive Director
Agreement commenced:	1 March 2019
Term of agreement:	Ongoing (until termination by either party)
Details:	Base salary of $190,000 plus superannuation, to be reviewed annually by the Board. 6 month termination notice by either party, cash bonus of 30% as per Board approval and KPI achievement, non-solicitation and non-compete clauses.

Name:	Daniel Wales
Title:	Executive Director
Agreement commenced:	2 September 2019
Term of agreement:	Ongoing (until termination by either party)
Details:	Base salary of $260,000 plus superannuation, to be reviewed annually by the Board. 6 month termination notice by either party, cash bonus of 30% as per Board approval and KPI achievement, non-solicitation and non-compete clauses.

Name:	Andrew Syme
Title:	Chief Financial Officer
Agreement commenced:	2 December 2019
Term of agreement:	Ongoing (until termination by either party)
Details:	Base salary of $275,000 plus superannuation, to be reviewed annually by the Board. 3 month termination notice by either party, cash bonus of 30% as per Board approval and KPI achievement, non-solicitation and non-compete clauses.

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

Share-based compensation

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

Name	Date	Shares	Issue price	$
Mark Haysman *	4/11/2019	10,156,250	$0.16	1,625,000

* Mr Haysman was issued with 10,156,250 shares prior to share consolidation. Post consolidation, the number of shares was 4,062,500 at an issue price of $0.40 each. The shares issued were funded by way of a limited-recourse interest-free loan which is repayable at the earlier of the cessation of Mr Haysman's employment with the Group, or 30 days after Mark sells, transfers or otherwise disposes of the shares, or an event of default occurs.

Options
There were no options on issue during the year ended 30 June 2020.

Performance rights
The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Grant date	Vesting date	Expiry date	Fair value per right at grant date	Number of rights granted	Value of rights granted ($)
Andrew Syme	12/11/2019	12/11/2021	1/01/2022	$0.16	800,000	125,121

Additional information
The earnings of the Group for the three years to 30 June 2020 are summarised below:

	2020 $	2019 $	2018 $
Sales revenue from ordinary activities	9,221,807	3,994,332	14,141
Total income	10,434,747	4,002,956	14,141
EBITDA	(7,835,194)	(1,437,850)	(68,922)
EBIT	(8,774,473)	(1,676,188)	(80,599)
Profit/(loss) after income tax attributable to owners of Founders First Ltd	(8,516,682)	(1,526,159)	(124,585)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2020	2019	2018
Share price at financial year end ($)	0.255	-	-
Total dividends declared (cents per share)	-	-	-
Basic earnings per share (cents per share)	(8.76)	(6.19)	(0.03)

Additional disclosures relating to key management personnel

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

	Balance at the start of the year	Received as part of remuneration	Additions pre ASX listing	Share Consolidation (2:5)	Additions post ASX listing	Balance at the end of the year
Ordinary shares						
Robin Levison	8,199,315	-	-	(4,919,589)	322,535	3,602,261
John Hood	2,681,233	-	5,000,000	(4,608,739)	-	3,072,494
Mark Haysman	1,234,932	10,156,250	-	(6,834,709)	8,000	4,564,473
Stuart Morton	17,571,165	-	-	(10,542,698)	19,090	7,047,557
Daniel Wales	14,050,240	-	-	(8,430,144)	40,800	5,660,896
Andrew Syme	-	-	-	-	80,000	80,000
	43,736,885	10,156,250	5,000,000	(35,335,879)	470,425	24,027,681

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Performance rights					
Andrew Syme	-	800,000	-	-	800,000
	-	800,000	-	-	800,000

Other transactions with key management personnel and their related parties
During the financial year, the Group incurred expenses of $195,800 for financial management & strategic planning services from Catalyst Pty Ltd (director-related entity of Mr Haysman). This included interim CFO services up until time of ASX listing and digital commerce platform roll out project work. The current trade payable balance as at 30 June 2020 was $39,600. The contract expires December 2020 and all transactions were made on normal commercial terms and conditions and at market rates.

During the financial year, the Group incurred expenses of $306,395, for financial and management accounting services, and administrative and back-office support from Drua & Harroberg Pty Ltd, trading as Humanee (director-related entity of Mr Hood). This included due-diligence and integration work on acquisitions made by the Group as well as assistance with statutory reporting and ERP roll out project work. The current trade payable balance as at 30 June 2020 was $130,481. All transactions were made on normal commercial terms and conditions and at market rates.

This concludes the remuneration report, which has been audited.

Shares under performance rights
Unissued ordinary shares of Founders First Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
23/09/2019	16/10/2022	$0.40	120,000
12/11/2019	1/01/2022	$0.50	800,000
11/02/2020	11/02/2031	$0.50	700,000
11/02/2020	11/02/2031	$0.50	20,000
20/02/2020	20/02/2031	$0.50	100,000
			1,740,000

No person entitled to exercise the performance rights had or has any right by virtue of performance rights to participate in any share issue of the Group.

Shares issued on the exercise of performance rights
There were 240,000 ordinary shares of Founders First Limited issued on the exercise of performance rights during the year ended 30 June 2020 and up to the date of this report.

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

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

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

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

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

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 34 to the financial statements.

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

The directors are of the opinion that the services as disclosed in Note 34 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of RSM Australia Partners
There are no officers of the company who are former partners of RSM Australia Partners.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

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

Auditor
RSM Australia Partners continues in office in accordance with section 327 of the *Corporations Act 2001* .

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

On behalf of the directors

Robin Levison
Chairman

30 September 2020
Melbourne

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Founders First Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Dated: 30 September 2020
Melbourne, Victoria

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2020

	Note	30-Jun-20 $	30-Jun-19 $
Revenue	**5**	9,221,807	3,994,332
Share of profits/(losses) of associates accounted for using the equity method	**6**	(128,130)	-
Interest revenue calculated using the effective interest method		58,232	8,624
Other income	**7**	1,282,838	-
		10,434,747	**4,002,956**
Expenses			
Cost of sales		(5,181,898)	(1,717,630)
Employee benefits expense	**8**	(7,116,637)	(2,128,792)
Equipment hire and maintenance		(191,717)	(94,680)
Legal and professional fees		(2,830,469)	(526,249)
Selling and marketing expenses		(765,172)	(269,840)
Depreciation expenses	**8**	(939,279)	(238,338)
Occupancy expenses		(362,044)	(256,254)
Travelling and conveyance		(265,352)	(69,726)
Share-based payments expense		(250,692)	(70,000)
General and administration expenses	**8**	(1,305,960)	(307,635)
Finance costs	**8**	(461,182)	(204,395)
Loss before income tax expense		**(9,235,655)**	**(1,880,583)**
Income tax expense	**9**	-	-
Loss after income tax expense for the financial year		**(9,235,655)**	**(1,880,583)**
Other comprehensive income:			
Other comprehensive income for the financial year (net of tax)		**-**	**-**
Total comprehensive loss for financial year		**(9,235,655)**	**(1,880,583)**
Loss for the financial year is attributable to:			
Non-controlling interest		(718,973)	(354,424)
Owners of Founders First Ltd		(8,516,682)	(1,526,159)
		(9,235,655)	**(1,880,583)**
Total comprehensive loss for the financial year is attributable to:			
Non-controlling interest		(718,973)	(354,424)
Owners of Founders First Ltd		(8,516,682)	(1,526,159)
		(9,235,655)	**(1,880,583)**
Earnings per share - basic and diluted (cents)	**42**	**(8.76)**	**(6.19)**

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2020

	Note	30-Jun-20 $	30-Jun-19 $
Current assets			
Cash and cash equivalents	**10**	11,378,552	4,989,351
Trade and other receivables	**11**	1,312,298	153,825
Inventories	**12**	1,091,606	355,204
Other current assets	**13**	312,383	587,874
		14,094,839	6,086,254
Non-current assets			
Receivables	**14**	354,328	105,000
Investments accounted for under the equity method	**15**	2,871,871	50
Financial assets at fair value through profit and loss	**16**	4,000,000	-
Financial assets at fair value through other comprehensive income	**17**	2,750,253	53,501
Property, plant and equipment	**18**	5,812,924	3,690,449
Right-of-use assets	**19**	11,170,231	-
Intangible assets	**20**	5,946,096	1,230,730
Other non-current assets	**21**	309,431	105,435
		33,215,134	5,185,165
Total assets		**47,309,973**	**11,271,419**
Current liabilities			
Trade and other payables	**22**	3,572,724	1,106,163
Borrowings	**23**	55,156	24,095
Employee benefits	**24**	682,042	72,804
Lease liabilities	**25**	153,401	-
Other current liabilities	**26**	1,073,840	-
		5,537,163	1,203,062
Non-current liabilities			
Borrowings	**23**	73,770	99,910
Employee benefits	**24**	50,127	-
Lease liabilities	**25**	11,383,683	-
		11,507,580	99,910
Total Liabilities		**17,044,743**	**1,302,972**
Net assets		**30,265,230**	**9,968,447**
Equity			
Issued capital	**27**	39,174,270	10,885,941
Retained earnings / (accumulated losses)	**28**	(10,401,912)	(1,650,744)
Share-based payments reserve	**29**	1,230,710	-
Equity attributable to the owners of Founders First Ltd		30,003,068	9,235,197
Non-controlling interest	**30**	262,162	733,250
Total equity		**30,265,230**	**9,968,447**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2020

	Issued Capital $	Retained profits / (accumulated losses) $	Share-based payments reserve $	Non-controlling interest $	Total $
Balance at 1 July 2018	**1,247**	**(124,585)**	**-**	**-**	**(123,338)**
Loss after income tax expense for the year	-	(1,526,159)	-	(354,424)	**(1,880,583)**
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income / (loss) for the year	-	(1,526,159)	-	(354,424)	**(1,880,583)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	10,814,694	-	-	1,087,674	**11,902,368**
Share-based payments	70,000	-	-	-	**70,000**
Balance at 30 June 2019	**10,885,941**	**(1,650,744)**	**-**	**733,250**	**9,968,447**
Balance at 1 July 2019	10,885,941	(1,650,744)	-	733,250	9,968,447
Adjustment for change in accounting policy (Note 1(c))	-	(234,486)	-	-	(234,486)
Balance at 1 July 2019 - restated	10,885,941	(1,885,230)	-	733,250	9,733,961
Loss after income tax expense for the year	-	(8,516,682)	-	(718,973)	**(9,235,655)**
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income / (loss) for the year	-	(8,516,682)	-	(718,973)	**(9,235,655)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (Note 27)	28,288,329	-	-	247,885	**28,536,214**
Share-based payments	-	-	1,230,710	-	**1,230,710**
Balance at 30 June 2020	**39,174,270**	**(10,401,912)**	**1,230,710**	**262,162**	**30,265,230**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2020

	Note	30-Jun-20 $	30-Jun-19 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		9,747,708	4,243,653
Payments to suppliers and employees (inclusive of GST)		(16,932,789)	(5,759,010)
Interest received		58,232	8,624
Job Keeper received		566,885	-
Other revenue		267,306	-
Interest and other finance charges paid		(461,182)	(70,258)
Net cash used in operating activities	**43**	**(6,753,840)**	**(1,576,991)**
Cash flows from investing activities			
Payments for purchase of business, net of cash acquired	**39**	(3,635,455)	(1,500,000)
Payments for property, plant and equipment		(1,953,534)	(1,123,439)
Payments for intangibles		(279,745)	-
Loans to related parties		(209,328)	-
Payments for investments in associates - ordinary shares		(2,999,951)	-
Payments for investments in other entities - ordinary shares		(796,752)	(353,551)
Payments for investments - convertible notes		(4,000,000)	-
Security deposits paid		(195,278)	(92,348)
Net cash used in investing activities		**(14,070,043)**	**(3,069,338)**
Cash flows from financing activities			
Proceeds from issue of shares		28,981,100	8,500,000
Proceeds from issue of convertible notes		-	243,000
Proceeds from issue of shares to non-controlling interests in subsidiaries		32,500	902,400
Transaction costs related to issue of shares		(1,447,753)	-
Repayment of borrowings		(32,422)	(911,569)
Repayment of lease liabilities		(320,341)	-
Net cash from financing activities		**27,213,084**	**8,733,831**
Net increase / (decrease) in cash and cash equivalents		6,389,201	4,087,502
Cash and cash equivalents at beginning of the financial year		4,989,351	901,849
Cash and cash equivalents at end of the financial year	**10**	**11,378,552**	**4,989,351**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 General Information

(a) Reporting entity

The consolidated financial statements cover both Founders First Limited ("the Company" or "the parent entity") as a consolidated entity consisting of Founders First Ltd and the entities it controlled at the end of, or during, the year ("the Group").

