ASX Appendix 4E – Preliminary Financial Result

Reporting Period: Twelve months ended 30 June 2017
Previous Corresponding Period: Twelve months ended 30 June 2016

Section A: Results for announcement to the market

Revenue and net profit	30 June 2017	Percentage change	Amount change
Revenue from ordinary activities	3,967,513	103%	2,016,673
Loss from ordinary activities after tax	(2,307,433)	39%	1,491,585
Loss from ordinary activities after tax attributable to owners	(2,307,433)	39%	1,491,585

Dividends	Dividend	Amount per security	Franked amount per security
Final dividend in respect of the twelve months ending 30 June 2017:	NIL	NIL	NIL

Net tangible assets per security	2017	2016
Net tangible assets per security (cents per security)	(0.49)	1.44

Section B: Commentary on results

Commentary for the preliminary financial results of the twelve months ended 30 June 2017 is contained in the Australian Securities Exchange (ASX) release and on pages 2 to 3 of this announcement.

Additional Information

This report is based on unaudited financial statements which are currently in the process of being audited. The financial statements included in the 2017 Annual Report are likely to contain an unqualified independent audit report.

Additional Appendix 4E requirements can be found on pages 4 to 23 of this announcement.

Commentary on results

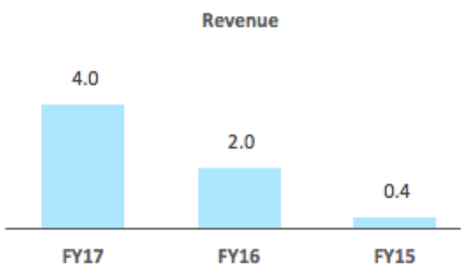
- Increased market share
- Revenue increase of 103%
- Net loss decreased by 70% ($1.6 million)

$A millions	FY17	FY16	Change
Revenue	4.0	2.0	2.0
Gross profit	0.2	(0.7)	0.9
Loss after tax	(2.3)	(3.8)	1.5
Cash used in operations	(1.1)	(3.6)	2.5

During the year, FarmaForce achieved its target increase in market share by actively seeking out new business, and executing sales contracts that enable existing synergies with current teams and market segments it already owns. This way the Company has also realised economies of scale.

The Increase in market share has resulted in a 103% increase in revenue in the past year, and a cumulative revenue increase of 900% over the past two-year period.

Strong revenue growth teamed with attention to margin enhancement and cost containment, has resulted in a strengthening gross profitability and operating cash flow position, with net loss after tax reducing by $1.5 million (39%) in FY17, and having $2.5 million less cash being used in operations.



According to recent market research analysis, Australia's pharmaceutical market is set to rise from just over $22.8 billion in 2016 to $25.2 billion by 2020, registering a compound annual growth rate (CAGR) of 2%. At the same time FarmaForce is expected to be growing at double digit rates.

As the pharmaceutical industry is fundamentally changing and reinventing the business it has been founded on, FarmaForce continues to evaluate the market gap to ensure we are modifying our solutions and providing the most effective outcomes to our clients.

Operating highlights

- Won the 2016 '*Sales Team Award*' at the 12th Annual PRIME Awards;
- Nominated for the 2017 '*Sales Team Award*' for the 13th Annual PRIME Awards (winner not announced at the date of this report);
- Nominated by Health Care Practitioners (HCP) as the #1 CSO in Australia;
- Granted ISO Certification becoming the first and only Australian CSO which holds ISO 9001:2008 Quality Management Systems certification;
- Exceeded target for number of new activations of strategic global partnerships;
- New General Manager, Mr Harry Simeonidis, appointed in March 2017. Harry has over 25 years' experience in the healthcare industry in Australia and Asia, and has demonstrated success in driving strategy and transformation to deliver value for stakeholders.

FarmaForce and the changing Pharma ecosystem

The pharmaceutical industry is evolving towards a risk sharing-risk transfer model beginning from risk sharing agreements between reimbursement from payer to pharmaceutical company, and extending to risk transference of research and development from the pharmaceutical company to business partners.

The high cost of new drugs and the pressure being applied to pharmaceutical companies by payers and/or Government is changing the pharmaceutical industry business model.

Beginning with the payer and ultimately permeating the entire drug development ecosystem, pharmaceutical companies are forced to forge risk sharing-profit sharing agreements with new fee for service business partners.

This is an entirely new business reality and FarmaForce is one of the first CSO's globally to be proactively building these long-term partnerships of risk or profit sharing with its large pharmaceutical clients.

