

Business Directory

As at 30 September 2020


Nature of business:	e-Commerce business with direct to consumer service for food and other household needs	
Registered Office:	Level 34 46 Shortland Street Auckland 1010	
Directors:	Cecilia Robinson Christopher Marshall James Robinson Kevin Roberts Lance Jenkins Philip Maud Theresa Gallung	
Shareholders:	Waterman Fund 3 LP	70,000 shares
	Theresa Gallung and Philippa Greenwood	10,800 shares
	James Robinson, Cecilia Robinson and Heimsath Alexander Trustee Limited	10,800 shares
	JKA Holdings Limited, Carlos Bagrie, Nadia Lim and Covisory Trust Limited	5,400 shares
	Kevin Roberts, Neville Goldie and Colin McEwan	3,000 shares
Bankers:	ASB Bank	
Auditors:	Ernst & Young	

Directors Authorisation

For the 6 months ended 30 September 2020

The Directors present the Half year report, including the Interim Financial Statements for the 6 months ended 30 September 2020.

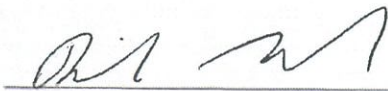
For and on behalf of the Board who authorise the issue of this financial report on 15 December 2020.



Director

15/12/20

Date



Director

15/12/20

Date



**Building a better
working world**

Review Report to the Shareholders of MFB Group Limited (“the company”) and its subsidiary (together “the group”)

We have reviewed the interim financial statements on pages 3 to 9, which comprise the consolidated statement of financial position of the group as at 30 September 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the group for the period ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our review work, for this report, or for our findings.

Directors' Responsibilities

The directors are responsible for the preparation and fair presentation of interim financial statements which comply with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Reviewer's Responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*. As the auditor of the group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Basis of Statement

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on those financial statements.

Other than in our capacity as auditor we have no relationship with, or interests in, the group.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements, set out on pages 3 to 9, do not present fairly, in all material respects, the consolidated financial position of the group as at 30 September 2020 and its consolidated financial performance and cash flows for the six month period ended on that date in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

Our review was completed on 15 December 2020 and our findings are expressed as at that date.

A stylized, handwritten signature of 'Ernst & Young' in a dark blue or black ink.

Ernst & Young
Chartered Accountants
Auckland

Consolidated Statement of Financial Position

As at 30 September 2020

	Note	30 September 2020	31 March 2020
		Unaudited NZ\$	Audited NZ\$
Assets			
Current			
Cash and cash equivalents		4,438,991	8,336,744
Trade and other receivables		1,007,526	1,536,645
Inventory		1,356,821	1,107,757
Prepayments		737,637	289,992
Current finance lease receivable		48,690	47,153
Total current assets		7,589,665	11,318,291
Non-current			
Property, plant and equipment		3,223,794	3,139,953
Intangible assets		85,771,617	95,296,804
Finance lease receivable		330,462	359,668
Right-of-use assets	5	12,107,782	9,533,958
Total non-current assets		101,433,655	98,330,383
Total assets		109,023,320	109,648,674
Liabilities			
Current			
Trade and other payables		(11,859,755)	(11,388,242)
Deferred revenue		(3,447,180)	(5,078,266)
Lease liabilities	5	(2,386,312)	(1,092,975)
Derivative financial liabilities		(401,616)	(497,097)
Other current liabilities		(1,130,825)	(888,101)
Current tax liability		(2,480,527)	(1,585,321)
Total current liabilities		(21,706,225)	(20,530,012)
Non-current			
Lease liabilities	5	(11,067,212)	(9,769,096)
Provisions		(250,000)	-
Bank loan	6	(18,039,533)	(16,918,933)
Deferred tax liability	3	(4,373,142)	(4,207,940)
Total non-current liabilities		(33,749,887)	(30,895,969)
Total liabilities		(55,456,112)	(51,425,981)
Net assets		53,567,208	58,222,693
Equity			
Share capital		1,000,000	1,000,000
Retained earnings		7,055,848	5,769,073
Other shareholder contributions	7	45,000,000	51,095,000
Share based payment reserve		511,360	358,620
Total equity		53,567,208	58,222,693

This statement is to be read in conjunction with the notes to the interim financial statements on pages 7 - 9

Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2020

	Note	6 months ended 30 September 2020 Unaudited NZ\$	6 months ended 30 September 2019 Unaudited NZ\$
Income	1	105,292,456	77,333,472
Cost of sales		(79,984,865)	(59,767,288)
Gross profit		25,307,591	17,566,184
Marketing expenses		(3,067,175)	(3,388,948)
Financing expenses		(371,349)	(540,350)
Indirect expenses		(10,456,237)	(9,022,478)
Other income		24,070	39,614
Share based payment expense		(152,741)	(136,524)
Net profit for the period - before tax		11,284,159	4,497,498
Income tax expense	3	(3,709,135)	(1,315,212)
Net profit for the period - after tax		7,575,024	3,182,286
Total comprehensive income for the period		7,575,024	3,182,286
Earnings per share			
Basic profit for the period attributable to ordinary equity holders of the parent		75.75	31.82
Diluted profit for the period attributable to ordinary equity shareholders of the parent		71.80	30.24