Founders First Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is :

Level 1, 123 Camberwell Road
Hawthorn East
Victoria 3123
Australia

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

(b) Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Critical accounting estimates

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

The consolidated financial statements are presented in Australian dollars, which is Founders First Ltd's functional and presentation currency, and are rounded to the nearest whole dollar.

1 General Information (continued)

(c) New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

	1 July 2019
Operating lease commitments as at 1 July 2019 (AASB 117)	5,685,999
Operating lease commitments discount based on the weighted average incremental borrowing rate of 6% (AASB 16)	(1,721,709)
Accumulated depreciation as at 1 July 2019 (AASB 16)	(187,300)
Right-of-use assets (AASB 16)	3,776,990
Lease liabilities - current (AASB 16)	(214,594)
Lease liabilities - non-current (AASB 16)	(3,796,882)
Reduction in opening retained profits as at 1 July 2019	**(234,486)**

AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a business

The Group has early adopted AASB 2018-6 from 1 July 2019. This standard amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

a) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;

b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;

c) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;

d) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and

e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Impact of adoption

The Group has determined whether a transaction or other event is a business combination by applying the revised definition of “business”, which requires that the assets acquired and liabilities assumed constitute a business. If the assets acquired are not a business, the Group has accounted for the transaction or other event as an asset acquisition.

1 General Information (continued)

(d) Parent entity information
In accordance with the *Corporations Act 2001* , these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 38.

2 Critical accounting estimates, assumptions and judgements

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

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in the specific notes, there does not appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
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: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

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

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

2 Critical accounting estimates, assumptions and judgements (continued)

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

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

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

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

Business combinations
Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

2 Critical accounting estimates, assumptions and judgements (continued)

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they were granted. The fair value is determined by using either a Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions related 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. Refer to Note 46 for further information.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create and economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonable certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant changes in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

3 Significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Founders First Ltd ("the company" or "the parent entity") as at 30 June 2020 and the results of all subsidiaries for the year then ended. Founders First Pty Ltd and its subsidiaries together are referred to in these financial statements as the "Group".

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

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

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

(b) Revenue recognition

The Group recognises revenue as follows:

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

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

3 Significant accounting policies (continued)

(b) Revenue recognition (continued)

Sale of goods

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

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest income

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

All revenues are stated net of the amount of goods and services tax (GST).

(c) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

3 Significant accounting policies (continued)

(c) Income tax (continued)

Tax consolidation
Founders First Limited (the 'head entity') and its wholly-owned subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

(d) Current and non-current classification
Assets and liabilities are presented in the consolidated statement of financial position based on current and non-current classification.

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

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

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

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

(f) Trade and other receivables
Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any provision for expected credit loss.

Expected credit loss
The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowances. To measure expected credit losses, trade receivables have been grouped based on days overdue.

3 Significant accounting policies (continued)

(g) Contract assets
Contract assets are recognised when the Group has transferred goods or services to the customer but where the company is yet to establish an unconditional right to considerations. Contract assets are treated as financial assets for impairment purposes.

(h) Inventories
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes and an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

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

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

(i) Associates
Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3 Significant accounting policies (continued)

(j) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

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

(k) Property, plant and equipment

Property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the profit or loss as incurred.

3 Significant accounting policies (continued)

(k) Property, plant and equipment (continued)

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

Asset class	*Useful lives*
Buildings	30 years
Leasehold improvements	5 to 30 years
Plant and equipment	3 to 20 years
Motor vehicles	5 to 8 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. Plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter. An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to the profit or loss as incurred.

(l) Right-of-use assets

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

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

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

(m) Intangible assets

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

Goodwill

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

Software

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

Intellectual property and trademarks

Significant costs associated with intellectual property and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life ranging from 3 to 5 years.

3 Significant accounting policies (continued)

(n) Impairment of non-financial assets

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

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

(o) Trade and other payables

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

(p) Borrowings

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

(q) Lease liabilities

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

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

(r) Finance costs

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

3 Significant accounting policies (continued)

(s) Employee benefits

Provision is made for the Group's liability for employee entitlements arising from services rendered by employees to reporting date. Employee entitlements that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Long service leave liabilities payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave plus on costs. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the consolidated statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the measurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its consolidated statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

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

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

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

3 Significant accounting policies (continued)

(s) Employee benefits (continued)

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

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

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

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

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

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

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

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

(t) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares / options / performance rights are shown in equity as a deduction, net of tax, from the proceeds.

(u) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the parent entity.

3 Significant accounting policies (continued)

(v) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(w) 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 Australian Taxation Office. 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 are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Consolidated Statement of Financial Position.

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

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

3 Significant accounting policies (continued)

(x) Foreign currency

Functional and presentation currency

The functional currency of the Company is measured using the currency of the primary economic environment in which the company operates. The consolidated financial statements are presented in Australian dollars which is the functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date 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 the 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 equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in Other Comprehensive Income.

(y) Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

(z) Fair value measurement

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

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

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

3 Significant accounting policies (continued)

(aa) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Disclosure of consolidation in earnings per share

Where the number of ordinary shares outstanding is reduced by consolidation of shares during the reporting period, the number of ordinary shares outstanding before the event is adjusted for the proportionate change in the number of ordinary shares outstanding as if the event had occurred at the beginning of the earliest period presented.

(ab) Operating segments

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

(ac) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Group may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Group's financial statements.

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

AASB 2018-7 is applicable to annual reporting periods beginning on or after 1 January 2020. The amendments refine the definition of "material" in AASB 101 to clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material. The Group has assessed that there is unlikely to be any impact on adoption of AASB 2018-7 on the reported financial position, performance or cash flows in the financial statements.

3 Significant accounting policies (continued)

(ac) New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

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

AASB 2020-4 is applicable for the annual reporting period beginning on or after 1 June 2020 and early adoption of this standard is strongly encouraged. This Standard amends AASB 16 Leases to provide a practical expedient that permits leasees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. The Group has early adopted AASB 2020-4 for the period ending 30 June 2020, with resulting rent-concession income of $119,126 recognised, as disclosed in Note 7.

AASB 2020-1 Amendments to Australian Accounting Standards - Classifications of Liabilities as Current or Non-current

This standard is applicable for annual reporting periods beginning on or after 1 January 2022. This standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified. The Group has assessed that there is unlikely to be any impact on the financial statements when these amendments will be first adopted.

4 Operating segments

Operating segments are reported in a manner that is consistent with the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The Group has identified one reportable segment, being Beverages, which is based wholly in Australia. The segment details are therefore fully reflected in the body of the financial statements.

5 Revenue

	30-Jun-20	30-Jun-19
	$	$
Revenue from contracts with customers		
Sale of goods	8,723,631	3,900,884
Rendering of services	498,176	93,448
	9,221,807	**3,994,332**

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Wholesale beverage sales	3,712,911	608,131
Retail food and beverage sales	5,010,720	3,292,753
Rendering of services	498,176	93,448
	9,221,807	**3,994,332**

Timing of revenue recognition

Goods transferred at a point in time	8,723,631	3,900,884
Services transferred over time	498,176	93,448
	9,221,807	**3,994,332**

6 Share of profits/(losses) of associates accounted for using the equity method

	30-Jun-20	30-Jun-19
	$	$
Share of profits/(losses) of associates	(128,130)	-
	(128,130)	**-**

7 Other income

Job Keeper	829,500	-
Other government grants	279,806	-
Rent concessions arising from COVID-19	119,926	-
Other income	53,606	-
	1,282,838	**-**

Job Keeper Subsidy

During the COVID-19 pandemic, the Group has accessed various economic support packages from the Australian Government including JobKeeper (which is passed on to eligible employees). These support packages have been recognised as other income in the financial statements. The Group is eligible for JobKeeper support from the government on the condition that employee benefits continue to be paid.

8 Expenses

	30-Jun-20	30-Jun-19
	$	$
Loss before income tax includes the following specific expenses:		
Depreciation		
Buildings	50,345	42,116
Plant and equipment	300,378	192,237
Motor vehicles	15,922	3,985
Right-of-use assets - buildings	567,737	-
Right-of-use assets - plant and equipment	4,897	-
Total depreciation expenses	**939,279**	**238,338**
General and administration expenses		
Insurances	236,674	48,531
Other general and administrative expenses	1,069,286	259,104
Total general and administration expenses	**1,305,960**	**307,635**
Superannuation expense		
Defined contribution superannuation expense	535,919	175,328
Leases		
Short-term lease payments	24,726	-
Finance costs		
Interest and finance charges paid/payable on borrowings	29,227	188,560
Interest and finance charges paid/payable on lease liabilities	431,955	-
Borrowing costs written off	-	15,835
Total finance costs	**461,182**	**204,395**

9 Income tax expense

	30-Jun-20 $	30-Jun-19 $
The components of income tax expense are :		
- Current tax	-	-
- Deferred tax - origination and reversal of temporary differences	-	-
Total income tax expense	**-**	**-**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax for the year	(9,235,655)	(1,880,583)
The prima facie tax on loss from ordinary activities before income tax at 27.5% (2019: 27.5%)	(2,539,805)	(517,160)
Tax effect of :		
- Share-based payments expense	68,940	-
- Other non-deductible expenses	4,892	102,742
- Non-assessable income - specific COVID-19 related government grants	(50,326)	-
- Temporary differences not recognised	230,088	85,042
- Deferred taxes on tax losses not recognised	2,286,211	329,376
Current income tax expense	**-**	**-**

Deferred tax assets have not been recognised in the statement of financial position for the following items:

	30-Jun-20 $	30-Jun-19 $
Unused tax losses	9,997,039	1,599,096
Deductible temporary differences	2,593,675	309,242
	12,590,714	**1,908,338**
Potential tax benefit at 27.5% (2019: 27.5%)	3,462,446	524,793

The deferred tax asset has not been brought to account on the basis that it is not expected that sufficient taxable income will be generated within the next twelve months to utilise the losses or to offset the temporary differences.