A drug may receive approval by Government authorities, but this does not always mean that the drug will be eligible for reimbursement. Payers are on the hunt for value, however, there remains great disparity as to what value is and how it is represented. What is the definition of value? Who defines it? How is it being measured? Is the concept of value the same from the point-of-view of pharmaceutical company and from that of payers?

These questions have forced the industry to start considering value-based pricing and payment schemes, real-world evidence utilisation, and payer-pharma collaboration. These new directions are ripe with opportunities and challenges that will shape the future pharma industry business model around research, commercialisation, pricing, market access and reimbursement.

This is not an issue only in Australia. Pricing and reimbursement pressures in pharmaceutical schemes are global and seem to be inevitable. Trends towards cost cutting and value based assessments can also be seen in other areas of healthcare (e.g. outcomes based reimbursement) and in other countries with public healthcare funding. The overarching driver for change in pharma is the shift from volume to value. In pricing terms, this is a shift from a pay-for-pill to a pay-for-performance model. Essentially, payment will be granted to products that demonstrate value in terms of improved health outcomes or lowered healthcare cost when compared to competitors. A payment model, which is sometimes used interchangeably with the pay-for-performance concept, is called conditional reimbursement, which grants reimbursement provided that certain conditions are met. This reimbursement model is not about getting a 'yes' or a 'no' from the regulators and payers, rather it is about getting a 'maybe,' which can later become a 'yes' granted that the right amount and type of evidence is produced.

The FarmaForce business model and corporate theory is based on the premise of risk and profit sharing with our clients. Our financial investment into the FarmaForce business and our subsequent growth rate are reflective of the market's needs and expectations.

About FarmaForce

FarmaForce is a specialist Contract Sales Organisation (CSO) offering innovative sales solutions to the Australian pharmaceutical industry, through the provision of a broad and unique range of sales force solutions.

FarmaForce provides a bespoke results-based solution to every client, and is the only pharmaceutical CSO to invest in third party datasets which provide objective and actionable insights, ensuring that the solution provided is yielding agreed results.

FARMAFORCE LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2017

In dollars	*Note*	2017	2016
Revenue	*4*	3,967,513	1,950,840
Cost of sales		(3,735,950)	(2,670,861)
Gross profit		**231,563**	**(720,021)**
Other income	*5(a)*	4,882	41,145
Expenses			
Employee benefits expense	*5(c)*	(1,079,247)	(1,008,639)
IPO and listing costs		(17,649)	(82,754)
Office sharing cost		(313,192)	(691,820)
Depreciation expense		(48,515)	(38,538)
Other expenses	*5(d)*	(1,024,763)	(1,296,452)
Finance costs	*5(b)*	(2,553)	(1,939)
Share of loss of associated companies net of tax	*15*	(57,959)	-
Loss before income tax		**(2,307,433)**	**(3,799,018)**
Income tax expense		-	-
Net loss for the period		**(2,307,433)**	**(3,799,018)**

Loss per share for the period attributable to the ordinary equity holders of the Company:

	Note	2017	2016
Basic loss per share (cents per share)	*14*	(1.81)	(4.34)
Diluted loss per share (cents per share)	*14*	(1.81)	(4.34)

The above statement of profit or loss should be read in conjunction with the accompanying notes to the financial statements.

FARMAFORCE LIMITED

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

In dollars	***Note***	**2017**	**2016**
Net loss for the period		**(2,307,433)**	**(3,799,018)**
Other comprehensive income			
Other comprehensive income for the year		-	-
Other comprehensive income/(loss) for the period, net of tax		**-**	**-**
Total comprehensive loss for the period		**(2,307,433)**	**(3,799,018)**

The above statement of comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

FARMAFORCE LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2017

In dollars	*Note*	2017	2016^
Assets			
Current assets			
Cash and cash equivalents	*6*	254,321	1,541,546
Trade and other receivables	*7*	396,953	155,918
Other current assets	*8*	37,506	99,550
Total current assets		**688,780**	**1,797,014**
Non-current assets			
Trade and other receivables		-	380
Property, plant and equipment	*9*	220,516	240,259
Intangible assets	*10*	151,995	-
Investment in Associates	*15*	220,113	269,000
Deferred tax assets		-	-
Total non-current assets		**592,624**	**509,639**
Total Assets		**1,281,404**	**2,306,653**
Liabilities			
Current liabilities			
Trade and other payables	*11*	1,399,941	336,203
Deferred revenue		233,004	54,980
Employee benefit liabilities	*12*	115,766	75,344
Total current liabilities		**1,748,711**	**466,527**
Non-current liabilities			
Deferred tax liabilities		-	-
Total non-current liabilities		**-**	**-**
Total liabilities		**1,748,711**	**466,527**
Net assets/(deficiency)		**(467,307)**	**1,840,126**
EQUITY			
Issued capital	*13*	8,068,859	8,068,859
Accumulated losses		(8,536,166)	(6,228,733)
Total equity		**(467,307)**	**1,840,126**