The deferred tax asset relating to carry forward losses and other temporary differences will only be recognised if:
a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
c) the consolidated entity is able to meet the continuity of business and / or continuity of ownership tests.

10 Cash and cash equivalents

	30-Jun-20 $	30-Jun-19 $
Cash on hand	9,107	16,944
Cash at bank	11,314,815	2,418,721
Cash on deposit	54,630	2,553,686
	11,378,552	**4,989,351**

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures agree to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows.

11 Trade and other receivables

	30-Jun-20 $	30-Jun-19 $
Current		
Trade receivables	1,006,497	125,275
Less: Allowance for expected credit losses	(22,269)	(9,150)
	984,228	116,125
Other receivables	328,070	37,700
	1,312,298	**153,825**

Allowance for expected credit losses

The Group has recognised a loss of $13,119 (2019: $9,150) in profit or loss in respect of the expected credit losses for the year ended 30 June 2020. The Group does not believe the recovery of its trade receivables will be materially impacted by COVID-19.

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

	Expected credit loss rate		Carrying amount		Allowance for expected credit loss	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Consolidated	%	%	$	$	$	$
Not overdue	-	-	164,861	38,380	-	-
0 to 3 months overdue	-	-	698,257	67,559	-	-
3 to 6 months overdue	11%	47%	76,946	19,336	8,699	9,150
Over 6 months overdue	20%	-	66,433	-	13,570	-
			1,006,497	**125,275**	**22,269**	**9,150**

Movements in the allowance for expected credit losses are as follows:

	2020 $	2019 $
Opening balance	9,150	-
Additional provisions recognised	13,119	9,150
Closing balance	**22,269**	**9,150**

12 Inventories

	30-Jun-20	30-Jun-19
	$	$
Raw materials	103,760	58,349
Work in progress	33,408	30,455
Finished goods	954,438	266,400
	1,091,606	**355,204**

13 Other current assets

	30-Jun-20	30-Jun-19
	$	$
Prepayments	307,020	37,920
Deposits paid to vendors	5,363	261,081
Staff loans	-	40,000
Other assets *	-	248,873
	312,383	**587,874**

* Other assets represent capital costs incurred towards Jetty Road South Melbourne Project. At 30 June 2020, these costs are shown as capital WIP in Note 18.

14 Non-current assets - Receivables

	30-Jun-20	30-Jun-19
	$	$
Loans receivable from related parties	354,328	105,000
	354,328	**105,000**

Loan to director of subsidiary of $105,000 is interest-free and is repayable no later than 28 February 2029.

Loan to associate of $249,328 is subject to interest at the small business fixed 3 year interest rate, plus 1.5%. Interest accrues daily, and is payable quarterly. The balance of the loan is repayable no later than 1 February 2023.

15 Investments accounted for under the equity method

	30-Jun-20	30-Jun-19
	$	$
Non-current		
Investment in associates:		
Slipstream Brewing Co. Pty Ltd	1,485,319	-
Poison Creek Distillery Pty Ltd (Brogan's Way)	901,358	-
Torquay Beverage Company Pty Ltd (formerly K.Booch Alcoholic Kombucha Co Pty Ltd)	204,109	-
SauceCo (FNQLD) Pty Ltd	281,085	-
Founders Road Pty Ltd	-	50
	2,871,871	**50**

The investment in Slipstream Brewing Co. Pty Ltd is taking place over four tranches. The first two tranches were settled by 30 June 2020, with the third settled in July 2020 and the fourth and final to be settled in October 2020. As at 30 June 2020, $1,000,000 of the investment in Slipstream Brewing Co. Pty Ltd is not yet settled - this amount is shown at Note 26.

Refer to Note 41 for further information on interests in associates.

16 Financial assets at fair value through profit and loss

	30-Jun-20 $	30-Jun-19 $
Investment in Convertible Notes issued by Sparkke Group Holdings Pty Ltd	4,000,000	-
	4,000,000	**-**

Convertible notes issued by Sparkke Group Holdings Pty represent a total of 80,000,000 Notes at a price of $0.05 per Note. The Notes mature on 30 September 2021, and are convertible before maturity for an equivalent number of ordinary shares, representing 42% of issued capital in Sparkke Group Holdings Pty Ltd on a fully diluted basis.

Refer to Note 32 for further information on fair value measurement.

17 Financial assets at fair value through other comprehensive income

	30-Jun-20 $	30-Jun-19 $
Represents investments in ordinary shares of:		
SauceCo Pty Ltd	1,050,002	-
Ballistic Beer Company Pty Ltd	1,588,000	-
Something Wild Beverages Pty Ltd	58,750	-
Top Shelf International Holdings Ltd	53,501	53,501
	2,750,253	**53,501**

Refer to Note 32 for further information on fair value measurement.

18 Property, plant and equipment

	30-Jun-20 $	30-Jun-19 $
Land and buildings		
At cost	1,910,581	1,292,141
Accumulated depreciation	(107,732)	(42,116)
	1,802,849	1,250,025
Leasehold improvements		
At cost	93,676	-
Accumulated depreciation	-	-
	93,676	-
Plant and equipment		
At cost	3,223,488	2,630,648
Accumulated depreciation	(604,766)	(265,785)
	2,618,722	2,364,863
Motor vehicles		
At cost	87,546	79,546
Accumulated depreciation	(19,907)	(3,985)
	67,639	75,561
Capital work-in-progress - at cost	1,230,038	-
	5,812,924	**3,690,449**

18 Property, plant and equipment (continued)

Reconciliations

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

	Land and buildings	Leasehold improveme-nts	Plant and equipment	Motor vehicles	Capital work-in-progress	Total
	$	$	$	$	$	$
Balance at 30 June 2018	1,254,323	-	-	-	-	1,254,323
Additions	37,818	-	1,118,349	79,546	-	1,235,713
Additions through business combinations	-	-	1,438,751	-	-	1,438,751
Depreciation expense	(42,116)	-	(192,237)	(3,985)	-	(238,338)
Balance at 1 July 2019	**1,250,025**	**-**	**2,364,863**	**75,561**	**-**	**3,690,449**
Additions	556,238	-	411,176	8,000	1,230,038	2,205,452
Additions through business combinations (Note 39)	46,931	93,676	146,105	-	-	286,712
Disposals	-	-	(3,044)	-	-	(3,044)
Depreciation expense	(50,345)	-	(300,378)	(15,922)	-	(366,645)
Balance at 30 June 2020	**1,802,849**	**93,676**	**2,618,722**	**67,639**	**1,230,038**	**5,812,924**

19 Right-of-use assets

	30-Jun-20	30-Jun-19
	$	$
Land and buildings - right-of-use	11,844,747	-
Less: Accumulated depreciation on Buildings	(725,387)	-
IT Equipment - right-of-use	55,769	-
Less: Accumulated depreciation on IT Equipment	(4,898)	-
	11,170,231	**-**

Reconciliations of the right-of-use assets at the beginning and end of the current financial year are set out below:

	Land and buildings	Plant and equipment	Total
	$	$	$
Opening balance on adoption of new standard	3,776,990	-	3,776,990
Additions through business combinations (Note 39)	7,876,110	-	7,876,110
Additions	33,996	55,769	89,765
Disposals	-	-	-
Depreciation expense	(567,737)	(4,897)	(572,634)
Balance as at 30 June 2020	**11,119,359**	**50,872**	**11,170,231**

The Group leases land and buildings for its offices, brewery and venues under agreements of between one to seven years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases plant and equipment under agreements of between two to five years.

20 Intangible assets

	30-Jun-20	30-Jun-19
	$	$
Goodwill	5,452,575	1,230,730
Less: Impairment of Goodwill	-	-
	5,452,575	1,230,730
Intellectual Property and Trademarks	367,105	-
Less: Amortisation of Intellectual Property and Trademarks	-	-
	367,105	-
IT Development Costs	126,416	-
Less: Amortisation of IT Development Costs	-	-
	126,416	-
	5,946,096	**1,230,730**

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

	Goodwill	Intellectual Property and Trademarks	IT Development Costs	Total
				$
Balance at 1 July 2018	-	-	-	-
Additions through business combinations	1,230,730	-	-	1,230,730
Opening balance at 1 July 2019	1,230,730	-	-	1,230,730
Additions through business combinations (Note 39)	4,221,845	-	-	4,221,845
Additions	-	367,105	126,416	493,521
Balance as at 30 June 2020	**5,452,575**	**367,105**	**126,416**	**5,946,096**

Impairment testing
Goodwill acquired through business combinations has been allocated to the following cash-generating units:

	30-Jun-20	30-Jun-19
	$	$
Jetty Road Brewery business ("JRB")	264,726	264,726
Foghorn Brewery business ("FHB")	966,004	966,004
Momentum Food and Wine business ("MFW")	797,210	-
Kangaroo Island Distillery business ("KIS")	1,087,629	-
Hunter Valley Brewery business ("HVB")	1,526,402	-
Moonee Ponds Venue business ("MPV")	810,604	-
	5,452,575	**1,230,730**

The recoverable amount of the Group's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1 year budget period approved by management and extrapolated for a further 4 years using a steady rate, together with a terminal value.

20 Intangible assets (continued)

Key assumptions are those to which the recoverable amount of an asset or cash-generating unit is most sensitive. The following key assumptions were used in the discounted cash flow model for each of the cash-generating units listed above:

	JRB	FHB	MFW	KIS	HVB	MPV
Pre-tax discount rate	24.6%	24.6%	29.0%	20.8%	25.7%	29.0%
Revenue growth rate over forecast period	5.0%	6.0%	6.0%	5.0%	5.0%	5.0%
Increase in operating costs and overheads over the forecast period	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Terminal growth rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Discount rate
The discount rates reflect management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for each CGU, being determined as the factor of the risk-free rate, historical market risk premiums, the volatility of the share prices of comparable listed companies relative to market movements, the performance of comparable listed companies relative to the benchmark index and the indicator lending rates for similar businesses.

Revenue growth rate
Management believes the projected 5% - 6% revenue growth rates are prudent and justified based on a growing craft market and the businesses strategic growth plans in future years.

Increase in costs
Management believes the projected 5% operating cost and overheads growth rates are prudent and justified based on the businesses operating model to achieve economies of scale as the business accelerates revenue growth.

Results
Based on the above, the recoverable amounts of all CGUs exceeded their carrying amount. The amount of headroom is given below:

	JRB	FHB	MFW	KIS	HVB	MPV
Recoverable amount in excess of carrying amount	304,000	199,000	104,000	2,515,000	1,380,000	174,000

Sensitivity
As disclosed in Note 2 the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur, the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

	JRB	FHB	MFW	KIS	HVB	MPV
% of reduction in revenue to result in an impairment, ceteris paribus	1.0%	1.0%	1.0%	4.0%	2.5%	1.0%
% of increase in pre-tax discount rate to result in an impairment, ceteris paribus	3.5%	3.0%	4.1%	90.9%	22.6%	4.1%

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of goodwill is based would not cause the cash-generating units' carrying amounts to exceed their recoverable amounts.

If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in an impairment charge.

21 Other non-current assets

	30-Jun-20 $	30-Jun-19 $
Security deposits	287,626	92,348
Other	21,805	13,087
	309,431	**105,435**

22 Trade and other payables

	30-Jun-20 $	30-Jun-19 $
Trade payables	1,201,488	529,977
GST payable (net)	359,008	161,596
Accrued expenses and other payables	904,034	160,851
Employee related payables	1,108,194	253,739
	3,572,724	**1,106,163**

Refer to Note 31 for further information on financial instruments.

23 Borrowings

	30-Jun-20 $	30-Jun-19 $
Current		
Chattel mortgage	55,156	24,095
	55,156	**24,095**
Non-current		
Chattel mortgage	73,770	99,910
	73,770	**99,910**

Refer to Note 31 for further information on financial instruments.

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	30-Jun-20 $	30-Jun-19 $
Chattel mortgage	128,926	124,005
	128,926	**124,005**

24 Employee benefits

	30-Jun-20	30-Jun-19
	$	$
Current		
Employee benefits	682,042	72,804
	682,042	**72,804**
Non-current		
Employee benefits	50,127	-
	50,127	**-**

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

25 Lease liabilities

	30-Jun-20	30-Jun-19
	$	$
Current		
Lease liability	153,401	-
	153,401	**-**
Non-current		
Lease liability	11,383,683	-
	11,383,683	**-**

Refer to Note 31 for further information on financial instruments.

26 Other current liabilities

	30-Jun-20	30-Jun-19
	$	$
Deferred investment consideration - Slipstream Brewing Co. Pty Ltd	1,000,000	-
Deferred revenue	73,840	-
	1,073,840	**-**

The deferred investment consideration shown here represents future tranches of investments in financial assets shown at Note 15.

27 Equity - Issued capital

	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	Shares	Shares	$	$
Ordinary Shares - fully paid	123,591,084	129,296,942	39,174,270	10,885,941
Total issued capital			**39,174,270**	**10,885,941**

27 Equity - Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1-Jul-18	30,000,000		502
Issue of shares on conversion of notes payable	1-Mar-19	23,146,942	$ 0.100	2,314,694
Issue of shares - Series A Capital	1-Mar-19	68,000,000	$ 0.125	8,500,000
Issue of shares to KMP	19-Apr-19	700,000	$ 0.100	70,000
Conversion of performance shares	1-May-19	6,012,500	$ 0.000	601
Conversion of performance shares	14-Jun-19	1,437,500	$ 0.000	144
Balance	1-Jul-19	129,296,942		10,885,941
Issue of shares to vendors of Momentum Food & Wine Pty Ltd (since renamed Mighty Craft Operations Pty Ltd) (First tranche)	14-Aug-19	1,350,000	$ 0.160	216,000
Issue of shares - Series B Capital (First tranche)	7-Oct-19	62,720,000	$ 0.160	10,035,200
Issue of shares - Series B Capital (Second tranche)	4-Nov-19	19,781,250	$ 0.160	3,165,000
Issue of shares to vendors of Momentum Food & Wine Pty Ltd (since renamed Mighty Craft Operations Pty Ltd) (Second tranche)	4-Nov-19	3,337,500	$ 0.160	534,000
Issue of shares under Employee Incentive Plans	4-Nov-19	13,487,500	$ -	-
Share Consolidation (2 shares for every 5 shares held)	11-Nov-19	(137,983,908)		-
Issue of shares - Initial Public Offer	17-Dec-19	31,561,800	$ 0.500	15,780,900
Issue of shares under Employee Incentive Plans	16-Jan-20	40,000	$ 0.125	4,982
Transaction costs on issue of capital		-		(1,447,753)
Balance	30-Jun-20	**123,591,084**		**39,174,270**

Movements in convertible performance share capital

Details	Date	Shares	Issue price	$
Balance	1-Jul-18	7,250,000		745
Issue of shares	3-Dec-18	200,000	$ -	-
Conversion to ordinary share capital	1-May-19	(6,012,500)	$ 0.000	(601)
Conversion to ordinary share capital	14-Jun-19	(1,437,500)	$ 0.000	(144)
Balance	1-Jul-19	-		-
Balance	30-Jun-20	-		-

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

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

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

27 Equity - Issued capital (continued)

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

28 Equity - Retained earnings / (accumulated losses)

	30-Jun-20 $	30-Jun-19 $
(Accumulated losses) at the beginning of the financial year	(1,650,744)	(124,585)
Adjustment for change in accounting policy (Note 1 (c))	(234,486)	-
(Accumulated losses) at the beginning of the financial year - restated	(1,885,230)	(124,585)
(Loss) after income tax expense for the year	(8,516,682)	(1,526,159)
(Accumulated losses) at the end of the financial year	**(10,401,912)**	**(1,650,744)**

29 Equity - Reserves

	30-Jun-20 $	30-Jun-19 $
Share-based payments reserve	1,230,710	-
	1,230,710	**-**

30 Equity - Non-controlling interest

	30-Jun-20 $	30-Jun-19 $
Issued capital	1,550,285	1,302,400
Reserves	(214,726)	(214,726)
(Accumulated losses)	(1,073,397)	(354,424)
	262,162	**733,250**

Refer to Note 40 for further information on non-controlling interests in subsidiaries.

31 Financial Instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits.

Market risk

Foreign currency risk

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

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

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

The Group does not have any bank loans outstanding as at 30 June 2020 (2019: nil).

Credit risk

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

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

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

Liquidity risk

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

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

31 Financial Instruments (continued)

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

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	$	$	$	$	$
Consolidated - 2020						
Non-derivatives						
Non-interest bearing						
Trade payables	-	1,201,488	-	-	-	1,201,488
Other payables	-	2,012,228	-	-	-	2,012,228
Deferred investment consideration	-	1,000,000	-	-	-	1,000,000
Interest-bearing - fixed rate						
Chattel mortgage liabilities	8.36%	62,526	27,553	54,718	-	144,797
Lease liability	6.00%	876,426	985,670	3,041,301	15,777,149	20,680,546
Total non-derivatives		**5,152,668**	**1,013,223**	**3,096,019**	**15,777,149**	**25,039,059**

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2019	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade payables	-	529,977	-	-	-	529,977
Other payables	-	414,590	-	-	-	414,590
Interest-bearing - fixed rate						
Lease liability	9.19%	32,605	32,605	82,270	-	147,480
Total non-derivatives		**977,172**	**32,605**	**82,270**	**-**	**1,092,047**

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

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

32 Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

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: Unobservable inputs for the asset or liability.

Consolidated - 30 June 2020	Level 1 $	Level 2 $	Level 3 $	Total $
Convertible notes at fair value through profit and loss	-	-	4,000,000	4,000,000
Ordinary shares at fair value through other comprehensive income	-	-	2,750,253	2,750,253
Total	**-**	**-**	**6,750,253**	**6,750,253**

Consolidated - 30 June 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Ordinary shares at fair value through other comprehensive income	-	-	53,501	53,501
Total	**-**	**-**	**53,501**	**53,501**

There were no transfers between levels during the current and previous financial years.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Unquoted investments and investments in convertible notes have been valued using a "market approach". Under this valuation technique, the Group has used market multiples derived from a set of comparable transactions, considering qualitative and quantitative factors specific to the measurement.

32 Fair value measurement (continued)

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Convertible notes at fair value through P&L $	Ordinary shares at fair value through OCI $	Total $
Balance at 1 July 2018	-	-	-
Additions	-	53,501	53,501
Balance at 30 June 2019	-	53,501	53,501
Additions	4,000,000	2,696,752	6,696,752
Balance at 30 June 2020	**4,000,000**	**2,750,253**	**6,750,253**

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Ordinary shares at fair value through OCI	Revenue multiple of comparable early stage craft brewery businesses	2.5 times to 3 times (2.7 times)	0.5 times change in multiple would increase / decrease fair value by $475,000
Convertible notes at fair value through P&L	Revenue multiple of comparable early stage craft brewery businesses	2.8 times	0.5 times change in multiple would increase / decrease fair value by $700,000

33 Key management personnel disclosures

Compensation

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

	30-Jun-20 $	**30-Jun-19 $**
Short-term employee benefits	870,469	168,133
Post-employment benefits	76,058	15,973
Long-term benefits	-	-
Share-based payments	83,514	70,000
	1,030,041	**254,106**

34 Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia, the auditor of the Group.

	30-Jun-20 $	30-Jun-19 $
Audit services - RSM Australia		
Audit or review of financial statements - Founders First Group	110,000	20,000
Audit or review of financial statements - subsidiaries and acquisitions	128,000	-
Other services - RSM Australia		
Tax compliance and related services	89,750	-
Investigating accountant's report and financial due diligence for acquisitions	76,750	-
	404,500	**20,000**

Note: Significant fees were incurred in FY20 in relation to work performed in preparation for the IPO and due-diligence on acquisitions undertaken during the year.

35 Contingent liabilities / assets

The group has given bank guarantees as at 30 June 2020 of $328,455 (2019: $127,795) to various landlords.

During the financial year, the parent entity issued equity incentive plans to eligible employees. These plans may give rise to a limited recourse loan equal to the amount of the issue price of shares issued under the plan. Shares vest upon certain conditions being met. The Group's recourse to these loans on vested shares is contingent upon the shares being disposed at a price less than issue price. Accordingly, no provision has been provided within these financial statements.

The group has no contingent assets as at 30 June 2020 (2019: $nil).

36 Commitments

	30-Jun-20 $	30-Jun-19 $
Capital commitments		
The Group had no capital commitments for expenditure as at 30 June 2020 and 30 June 2019.		
Lease commitments - operating		
Committed at the reporting date and recognised as liabilities, payable		
Within one year	-	461,103
One to five years	-	1,906,444
More than five years	-	533,810
	-	2,901,357
Chattel mortgage commitments		
Committed at the reporting date and recognised as liabilities, payable		
Within one year	62,526	32,605
One to five years	82,271	114,875
Total commitment	144,797	147,480
Less: Future finance charges	(15,871)	(23,475)
Net commitment recognised as liabilities	128,926	124,005
Representing borrowings		
Current	55,156	24,095
Non-current	73,770	99,910
	128,926	124,005

37 Related party transactions

Parent Entity
Founders First Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in Note 40.

Associates
Interests in associates are set out in Note 41.

Key management personnel
Disclosures relating to key management personnel are set out in Note 33.