^ The above comparative information has been restated to reflect a change in classification of: (a) employee benefit liabilities, further details of which are included in note 12; (b) provisions for customer bad debt, further details of which are included in note 7; and (c) deferred revenue, further details of which are included in note 11.

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

FARMAFORCE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

In dollars	Share capital	Accumulated losses	Total
Balance at 1 July 2016	**8,068,859**	**(6,228,733)**	**1,840,126**
Total comprehensive loss for the period			
Loss for the period	-	(2,307,433)	(2,307,433)
Other comprehensive loss for the period	-	-	-
Total comprehensive loss for the period	**-**	**(2,307,433)**	**(2,307,433)**
Transactions with owners recorded directly in equity			
Transactions for the period	-	-	-
Balance at 30 June 2017	**8,068,859**	**(8,536,166)**	**(467,307)**
Balance at 1 July 2015	**763,690**	**(2,429,715)**	**(1,666,025)**
Total comprehensive loss for the period			
Loss for the period	-	(3,799,018)	(3,799,018)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	**-**	**(3,799,018)**	**(3,799,018)**
Transaction with owners recorded directly in equity			
Issue of ordinary shares	5,459,545	-	5,459,545
Issue of convertible notes	2,903,961	-	2,903,961
Capital raising costs	(1,058,337)	-	(1,058,337)
Balance at 30 June 2016	**8,068,859**	**(6,228,733)**	**1,840,126**

The above statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

In dollars	*Note*	2017	2016
Cash flows from operating activities			
Receipts from customers		4,306,514	1,921,504
Payments to suppliers and employees		(5,399,499)	(5,549,008)
Interest received		2,882	41,145
Interest paid		(7,283)	(1,939)
Net cash used in operating activities	*16*	**(1,097,386)**	**(3,588,298)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(28,772)	(125,618)
Investment in associates		(9,072)	(269,000)
Payment for intangible asset work in progress		(151,995)	-
Net cash used in investing activities		**(189,839)**	**(394,618)**
Cash flows from financing activities			
Proceeds from issue of share capital		-	5,459,545
Transaction costs related to issue of share capital		-	(82,754)
Transaction costs related to issue of convertible notes		-	(1,058,337)
Net cash generated from/(used in) financing activities		**-**	**4,318,454**
Net decrease in cash and cash equivalents		(1,287,225)	335,538
Cash and cash equivalents at the beginning of the period		1,541,546	1,206,008
Cash and cash equivalents at the end of the period	*6*	**254,321**	**1,541,546**

The above statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

1. REPORTING ENTITY

FarmaForce Limited ("FarmaForce" or the "Company") is a for-profit company limited by shares which is incorporated and domiciled in Australia.

These financial statements as at and for the year ended 30 June 2017 comprise of the Company as an individual entity, and were authorised for issue by the Board of Directors on 28 August 2017.

2. GOING CONCERN

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the company incurred a loss of $2,307,433 and had net cash outflows from operating activities of $1,097,386 for the year ended 30 June 2017. As at that date the company had net current liabilities of $1,059,931 and net liabilities of $467,307.

These factors may prima facie indicate a material uncertainty which may cast significant doubt as to whether the company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. However, the Directors believe that there are reasonable grounds to believe that the company will be able to continue as a going concern, after consideration of the following factors:

- The continued trend of increasing market share as indicated in the financial statements is resulting in additional customer contracts on hand improving net operating cash flow;
- The current liabilities include:
  - an amount payable to the parent company of $620,718. The parent company will allow these funds to continue to be utilised by the company as required and will provide ongoing support;
  - $233,004 deferred revenue representing deposits received in advance;
- From October 2017, option holders will be able to exercise up to 19,302,500 loyalty options referred to in Note 13 over the ensuing 12 months and as a result the directors believe additional capital will be raised.