Transactions with related parties
The following transactions occurred with related parties:

	30-Jun-20 $	30-Jun-19 $
Reimbursement of expenses charged to associate	35,000	9,593
Interest earned on loans to associates	1,498	-
Commissions charged to associates	39,158	-
Professional fees paid to director-related entities *	502,195	32,780
Equity and performance rights issued to vendors of Momentum (Director related entity)	835,000	-

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

Trade receivable from associates	16,346	9,334
Trade payable to associates	38,056	-
Trade payable to director-related entities *	170,081	-
Loan to director of subsidiary	105,000	105,000
Loan to associate	249,328	-

* Refer to the Remuneration Report for details on transactions with key management personnel and their related parties.

Terms and conditions
Loan to director of subsidiary is interest-free and is repayable no later than 28 February 2029.

Loan to associate is to Torquay Beverage Company Pty Ltd (formerly K.Booch Alcoholic Kombucha Co Pty Ltd). The loan is subject to interest at the small business fixed 3 year interest rate, plus 1.5%. Interest accrues daily, and is payable quarterly. The balance of the loan is repayable no later than 1 February 2023.

38 Parent entity information

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

	30-Jun-20 $	30-Jun-19 $
Statement of profit or loss and other comprehensive income		
Loss after income tax	(1,997,404)	(692,609)
Total comprehensive income / (loss)	(1,997,404)	(692,609)
Statement of financial position		
Total current assets	8,943,762	4,401,229
Total assets	37,824,344	10,185,409
Total current liabilities	224,417	116,662
Total liabilities	233,960	116,662
Equity		
Issued capital	39,174,270	10,885,941
Accumulated losses	(2,814,596)	(817,194)
Reserves	1,230,710	-
Total Equity	37,590,384	10,068,747

Contingent liabilities / assets
Refer to Note 35 for details of the contingent liabilities and assets of the parent entity.

Capital commitments
The parent entity had no capital commitments for expenditure as at 30 June 2020 and 30 June 2019.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 3, except for the following:

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

39 Business combinations

Momentum Food and Wine Business acquisition

During August 2019 and November 2019, Founders Momentum International Pty Ltd (subsequently renamed Mighty Craft Export Pty Ltd), a subsidiary of Founders First Ltd, acquired 100% of the ordinary shares of Momentum Food & Wine Pty Ltd (subsequently renamed Mighty Craft Operations Pty Ltd) with effective acquisition date of 1 July 2019, for a total consideration of $835,000. The company exports multiple products including wine, alpaca quilts and Manuka Honey. The acquisition provides further strength to the commercial business acceleration pillar by supporting growth of brands into overseas markets.

The goodwill of $797,210 represents the expected growth, cost synergies and export potential arising from the acquisition. The acquired business contributed revenues of $1,233,528 and loss after tax of $236,672 to the Group for the financial year. The values identified in relation to this acquisition are final as at 30 June 2020.

Details of acquisition are as follows:

	Fair value $
Cash and cash equivalents	117,913
Inventories	109,920
Trade and other receivables	162,184
Right-of-use assets	128,312
Other non-current assets	4,834
Trade and other payables	(302,637)
Lease liabilities	(128,312)
Employee entitlements	(54,424)
Net identifiable assets and liabilities	37,790
Goodwill	797,210
Acquisition-date fair value of the total consideration transferred	835,000
Representing:	
Equity shares of Founders First Ltd (4,687,500 shares at $0.16 per share)	750,000
Performance rights in Founders First Ltd (500,000 rights at $0.17 per right)	85,000
	835,000
Acquisition costs expensed to profit and loss	35,662
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	-
Less: Cash and cash equivalents acquired	(117,913)
Net cash used / (acquired)	(117,913)

39 Business combinations (continued)

Kangaroo Island Distillery Business Acquisition
During February 2020, Mighty Craft Spirits Plus Pty Ltd (formerly Founders First Global Pty Ltd), a subsidiary of Founders First Ltd, acquired 100% of the ordinary shares of Kangaroo Island Distillery Pty Ltd (also known as Kangaroo Island Spirits - KIS) (with effective acquisition date of 28 February 2020) for a total consideration of $1,500,000. KIS produces a range of award winning gin and other spirits at the cellar door on Kangaroo Island, in South Australia. The acquisition is the cornerstone in the Group's Spirits category, contributing significant turnover as a stand-alone business. As a new 100% owned subsidiary, Founders can further inject capital to support production efficiencies to drive volume.

The goodwill of $1,087,629 represents the expected growth arising from the acquisition. The acquired business contributed revenues of $940,875 and profit after tax of $73,052 to the Group for the financial year. If the acquisition occured on 1 July 2019, the full year contributions would have been revenues of $3,325,529 and profit after tax of $380,696. The values identified in relation to this acquisition are provisional as at 30 June 2020.

Details of acquisition are as follows:

	Fair value $
Cash and cash equivalents	246,632
Inventories	369,764
Trade and other receivables	249,432
Property, plant and equipment	97,316
Trade and other payables	(417,680)
Borrowings	(37,343)
Employee benefits	(95,750)
Net identifiable assets and liabilities	412,371
Goodwill	1,087,629
Acquisition-date fair value of the total consideration transferred	1,500,000
Representing:	
Cash	1,500,000
	1,500,000
Acquisition costs expensed to profit and loss	48,478
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	1,500,000
Less: Cash and cash equivalents acquired	(246,632)
Net cash used / (acquired)	1,253,368

39 Business combinations (continued)

Hunter Valley Business Acquisition
During February 2020, Mighty Hunter Valley Pty Ltd (formerly Founders First Hunter Valley Pty Ltd), a subsidiary of Founders First Ltd, acquired the leasehold and business assets of the venue formerly known as Potters Brewery (with effective acquisition date of 4 February 2020) for a total consideration of $1,500,000. The acquisition is the result of a targeted approach to building engagement with consumers through venues, and providing the public with tangible experiences and connections to craft brands.

The goodwill of $1,526,402 represents the expected growth arising from the acquisition, including production and cost synergies, and expansion of the Foghorn brand. The acquired business contributed revenues of $445,689 and a loss after tax of $598,570 to the Group for the financial year. The values identified in relation to this acquisition are provisional as at 30 June 2020.

Details of acquisition are as follows:

	Fair value $
Right-of-use assets	6,468,853
Employee benefits	(26,402)
Lease liabilities	(6,468,853)
Net identifiable assets and liabilities	(26,402)
Goodwill	1,526,402
Acquisition-date fair value of the total consideration transferred	1,500,000
Representing:	
Cash	1,500,000
	1,500,000
Acquisition costs expensed to profit and loss	50,800
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	1,500,000
Less: Cash and cash equivalents acquired	-
Net cash used / (acquired)	1,500,000

39 Business combinations (continued)

Moonee Ponds Business Acquisition
During January 2020, Mighty Moonee Ponds Pty Ltd (formerly Founders First Moonee Ponds Pty Ltd), a subsidiary of Founders First Ltd, acquired the leasehold and business assets of the venue at 690-694 Mt Alexander Rd, Moonee Ponds (with effective acquisition date of 31 January 2020) for a total consideration of $1,000,000 (excl GST). The acquisition is the result of a targeted approach to building engagement with consumers through venues, and providing the public with tangible experiences and connections to craft brands.

The goodwill of $810,604 represents the expected growth arising from the acquisition, including promotion of portfolio growth through a fully refurbished venue. The acquired business was not operating by 30 June 2020, so contributed nil revenues and a loss after tax of $142,666 to the Group for the financial year. The values identified in relation to this acquisition are provisional as at 30 June 2020.

Details of acquisition are as follows:

	Fair value
	$
Property, plant and equipment	189,396
Right-of-use assets	1,278,945
Lease liabilities	(1,278,945)
Net identifiable assets and liabilities	189,396
Goodwill	810,604
Acquisition-date fair value of the total consideration transferred	1,000,000
Representing:	
Cash	1,000,000
	1,000,000
Acquisition costs expensed to profit and loss	46,123
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	1,000,000
Less: Cash and cash equivalents acquired	-
Net cash used / (acquired)	1,000,000

40 Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 3:

Name	Principal place of business/ Country of incorporation	Ownership interest 30-Jun-20 %	Ownership interest 30-Jun-19 %
Founders First Nominees Pty Ltd	Australia	100%	100%
Founders First Operations Pty Ltd	Australia	100%	100%
Mighty Craft Investments Pty Ltd (formerly Founders First Properties Pty Ltd)	Australia	100%	100%
Mighty Craft Beer Pty Ltd (formerly Founders First Jetty Road Pty Ltd)	Australia	100%	100%
Founders First Foghorn Brewery Pty Ltd	Australia	100%	100%
Founders First Ballistic Pty Ltd	Australia	100%	--
Founders First Brogans Way Pty Ltd	Australia	100%	--
Mighty Craft Spirits Plus Pty Ltd (formerly Founders First Global Pty Ltd)	Australia	100%	--
Mighty Hunter Valley Pty Ltd (formerly Founders First Hunter Valley Pty Ltd)	Australia	100%	--
Founders First K.Booch Pty Ltd	Australia	100%	--
Craft Hub Pty Ltd (formerly Founders First Momentum Pty Ltd)	Australia	100%	--
Mighty Moonee Ponds Pty Ltd (formerly Founders First Moonee Ponds Pty Ltd)	Australia	100%	--
Founders First SWB Pty Ltd	Australia	100%	--
Founders First SauceCo Pty Ltd	Australia	100%	--
Founders First Slipstream Pty Ltd	Australia	100%	--
Founders First Sparkke Pty Ltd	Australia	100%	--
Mighty Craft Venues Pty Ltd (formerly Founders First Venues Pty Ltd)	Australia	100%	--
Mighty Craft Export Pty Ltd (formerly Founders Momentum International Pty Ltd)	Australia	100%	--
Mighty Craft Operations Pty Ltd (formerly Momentum Food and Wine Pty Ltd)	Australia	100%	--
Kangaroo Island Distillery Pty Ltd	Australia	100%	--

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in Note 3:

Name	Principal place of business/ Country of incorporation	Ownership interest 30-Jun-20 %	Ownership interest 30-Jun-19 %
Jetty Road Brewery Pty Ltd	Australia	55.6%	55.6%
Foghorn Brewery Pty Ltd	Australia	75.0%	75.0%
JR South Melbourne Pty Ltd*	Australia	55.6%	--
Founders Road Pty Ltd**	Australia	77.8%	50.0%
Seven Season Pty Ltd (formerly Australian Native Spirits Pty Ltd)	Australia	65.0%	--

** through Jetty Road Brewery Pty Ltd*
*** was an associate at 30 June 2019*

40 Interest in subsidiaries (continued)

Summarised financial information
Summarised financial information of the subsidiaries with non-controlling interests that are material to the Group are set out below:

	30 June 2020 ($)			
	Jetty Road Brewery Pty Ltd	**Foghorn Brewery Pty Ltd**	**JR South Melbourne Pty Ltd**	**Australian Native Spirits Pty Ltd**
Summarised statement of financial position				
Current assets	820,254	344,783	77,719	491,460
Non-current assets	2,453,140	3,541,874	1,808,706	323,022
Total assets	3,273,394	3,886,657	1,886,425	814,482
Current liabilities	1,060,472	362,859	176,769	49,820
Non-current liabilities	73,770	2,917,989	2,226,469	201,138
Total liabilities	1,134,242	3,280,848	2,403,238	250,958
Net assets	**2,139,152**	**605,809**	**(516,813)**	**563,524**
Summarised statement of profit or loss and other comprehensive income				
Revenue	4,324,735	2,531,501	-	-
Expenses	5,380,919	2,864,543	314,555	51,961
Loss before income tax expense	(1,056,184)	(333,042)	(314,555)	(51,961)
Income tax expense	-	-	-	-
Loss after income tax expense	(1,056,184)	(333,042)	(314,555)	(51,961)
Other comprehensive income	-	-	-	-
Total comprehensive income	**(1,056,184)**	**(333,042)**	**(314,555)**	**(51,961)**
Other financial information				
Loss attributable to non-controlling interests	(468,946)	(83,261)	(139,663)	(18,186)
Accumulated non-controlling interests at the end of reporting period	47,715	156,912	(139,663)	197,198

	30 June 2019 ($)	
	Jetty Road Brewery Pty Ltd	**Foghorn Brewery Pty Ltd**
Summarised statement of financial position		
Current assets	1,349,945	331,037
Non-current assets	1,900,972	1,590,595
Total assets	3,250,917	1,921,632
Current liabilities	703,618	229,471
Non-current liabilities	756,724	731,473
Total liabilities	1,460,342	960,944
Net assets	**1,790,575**	**960,688**
Summarised statement of profit or loss and other comprehensive income		
Revenue	3,145,169	849,163
Expenses	3,921,286	888,475
Loss before income tax expense	(776,117)	(39,312)
Income tax expense	-	
Loss after income tax expense	(776,117)	(39,312)
Other comprehensive income	-	
Total comprehensive income	**(776,117)**	**(39,312)**
Other financial information		
Loss attributable to non-controlling interests	(344,596)	(9,828)
Accumulated non-controlling interests at the end of reporting period	493,078	240,172

41 Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the Group are set out below:

Name	Principal place of business/ Country of incorporation	Ownership interest 30-Jun-20 %	Ownership interest 30-Jun-19 %
Slipstream Brewing Co. Pty Ltd	Australia	15.0%	--
Poison Creek Distillery Pty Ltd (Brogan's Way)	Australia	45.0%	--
Torquay Beverage Company Pty Ltd (formerly K.Booch Alcoholic Kombucha Co Pty Ltd)	Australia	38.5%	--
SauceCo (FNQLD) Pty Ltd	Australia	50.0%	--
Founders Road Pty Ltd *	Australia	77.8%	50.0%

** was classified as associate at 30 June 2019, but through increase in percentage holding, this entity became a subsidiary during 2020, and forms part of the Group at 30 June 2020.*

Summarised financial information

	Slipstream Brewing Co. Pty Ltd 30-Jun-20 $	Brogan's Way 30-Jun-20 $	Torquay Beverage Co. Pty Ltd 30-Jun-20 $	SauceCo (FNQLD) Pty Ltd 30-Jun-20 $
Summarised statement of financial position				
Current assets	480,878	499,561	120,617	197,585
Non-current assets	530,252	877,135	3,538	373,725
Total assets	1,011,130	1,376,696	124,155	571,310
Current liabilities	179,989	64,825	23,593	7,700
Non-current liabilities	710,868	367,353	365,707	-
Total liabilities	890,857	432,178	389,300	7,700
Net assets	120,273	944,518	(265,145)	563,610
Summarised statement of profit or loss and other comprehensive income				
Income	1,623,236	673,217	213,116	4
Expenses	(1,778,317)	(668,594)	(688,397)	(36,394)
Profit / (loss) before income tax	(155,081)	4,623	(475,281)	(36,390)
Income tax expense	-	-	-	-
Profit / (loss) after income tax	(155,081)	4,623	(475,281)	(36,390)
Other comprehensive income	-	-	-	-
Total comprehensive income	(155,081)	4,623	(475,281)	(36,390)
Reconciliation of the Group's carrying amount				
Opening carrying amount	1,500,001	900,000	300,000	300,000
Share of profit after income tax	(14,682)	1,358	(95,891)	(18,915)
Closing carrying amount	1,485,319	901,358	204,109	281,085
Contingent liabilities	-	-	-	-

Note: While Founders Road Pty Ltd was classified as an associate as at 30 June 2019, its impact on the Group's financial performance and position was negligible, so summarised financial information at 30 June 2019 is not provided here.

42 Earnings per share

	30-Jun-20 $	30-Jun-19 $
Loss after income taxes	(9,235,655)	(1,880,583)
Non-controlling interest	718,973	354,424
Loss after income tax attributable to the owners of Founders First Limited	**(8,516,682)**	**(1,526,159)**

Weighted average number of ordinary shares

	Number	Number
Weighted average number of ordinary shares used for calculating both basic and diluted earnings per share	97,172,387	24,670,936

	Cents	Cents
Earnings per share - basic and diluted	(8.76)	(6.19)

Note: Potential shares comprising options over ordinary shares and performance rights have not been considered in the calculation of weighted average number of ordinary shares for diluted earnings per share as they are anti-dilutive in nature.

43 Reconciliation of profit / (loss) after income tax to net cash from operating activities

	30-Jun-20 $	30-Jun-19 $
Loss after income tax expense for the year	(9,235,655)	(1,880,583)
Adjustments for:		
Depreciation expense	939,279	238,338
Share of profits/(losses) of associates	128,130	
Allowance for expected credit loss	22,269	9,150
Bad debts written off	21,451	3,487
Share-based payments expense	250,692	70,000
Interest expense on convertible notes settled through ordinary share issue	-	106,504
Rent concession income	(119,926)	-
Changes in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(790,577)	(219,112)
Decrease/(increase) in inventories	(256,718)	(192,923)
Decrease/(increase) in other assets	(17,266)	(573,328)
Increase/(decrease) in trade and other payables	1,746,244	788,672
Increase/(decrease) in employee benefits	484,397	72,804
Increase/(decrease) in other liabilities	73,840	-
Net cash from / (used in) operating activities	**(6,753,840)**	**(1,576,991)**

44 Changes in liabilities arising from financing activities

Consolidated	Business loan $	Chattel mortgage $	Lease liability $	Total $
Balance at 30 June 2018	780,000	-	-	780,000
Acquisition of plant and equipment by means of chattel mortgage	-	131,388	-	131,388
Net cash from / (used in) financing activities	(780,000)	(7,383)	-	(787,383)
Balance at 30 June 2019	-	124,005	-	124,005
Acquisition of plant and equipment by means of leases	-	-	89,765	89,765
Leases recognised on the adoption of AASB 16	-	-	4,011,476	4,011,476
Liabilities arising from business combinations	-	37,343	7,876,110	7,913,453
Net cash from / (used in) financing activities	-	(32,422)	(320,341)	(352,763)
Reduction to lease liabilities through rent concessions	-	-	(119,926)	(119,926)
Balance at 30 June 2020	**-**	**128,926**	**11,537,084**	**11,666,010**

45 Events after the reporting period

Post 30 June 2020, the following significant events occurred:

a) The Company entered into a partnership agreement with Mr Chris Malcolm, former CEO of ASX listed Australian Whisky Holdings and former Chairman of Lark Distillery, which will see Founders First invest $0.5 Million for a 60% equity stake in a new company which will acquire 68 barrels of whisky, with expected packaged valuation at maturity of $1.64 Million. For additional information, see ASX release dated 25 August 2020.

b) The Company converted existing loans to equity in Torquay Beverage Company Pty Ltd (formerly K.Booch Alcoholic Kombucha Co. Pty Ltd) to secure a 50% equity shareholding and solutions partnership. The Company announced the incubation and National ranging of NoSh Boozy Seltzer available for sale in October 2020. For additional information, see ASX release dated 1 September 2020.

c) The Company raised $7.5 Million through Placement and announced a Share Purchase Plan of $1.5m at $0.35 per share. For additional information, see ASX release dated 7 September 2020.

d) The Company secured a $7.5 million debt facility with PURE Asset Management Pty Ltd, on a four year term at 9.75% interest. PURE Asset Management Pty Ltd will be issued with 15 million warrants, which will have exercise price of $0.60, and be exercisable any time up to the week prior to maturity date. For additional information, see ASX release dated 31 August 2020.

The impact of the Coronavirus (COVID-19) pandemic is ongoing, having an impact on forced closure of venues partially offset by an increase in demand through off-premise channels up to 30 June 2020. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. Likely restrictions on maximum capacities at the Group's venues will impact sales performance.

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

46 Share-based payments

The Group has adopted an employee incentive plan to reward, retain and attract certain employees, consultants and directors of the Group.

Carefully designed, performance linked, equity plans are widely considered to be effective in providing long term incentives to staff. They are also used to attract and retain staff by providing them with the opportunity to participate in the creation of a valuable personal asset – a financial stake in the Company.

As part of the Group’s strategy, the Board wishes to be in a position to grant Employee Incentives under the Employee Incentive Plan to employees to achieve the objectives outlined above.

The Board is aware of general Shareholder concern that long-term equity based rewards for staff should be linked to achievements by the Group. Employee Incentives granted under the Employee Incentive Plan to eligible participants may be subject to exercise conditions or performance criteria for each participating employee as determined by the Board from time to time.

Pursuant to the Employee Incentive Plan, the Group may offer Plan Shares, Employee Options or Performance Rights on the terms and conditions summarised below.

Eligibility

Any employee, consultant or Director of the Company may be declared by the Board, in its sole and absolute discretion, to be eligible to participate in the Employee Incentive Plan (Eligible Employee). While all Directors are eligible to participate in the Employee Incentive Plan, such future participation will be subject to the Company obtaining all requisite shareholder approvals.

Offer

The Board may from time to time in its absolute discretion make a written offer to Eligible Employees to apply for or be issued a specific number of Employee Incentives, upon the terms set out in the Employee Incentive Plan and upon such additional terms and conditions as the Board determines.

Consideration

An Eligible Employee may be required to pay an issue price in consideration for the grant of an Employee Incentive under the Employee Incentive Plan.

46 Share-based payments (continued)

Maximum allocation

The Employee Incentive Plan provides a limit on the number of Employee Incentives that can be issued under the plan such that an issue of an Employee Incentive must not result in the number of Plan Shares, Employee Options or Employee Performance Rights issued under the Employee Incentive Plan, in aggregate, exceeding 8.5% of the total number of Shares on issue as at the date of the proposed issue of Employee Incentives.

Employee loans

The Employee Incentive Plan also provides that the Board may, in its discretion, elect to provide an Eligible Employee with a limited recourse, interest-free loan for an amount equal to the issue price of any Employee Incentives to enable the Eligible Employee to subscribe for Employee Incentives. These loans are repayable on the earlier of:

i. the Employee ceasing to be employed by the Company;
ii. 30 days after the date the Employee sells, transfers or otherwise deals with the Shares.

In the event that a loan is repayable by the Eligible Employee to the Company, the Company's sole recourse in the event that the Eligible Employee defaults on their obligation to repay the loan will be limited to the Employee Incentives to which the loan relates and the Company may deal with those Employee Incentives by treating the Employee Incentives as having been forfeited or lapsed.