Accordingly, the Directors believe that the company will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the company were not to operate as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

This section sets out the significant accounting policies upon which the financial statements are prepared as a whole. Specific accounting policies are described in their respective notes to the financial statements. This section also shows information on new accounting standards, amendments and interpretations, and whether they are effective in the current or later years.

Basis of preparation

These financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 1 April 2016 and in accordance with that instrument, all financial information presented in Australian dollars has been rounded to the nearest dollar unless otherwise stated.

The financial statements have been prepared on the historical cost basis.

The accounting policies have been consistently applied to all periods presented in these financial statements, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goods and Services Tax ("GST") and Value Added Tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of respective GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the relevant taxation authority. In these circumstances, the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

Uses of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

(i) Judgements

Significant judgement has been made in respect to the election of common control accounting as opposed to accounting for business combinations at fair value at acquisition date. The judgements which involve a higher degree of complexity or that have a significant risk of causing a material adjustment to the carrying value amounts of assets and liabilities within the next period are included in note 15 – Investments in Associates.

(ii) Estimates

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, including about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ending 30 June 2017 are included in the note 12 – Employee benefit liabilities.

(iii) Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values.

The financial reporting team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, management assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Measurement of fair values continued

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

(i) AASB 9 Financial Instruments

AASB 9 *Financial Instruments* becomes mandatory for the Company's 2019 financial statements and includes changes to the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment. It also includes a new hedge accounting model to simplify hedge accounting requirements and more closely align hedge accounting with risk management activities.

(ii) AASB 15 Revenue from contracts with customers

AASB 15 *Revenue from Contracts* becomes mandatory for the Company's 2019 financial statements and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces AASB 111 *Construction Contract,* AASB 118 *Revenue,* Interpretation 13 *Customer Loyalty Programs,* Interpretation 15 *Agreements for Construction of Real Estate,* Interpretation 18 *Transfer of Assets from Customers* and Interpretation 131 *Revenue-Barter Transactions involving Advertising Services.* The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

(iii) AASB 16 Leases

AASB 16 *Leases* becomes mandatory for the Company's 2020 financial statements and removes the classification of leases between finance and operating leases, effectively treating all leases as finance leases for the lessee. The purpose is to provide greater transparency of a lessee's financial leverage and capital employed.

The Company has not yet determined the potential effect of these standards on the Company's future financial statements.

4. REVENUE

In dollars	2017	2016
Provision of contract revenue	3,867,873	1,914,476
Related party consulting revenue	99,640	36,364
Total revenue	**3,967,513**	**1,950,840**

Significant accounting policies

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

All revenue is stated net of the amount of goods and services tax.

Rendering of services

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be estimated reliably. If the outcome can be estimated reliably then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period. If the outcome cannot be reliably estimated then revenue is recognised to the extent of expenses recognised that are recoverable.

5. INCOME AND EXPENSES

(a) Other income

In dollars	2017	2016
Interest income	2,882	41,145
Rebates and offsets	2,000	-
Total other income	**4,882**	**41,145**

(b) Finance costs

In dollars	2017	2016
Bank fees	2,519	1,512
Interest expense	34	427
Total finance costs	**2,553**	**1,939**

Significant accounting policies

Finance cost includes all interest-related expenses, other than those arising from financial assets at fair value through profit or loss.

5. INCOME AND EXPENSES (CONTINUED)

(c) Employee benefit expenses

In dollars	2017	2016
Wages and salaries	992,205	917,732
Compulsory superannuation contributions	95,730	84,976
Increase/(decrease) in liability for annual leave	(8,688)	5,931
Total employee benefits expense	**1,079,247**	**1,008,639**

(d) Other expenses

In dollars	2017	2016
Accounting fees	41,105	22,230
Advertising and marketing	152,043	310,970
Insurance	46,336	40,642
Legal and consultancy fees	115,646	89,120
Occupancy costs	23,498	25,616
Recruitment fees	103,141	246,144
Software licensing and subscription	149,654	122,125
Travel and accommodation	46,119	49,260
Other	347,221	390,345
Total other expenses	**1,024,763**	**1,296,452**

6. CASH

In dollars	2017	2016
Bank balances	254,321	1,541,546

Significant accounting policies

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

7. TRADE AND OTHER RECEIVABLES

In dollars	2017	2016^
Trade receivables	327,229	103,277
Other receivables	27,505	23,638
Related party receivables	42,219	29,383
Total trade and other receivables	**396,953**	**156,298**
Current	396,953	155,918
Non-current	-	380
Total trade and other receivables	**396,953**	**156,298**

^ The comparative information has been restated to reflect a change in classification of: (a) customer bad debt provision from trade and other payables to trade receivables (FY16 $113,138); and (b) prepayments from trade and other receivables to other current assets (FY16 $99,550).