Minimum holding period

A legal or a beneficial interest in a Share issued under the Employee Incentive Plan may not be disposed of until the Share has vested.

The Board may specify, in its absolute discretion, a specific holding period and/or Restrictions that apply to some or all of the Shares, Plan Shares, Employee Options or Employee Performance Rights offered to a person in any Offer (Holding Period).

Shares issued on exercise

Shares issued upon exercise of an Employee Option or an Employee Performance Right will rank equally with the Shares of the Company and third party interests and the Company will apply to ASX for quotation of the Shares.

Participation in new issues, voting rights and dividends

There are no participation rights or entitlements inherent in the Employee Options nor the Employee Performance Rights and Employee Option Holders and Performance Rights Holders will not be entitled to vote, receive any dividends or participate in new issues of capital offered to Shareholders during the currency of the Employee Options and the Employee Performance Rights unless and until the Employee Options have been exercised or the Performance Criteria have been satisfied and the Performance Rights Holder is issued Shares.

Employee performance rights

Each Employee Performance Right entitles an Eligible Employee (Performance Rights Holder) to be issued one Share upon the satisfaction of the Performance Criteria and the exercise of that Performance Right. The Employee Performance Rights will be subject to performance criteria (Performance Criteria) which must be satisfied during the period specified by the Board of the Company (Performance Period). At the end of the Performance Period the Board will determine and notify the Performance Rights Holder if a Performance Criteria has been satisfied.

46 Share-based payments (continued)

Set out below are the summaries of employee performance rights granted under the plan:

2020

Grant date	Vesting date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Balance at the end of the year	Vested and exercisable at the end of the year	Not exercisable at the end of the year
30/07/2019	1/11/2019	23/05/2029	$0.50	-	200,000	200,000	-	-	-
23/09/2019	23/09/2022	16/10/2022	$0.40	-	120,000	-	120,000	-	120,000
16/10/2019	17/12/2019	16/01/2020	$0.50	-	40,000	40,000	-	-	-
12/11/2019	12/11/2021	1/01/2022	$0.50	-	800,000	-	800,000	-	800,000
11/02/2020	11/02/2021	11/02/2031	$0.50	-	700,000	-	700,000	-	700,000
11/02/2020	11/02/2021	11/02/2031	$0.50	-	20,000	-	20,000	-	20,000
20/02/2020	20/02/2021	20/02/2031	$0.50	-	100,000	-	100,000	-	100,000
				-	**1,980,000**	**240,000**	**1,740,000**	**-**	**1,740,000**
Weighted average exercise price				-	$0.49	$0.50	$0.49		

The Group has agreed to offer 40,000 performance rights under the Employee Incentive Plan to the managing director of Sparkke Group Holdings Pty Ltd (Sparkke), Andrew Buttery, on the later of:

(i) the date on which Andrew Buttery has been continuously employed by Sparkke for 2 years;
(ii) the date on which Sparkke or a company that has a 100% holding in Sparkke lists on the ASX or other recognised stock exchange;
(iii) the date on which the Group sells at least 50% of its shares in Sparkke or Sparkke's holding company (as applicable) to a purchaser for consideration which results in at least 80% uplift in the value of those shares from the value paid for those shares by the Group.

These performance rights have not been issued as at 30 June 2020.

2019

Grant date	Vesting date	Expiry date	Exercise price	Balance at the start of the year	Granted *	Exercised	Balance at the end of the year	Vested and exercisable at the end of the year	Not exercisable at the end of the year
19/11/2018	19/11/2018	19/11/2028	$0.40	-	4,062,500	4,062,500	-	-	-
19/11/2018	19/11/2018	19/11/2028	$0.40	-	280,000	280,000	-	-	-
10/05/2019	10/05/2019	10/05/2029	$0.40	-	812,500	812,500	-	-	-
1/04/2019	10/05/2019	1/04/2029	$0.40	-	120,000	120,000	-	-	-
23/05/2019	23/05/2019	23/05/2029	$0.40	-	200,000	200,000	-	-	-
				-	**5,475,000**	**5,475,000**	**-**	**-**	**-**
Weighted average exercise price				-	$0.40	$0.40	-		

* The number of Performance Rights / Shares granted and the exercise price are on a post-consolidation basis (2 shares for every 5 shares issued)

The weighted average share price during the financial year was $0.28 (2019: NA).

The weighted average remaining contractual life of employee performance rights outstanding at the end of the financial year was 6 years and 2 months (2019: Nil).

46 Share-based payments (continued)

For the employee performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

2020

Grant Date	Expiry Date	Share price at grant date	Exercise Price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date	Performance Rights Granted *
30/07/2019	23/05/2029	NA	$0.50	50%	0.00%	1.25%	$0.10	200,000
23/09/2019	16/10/2022	NA	$0.40	50%	0.00%	1.25%	$0.18	120,000
16/10/2019	16/01/2020	NA	$0.50	50%	0.00%	1.25%	$0.12	40,000
12/11/2019	1/01/2022	NA	$0.50	50%	0.00%	1.25%	$0.16	800,000
11/02/2020	11/02/2031	$0.39	$0.50	70%	0.00%	1.02%	$0.18	700,000
11/02/2020	11/02/2031	$0.39	$0.50	70%	0.00%	1.02%	$0.18	20,000
20/02/2020	20/02/2031	$0.37	$0.50	70%	0.00%	0.99%	$0.17	100,000
								1,980,000

2019

Grant Date	Expiry Date	Share price at grant date	Exercise Price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date	Performance Rights / Shares Granted *
19/11/2018	19/11/2028	NA	$0.40	50%	0.00%	1.67%	$0.01	4,062,500
19/11/2018	19/11/2028	NA	$0.40	50%	0.00%	1.67%	$0.01	280,000
10/05/2019	10/05/2029	NA	$0.40	50%	0.00%	1.25%	$0.10	812,500
1/04/2019	1/04/2029	NA	$0.40	50%	0.00%	1.25%	$0.10	120,000
23/05/2019	23/05/2029	NA	$0.40	0%	0.00%	1.25%	$0.13	200,000
								5,475,000

* The number of Performance Rights / Shares granted and the exercise price are on a post-consolidation basis (2 shares for every 5 shares issued)

Vendor performance rights

Set out below are summaries of vendor performance rights granted during the financial year 2020:

2020

Grant Date	Expiry Date	Exercise Price	Balance at the start of the year	Granted	Exercised	Balance at the end of the year	Vested and exercisable at the end of the year	Not Exercisable at the end of the year
28/10/2019	31/03/2021	-	-	2,250,000	-	2,250,000	-	2,250,000
3/11/2019	30/11/2022	-	-	500,000	-	500,000	-	500,000
			-	**2,750,000**	**-**	**2,750,000**	**-**	**2,750,000**

1) Brogan's Way

The Company issued 2,250,000 performance rights to the vendor in consideration for the sale of shares in Brogan's Way held by the Vendor to the Company's wholly owned subsidiary. The terms of the performance rights to be issued to the vendor are as follows:

(a) the Brogan's Way Performance Rights will only vest and become eligible to be converted upon the earlier of:

(i) the Company's wholly owned subsidiary, Founders First Operations Pty Ltd, delivering written records to the vendor before the date that is 3 months after the performance target date specified in the Services Agreement between Brogan's Way and Founders First Operations Pty Ltd (Expiry Date) evidencing, to the reasonable satisfaction of the vendor, the achievement of the Performance Target on or before the Performance Target Date (Performance Vesting Event); or

(ii) the vendor giving written notice to Founders First Limited at any time after the date of the Agreement and before the Expiry Date that it wishes to convert the Brogan's Way Performance Rights irrespective of the achievement of the Performance Target (Discretionary Vesting Event), (each a Vesting Event);

46 Share-based payments (continued)

(b) on the happening of a Vesting Event, the Brogan's Way Performance Rights will vest and become convertible into Shares for nil consideration;

(c) following the happening of a Vesting Event and by the date being no later than the Expiry Date, the vendor may serve a notice on the Company (Conversion Notice) to exercise its right to convert the Brogan's Way Performance Rights into Shares;

(d) all:

(i) unvested Brogan's Way Performance Rights; or

(ii) vested Brogan's Way Performance Rights (in respect of which the vendor has not served a Conversion Notice on the Company in accordance with the terms of the share sale agreement),

will automatically lapse on the earlier of:

(i) the Expiry Date; and

(ii) the vendor delivering an exercise notice in respect of the exercise of the option to buy back the shares in Brogan's Way transferred to the Company's wholly owned Subsidiary;

(e) the Brogan's Way Performance Rights will not be quoted on the ASX and will not otherwise be transferable;

2) Momentum Food & Wine

The company issued 500,000 performance rights to the vendor as part of the consideration for the acquisition of 100% of the shares in Founders Momentum International Pty Ltd (subsequently renamed Mighty Craft Export Pty Ltd) (Mighty Craft Export). The terms of the performance rights to be issued to the vendor are as follows:

(a) the Mighty Craft Export Performance Rights will only vest and become eligible to be converted into Shares upon Mighty Craft Export achieving an average EBIT of $400,000 per year over FY21 and FY22 (Vesting Criteria);

(b) if the Vesting Criteria is achieved, for nil consideration, all Mighty Craft Export Performance Rights will, in aggregate, convert into that number of Shares calculated as follows:

(i) 250,000 Shares; plus

(ii) for every $0.10 that the Share Price exceeds $1.00, the vendor will receive an additional 50,000 Shares, capped at a maximum of 500,000 Shares. "Share Price" means the volume weighted average price of Shares over the 30 days on which trades in Shares were recorded on the ASX immediately preceding 30 June 2022.

(c) following the satisfaction of the Vesting Criteria and by the date being no later than 3 months after the release of the Company's unaudited or audited financial results for the full year ending 30 June 2022 (Performance Right Expiry Date), the vendor may serve a notice on the Company (Conversion Notice) to exercise its right to convert the Mighty Craft Export Performance Rights into Shares;

(d) all unvested Mighty Craft Export Performance Rights will automatically lapse on the date of the release of the Company's audited financial results for the full year ending 30 June 2022;

(e) all vested Mighty Craft Export Performance Rights will automatically lapse on expiry of the Performance Right Expiry Date;

(f) the Mighty Craft Export Performance Rights will not be quoted on the ASX and will not otherwise be transferable;

The weighted average remaining contractual life of vendor performance rights outstanding at the end of the financial year was 11 months (2019: NA).

For the vendor performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

2020

Grant Date	Expiry Date	Share price at grant date	Exercise Price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date	Performance Rights Granted
28/10/2019	31/03/2021	NA	$0.00	50%	0.00%	1.25%	$0.40	2,250,000
3/11/2019	30/11/2022	NA	$0.00	50%	0.00%	1.25%	$0.17	500,000
								2,750,000

No vendor performance rights were granted during the financial year 2019.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

(b) the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;

(c) the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

(d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Robin Levison
Chairman

Melbourne, Victoria
Dated this 30th day of September 2020

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT
To the Members of Founders First Limited

Opinion

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

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for 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* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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.