Significant accounting policies

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30-60 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. The loss is recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

8. OTHER CURRENT ASSETS

In dollars	2017	2016^
Prepayments	37,506	99,550
Total other current assets	**37,506**	**99,550**

^ The comparative information has been restated to reflect a change in classification of prepayments, from trade and other receivables to other current assets (FY16 $99,550).

9. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amounts

Cost

In dollars	Furniture, fixtures and fittings	Leasehold improvements	Plant and equipment	Total
Cost at 1 July 2015	13,588	73,977	85,407	172,972
Additions	21,728	84,034	19,855	125,617
Balance at 30 June 2016	**35,316**	**158,011**	**105,262**	**298,589**
Additions	1,498	-	27,274	28,772
Balance at 30 June 2017	**36,814**	**158,011**	**132,536**	**327,361**

Accumulated depreciation

In dollars	Furniture, fixtures and fittings	Leasehold improvements	Plant and equipment	Total
Balance at 1 July 2015	1,844	7,306	10,643	19,793
Depreciation expense	3,000	12,522	23,015	38,537
Balance at 30 June 2016	**4,844**	**19,828**	**33,658**	**58,330**
Depreciation expense	4,032	15,801	28,681	48,515
Balance at 30 June 2017	**8,876**	**35,629**	**62,339**	**106,845**

Carrying amounts

In dollars	Furniture, fixtures and fittings	Leasehold improvements	Plant and equipment	Total
Balance at 30 June 2016	**30,472**	**138,183**	**71,604**	**240,259**
Balance at 30 June 2017	**27,938**	**122,382**	**70,196**	**220,516**

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Significant accounting policies

Carrying value

All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 business and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the profit or loss during the reporting period.

Depreciation

Depreciation of assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

- Leasehold improvements – 3 to 5 years
- Plant and equipment – 3 to 10 years
- Furniture, fittings and equipment – 3 to 5 years

Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

10. INTANGIBLE ASSETS

In dollars	Website and software	Total
Balance at 30 June 2016	-	-
Work in progress additions	151,995	151,995
Balance at 30 June 2017	**151,995**	**151,995**

Significant accounting policies

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised.

Impairment

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 assets are tested 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

11. TRADE AND OTHER PAYABLES

In dollars	2017	2016^
Trade payables	411,894	151,918
Sundry payables and accrued expenses	367,329	137,388
Related party payables	620,718	46,897
Total trade and other payables	**1,399,941**	**336,203**
Current	1,399,941	336,203
Non-current	-	-
Total trade and other payables	**1,399,941**	**336,203**

^ The comparative information has been restated to reflect a change in classification of (a) prepaid income from sundry payables to deferred revenue (FY16 $54,980); and (b) doubtful debt provision from sundry payables to trade receivables (FY16 $113,138).

Significant accounting policies

Trade and other payables represent liabilities for goods and services provided to the business prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

12. EMPLOYEE BENEFIT LIABILITIES

In dollars	2017	2016^
Liability for annual leave	115,766	75,344
Current	115,766	75,344
Non-current	-	-
Total employee benefit liabilities	**115,766**	**75,344**

^ The comparative information has been restated to reflect a change in classification of liability for annual leave, from trade and other payables to employee benefit liabilities (FY16 $75,344).

Significant accounting policies

Employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the Company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled in the next 12 months. However, these amounts must be classified as current liabilities since the Company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The Company recognises a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods to service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

13. ISSUED CAPITAL

	Number of shares	$
In issue at 1 July 2015	1	1
Conversion of notes previously classified as equity	-	763,689
Conversion of notes previously classified as liability	19,302,500	2,903,961
Issue of shares	108,198,479	5,459,545
Transaction costs	-	(1,058,337)
In issue at 30 June 2016	**127,500,980**	**8,068,859**
Movements throughout the period	-	-
In issue at 30 June 2017	**127,500,980**	**8,068,859**

All ordinary shares rank equally with regard to the Company's residual assets. The holders of these shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company.

The Company does not have authorised capital or par value in respect of its shares. All issued shares are fully paid.