Key Audit Matters (continued.)

Key Audit Matter	How our audit addressed this matter
Revenue Recognition Refer to Note 5 in the financial statements	
The Group's revenue for the year ended 30 June 2020 was $9,221,807. The primary revenue streams are: • Wholesale beverages; • Retail food and beverages sales; and • Rendering of services. Whilst revenue recognition does not involve significant management estimates or judgements, it is considered a Key Audit Matter because of its significance to the Group's reported financial performance.	Our audit procedures in relation to revenue recognition included: • Assessing whether the Group's revenue recognition policies were in compliance with the requirements of AASB 15 *Revenues from Contracts with Customers;* • Evaluating and testing the operating effectiveness of key controls related to revenue recognition; • Performing cut-off testing over transactions recorded either side of the year end, to ensure that revenues were recorded in the correct period; and • Conducting a combination of tests of controls, substantive analytical procedures and tests of details in respect of revenue transactions.
Accounting for Business Combinations Refer to Note 39 in the financial statements	
The Group completed several acquisitions during the current financial year. Management has determined these acquisitions to be business combinations under AASB 3 *Business Combinations* These acquisitions were considered a Key Audit Matter as the accounting for the transactions is complex and involves significant judgements in applying the accounting standards. This includes the recognition and valuation of consideration paid and payable, the determination of the fair value of the tangible assets and liabilities acquired, and the identification and valuation of intangible assets.	Our audit procedures included, among others: • Obtaining the share purchase agreements and other associated documents to understand the key terms and conditions, and ensuring that the transactions had been accounted for in compliance with AASB 3; • Testing the cash consideration paid to bank statements; • Assessing the valuation of share based consideration paid including shares and performance rights issued; • Assessing the Group's determination of the fair value of the assets and liabilities acquired, having regard to the completeness of assets and liabilities identified and the reasonableness of any underlying assumptions in their respective valuations, including useful lives of the tangible assets acquired; and • Reviewing the adequacy of the relevant disclosures in the financial report in compliance with the requirements of AASB 3.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Impairment of Goodwill Refer to Note 20 in the financial statements	
As at 30 June 2020, the Group had goodwill with a carrying amount of $5,452,575 relating to its numerous acquisitions in the current and previous financial year. We determined this area as a Key Audit Matter due to the size of the goodwill balance, and because the directors' assessment of the 'value in use' of the cash generating units ("CGU") involves judgements about the future underlying cash flows of the businesses, growth rates, and the discount rates applied to the estimated cash flows. Management have performed an impairment assessment over the goodwill balance in accordance with AASB 136 *Impairment of Assets* by: • Calculating the value in use for each identified CGU using a discounted cash flow model. These models used cash flow projections for the CGU for 5 years, with a terminal growth rate applied to the 5th year. These cash flow projections were then discounted to net present value using the CGU's weighted average cost of capital ("WACC"); and • Comparing the resulting value in use of the CGU to the CGU's carrying amount. Management also performed a sensitivity analysis over the value in use calculations, by varying the assumptions used (growth rates, terminal growth rate and WACC) to assess the impact on the valuations.	Our audit procedures in relation to management's impairment assessment involved the assistance of our Corporate Finance team where required, and included: • Holding discussions with senior management, reviewing the Group's ASX Announcements and reading minutes of the directors' meetings to gather sufficient information regarding the operations for the current reporting period, as well as expectations in the future; • Assessing management's determination that the goodwill should be allocated to six CGUs based on the nature of the Group's business and the manner in which results are monitored and reported; • Assessing the valuation methodology used; • Challenging the reasonableness of key assumptions, including the cash flow projections, revenue growth rates, discount rates, and sensitivities used; • Checking the mathematical accuracy of the cash flow model, and reconciling input data to supporting evidence such as approved budgets, and considering the reasonableness of these budgets; • Reviewing management's sensitivity analysis over the key assumptions in the models, including the consideration of the available headroom and assessing whether the assumptions have been applied on a consistent basis across each scenario; and • Reviewing the accuracy of disclosures of critical estimates and assumptions in the financial statements in relation to the valuation methodologies.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Implementation of AASB 16 Leases Refer to Note 19 and 25 in the financial statements	
The Group adopted AASB 16 *Leases* with effect from 1 July 2019 using the "modified retrospective" approach. The Group has elected not to restate comparative information as permitted by the transitional provisions of AASB 16. The new lease standard modifies the accounting for operating leases and requires recognition of a right-of-use ("ROU") asset and a corresponding lease liability on the lease commencement date. As at 30 June 2020, ROU assets of $11,170,231 and corresponding lease liabilities of $11,537,084 had been recognised in the consolidated statement of financial position. We considered the adoption of the standard as a Key Audit Matter due to : • The material nature of ROU assets and leases liabilities on the financial report; • The significance of judgments applied in determining the inputs into the calculations; • The estimates made by the management, including the lease term and incremental borrowing rates; and • The extent of disclosures required including those on initial adoption of the standard.	Our audit procedures in relation to the implementation of AASB 16 included: • Obtaining an understanding of the processes undertaken by the management and controls implemented in adopting the standard, including the transitional decisions made; • Verifying the accuracy and completeness of the key inputs used in the underlying lease data, including the inception date, lease payments, lease term by reviewing the lease documentation; • Verifying the mathematical accuracy of the underlying calculations by recalculating the resulting lease liability and right of use assets initially recognised, and the interest and depreciation charges recognised in the consolidated statement of profit or loss for the year; • Critically evaluating the key assumptions applied by the management including the discount rate and the likelihood of exercise of options to extend the leases; and • Reviewing the adequacy of the relevant disclosures in the financial report including those relating to the initial adoption of the standard.

Other Information

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

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

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

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

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

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

In our opinion, the Remuneration Report of Founders First Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001.*

Responsibilities

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

RSM AUSTRALIA PARTNERS

B Y CHAN

Partner

Dated: 30 September 2020

Melbourne, Victoria

CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating high standards of Corporate Governance. The Company has complied with the Principles and Recommendations released by the ASX Corporate Governance Council in February 2019 and any subsequent amendments.

The Company's Corporate Governance Statement for the financial year ended 30 June 2020 is accurate and is up to date as at 30 September 2020 and has been approved by the Board. The Company's Corporate Governance Statement can be found on the Company's website at www.foundersfirst.group/governance.

SHAREHOLDERS' INFORMATION AS AT 16TH SEPTEMBER 2020

(a) The distribution of shareholding was as follows:

Size of Shareholding	Shareholders
1 - 1000	14
1001 - 5000	225
5001 - 10,000	134
10,001 - 100,000	258
100,001 and over	181

(b) 32 shareholders hold less than a marketable parcel of shares, being a market value of less than $500.

(c) Substantial shareholders based on notifications to the Company were

Shareholder	Number	% Held
SEPPELTSFIELD PTY LTD <SEPPELTSFIELD ESTATE A/C>	7,680,000	5.60%
CITICORP NOMINEES PTY LIMITED	7,028,189	5.13%
NEVERN SQUARE PTY LTD <THE AP A/C>	6,921,480	5.05%

(d) The fully paid issued capital of the Company consisted of 137,056,805 shares held by 812 shareholders. Each share entitles the holder to one vote.

(e) Unquoted Equity Securities

Plan	Number on Issue	Number of Holders
PERFORMANCE RIGHTS	1,740,000	5
PERFORMANCE RIGHTS ESCROWED (PR1)	2,250,000	1
PERFORMANCE RIGHTS ESCROWED (PR2)	500,000	1
WARRANTS EXPIRING 04/09/2024 AT $0.60	5,000,000	1

(f) Twenty largest shareholders

Shareholder	Number	% Held
SEPPELTSFIELD PTY LTD <SEPPELTSFIELD ESTATE A/C>	7,680,000	5.60%
CITICORP NOMINEES PTY LIMITED	7,028,189	5.13%
NEVERN SQUARE PTY LTD <THE AP A/C>	6,921,480	5.05%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,499,188	4.01%
DANIEL JAMES WALES + JAKLINA WALES <THE JALUKA FAMILY A/C>	5,300,000	3.87%
MARK HAYSMAN	4,062,500	2.96%
MALCOLM PROPERTY PTY LTD <MALCOLM PROPERTY A/C>	3,928,572	2.87%
NATIONAL NOMINEES LIMITED	3,814,327	2.78%
DISCOVERY INVESTMENTS PTY LTD <RASCOL FAMILY A/C>	3,534,590	2.58%
IGNITION CAPITAL PTY LTD <IGNITION SUPER FUND A/C>	3,379,726	2.47%
BODHI INVESTMENT LIMITED	3,000,000	2.19%
FIFTY-SECOND CELEBRATION P/L <MCBAIN FAMILY A/C>	2,500,000	1.82%
HELMAN SITOHANG	2,478,572	1.81%
1074 HOLDINGS PTY LTD <URBAN CAPITAL NO 2 A/C>	2,220,000	1.62%
SANDHURST TRUSTEES LTD <CYAN C3G FUND A/C>	2,142,857	1.56%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,068,858	1.51%
DRUA PTY LTD <THE NEO FAMILY A/C>	1,875,000	1.37%
FORDHOLM CONSULTANTS PTY LTD <DIANA BOEHME SUPER FUND A/C>	1,750,000	1.28%
NEIL CAMERON HOSIE	1,440,000	1.05%
COGNITUS PTY LTD <CARSTENS FAMILY A/C>	1,421,429	1.04%
DANIEL JEFFREY MURRAY <MURRAY FAMILY A/C>	1,421,429	1.04%

The twenty members holding the largest number of shares together held a total of 53.6% of the issued capital.

(g) Restricted Shares

Share Class	Number
ASX Escrowed for 24 months	22,798,075
Volume Escrowed to 17/12/2021	5,087,379

There are no other restricted shares on issue.

CORPORATE DIRECTORY

Founders First Limited	ABN: 13 622 810 897 and subsidiaries	
Directors	Robin Levison	Non-Executive Chairman
	Mark Haysman	Chief Executive Officer & Managing Director
	Stuart Morton	Executive Director
	Daniel Wales	Executive Director
	John Hood	Non-Executive Director
Company secretary	Andrew Syme	
Notice of annual general meeting	The annual general meeting of Founders First Limited will be held via webcast on 4th November 2020 at 11:00am (AEST).	
Principal Registered Office	Level 1, 123 Camberwell Road Hawthorn East VIC 3123 Telephone: +61 3 9811 9974 (within Australia) Web: www.foundersfirst.group	
Share registry	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Telephone: 1300 850 505 Web: www.computershare.com.au E-mail: webqueries@computershare.com.au	
Auditors	RSM Australia Partners Level 21, 55 Collins Street Melbourne VIC 3000	
Legal Advisors	Coghlan Duffy & Co Lawyers Level 42, Rialto South Tower 525 Collins Street Melbourne VIC 3000	
Stock exchange listing	Founders First Limited shares are listed on the Australian Securities Exchange (ASX code: FFL)	
Corporate Governance Statement	https://www.foundersfirst.group/governance	

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www.foundersfirst.group