Dividends

No dividends were declared or paid by the Company for the year (2016: nil).

Loyalty options

The Company has 19,302,500 Loyalty options on issue exercisable at 20 cents each between 24 to 36 months after the date of admission of the Company's shares to the Official List of the ASX, being 23 October 2015. The option holders must be holding the underlying shares, being one share for one option, to be able to exercise the option.

Capital management

Management control the capital of the Company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital include ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Significant accounting policies

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

14. EARNINGS PER SHARE (EPS)

The calculation of basic earnings per share has been based on the following loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

Loss attributable to ordinary shareholders

In dollars	**2017**	**2016**
Loss for the period attributable to owners of FarmaForce Limited	(2,307,433)	(3,799,018)

Weighted-average number of ordinary shares

In number of shares	**2017**	**2016**
Weighted-average number of ordinary shares at end of the period	127,500,980	87,439,197

Earnings per share

In cents per share	**2017**	**2016**
Basic loss per share	(1.81)	(4.34)
Diluted loss per share	(1.81)	(4.34)

Basic earnings per share is calculated as earnings for the period attributable to the Company over the weighted average number of shares.

Diluted earnings per share is calculated as earnings for the period attributable to the Company over the weighted average number of shares which has been adjusted to reflect the number of shares which would be issued if outstanding options and performance rights were to be exercised. However due to the statutory loss attributable to the Company for both the financial year ended 30 June 2017 and the comparative period ended 30 June 2016, the effect of these instruments has been excluded from the calculations of diluted earnings per share for both periods as they would reduce the loss per share.

15. INVESTMENT IN ASSOCIATES

The percentage ownership interest is equivalent to the percentage voting rights for all investments.

Entity name	Country of incorporation	Ownership interest 2017	Ownership interest 2016
Associates			
New Frontier Holdings LLC ("New Frontier")	USA	20%	20%
Nereid Enterprises Pty Ltd	AUS	20%	20%
Nereid Enterprises LLC	USA	20%	20%

Summary financial information

None of the associates are listed on a stock exchange. The investments in associates is equity accounted using unaudited management results and financial information.

In AUD	2017	2016
(i) Summarised statement of comprehensive income		
Revenue	-	-
Loss after tax	(152,778)	(134,096)
Other comprehensive income/(loss)	(2,921)	32,373
Total comprehensive loss	(155,699)	(101,723)
Dividends received from associate	-	-
(ii) Summarised balance sheet		
Total assets	1,205,807	1,246,927
Total liabilities	105,242	3,650
Net assets as at reporting date	1,100,565	1,243,277
Company's ownership interest	20%	20%
Carrying value at 30 June	**220,113**	**248,655**

^ Immaterial movement in carry value recognised in the current year statement of profit or loss.

Significant accounting policies

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for in the Company's financial statements using the equity method of accounting, after initially being recognised at cost.

The Company's share of the associates post-acquisition profits or losses are recognised in the statement of profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Company's share of losses in an equal or exceeds its interest in the associate, including secured and unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

16. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

In dollars	2017	2016
Cash flows from operating activities		
Loss for the period	(2,307,433)	(3,799,018)
Adjustments for:		
IPO listing costs	-	82,754
Depreciation	48,515	38,538
Share of loss of associated companies	57,959	-
	(2,200,959)	**(3,677,726)**
Changes in:		
Trade and other receivables	(240,655)	(74,841)
Other assets	62,044	-
Trade and other payables	1,063,738	313,848
Income in advance	178,024	(149,579)
Employee benefits	40,422	-
	1,103,573	**89,428**
Net cash used in operating activities	**(1,097,386)**	**(3,588,298)**

CORPORATE DIRECTORY

ACN 167 748 843

Directors

George Elias, *Chair*
Dr George Syrmalis
Con Tsigounis
Harry Simeonidis, *General Manager*

Company secretary

Gerardo Incollingo

General manager
Harry Simeonidis

Registered office

Level 3, 222 Clarence Street

Sydney, NSW 2000

Principal place of business

Level 3, 222 Clarence Street

Sydney, NSW 2000

Share register

Boardroom Pty Limited

Level 12, 225 George Street

Sydney NSW 2000

Auditors

RSM Australian Partners

Level 3, 60 Castlereagh Street

Sydney NSW 2000

Stock exchange listings
FarmaForce Limited shares are listed on the Australian Securities Exchange (ASX:FFC).

Website address
www.farmaforce.com.au