This statement is to be read in conjunction with the notes to the interim financial statements on pages 7 - 9

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Note	Share capital	Other shareholder contributions	Retained earnings	Share based payment valuation reserve	Total equity
		NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
Balance at 1 April 2020 (Audited)		1,000,000	51,095,000	5,769,073	358,620	58,222,693
Equity repurchase		-	(6,095,000)	-	-	(6,095,000)
Profit for the period		-	-	7,575,024	-	7,575,024
Total comprehensive income for the period		-	(6,095,000)	7,575,024	-	1,480,024
Cash dividends		-	-	(6,286,249)	-	(6,286,249)
Share based payment expense		-	-	-	152,741	152,741
Balance at 30 September 2020 (Unaudited)		1,000,000	45,000,000	7,055,848	511,361	53,567,209
Balance at 1 April 2019 (Audited)		1,000,000	51,095,000	6,146,497	85,573	58,327,070
Effect of adoption of new accounting standards		-	-	(220,303)	-	(220,303)
Restated balance 1 April 2019 (Audited)		1,000,000	51,095,000	5,926,194	85,573	58,106,767
Profit for the period		-	-	3,182,286	-	3,182,286
Total comprehensive income for the period		-	-	3,182,286	-	3,182,286
Cash dividends		-	-	(1,587,518)	-	(1,587,518)
Share based payment expense		-	-	-	136,524	136,524
Balance at 30 September 2019 (Unaudited)		1,000,000	51,095,000	7,520,962	222,097	59,838,059

This statement is to be read in conjunction with the notes to the interim financial statements on pages 7 - 9

Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	6 months ended	6 months ended
	30 September 2020	30 September 2019
	NZ\$	NZ\$
	Unaudited	Unaudited
Operating activities		
<i>Cash was provided from:</i>		
Receipts from customers	104,224,198	77,111,888
Interest received	7,341	21,824
Payments to suppliers and employees	(90,797,350)	(70,539,002)
Tax paid	(2,669,815)	(1,366,043)
Interest paid	(468,830)	(558,417)
Net cash flows from operating activities	10,287,544	4,570,250
Investing activities		
<i>Cash was provided from:</i>		
Purchase of property, plant and equipment	(432,132)	(280,340)
Payments for development of digital assets	(1,165,494)	(1,208,237)
Net cash flows from investing activities	(1,627,626)	(1,488,577)
Financing activities		
<i>Cash was applied to:</i>		
Dividends paid	(6,288,249)	(3,273,845)
Principal payments on leases	(1,279,422)	(921,432)
Repayment of borrowings	(5,000,000)	-
Proceeds from borrowings	6,095,000	-
Equity repurchase	(6,095,000)	-
Net cash flows from financing activities	(12,567,671)	(4,195,277)
Net increase / (decrease) in cash flows	(3,897,753)	(1,113,604)
Cash and cash equivalents at 1 April	8,336,744	2,952,532
Cash and cash equivalents at the end of the period	4,438,991	1,838,928

This statement is to be read in conjunction with the notes to the interim financial statements on pages 7 - 9

Statement of Accounting Policies

Corporate information

MFB Group Limited ("the Company") and its subsidiary My Food Bag Limited, collectively the Group are incorporated and domiciled in New Zealand under the New Zealand Companies Act 1993. The Group is engaged in e-Commerce with direct to consumer service for food and other household needs.

The interim financial statements of the Group are for the period ended 30 September 2020. The financial statements were authorised for issue by the Directors on 15 December 2020.

Statement of compliance and reporting framework

The interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and comply with New Zealand International Accounting Standard under IAS 34 and NZ IAS 34 Interim Financial Reporting. For the purposes of complying with NZ GAAP, the Company is a for-profit entity.

These interim financial statements do not include all the information normally included in an annual financial report. Accordingly, these should be read in conjunction with the annual financial report for the year ended 31 March 2020.

Basis of preparation

The interim consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments. The Group's consolidated interim financial statements are presented in New Zealand Dollars (NZD). The most relevant comparative period has been presented in accordance with the requirements under IAS 34 and NZ IAS 34 Interim Financial Reporting.

The financial statements have been prepared using the going concern assumption. In relation to the going concern assumption, the Group has prepared forecasts which indicate that cash on hand, combined with cash flow as a result of operations will enable the Group to continue operating and satisfy its going concern and solvency requirements.

Accordingly, the Directors believe the going concern assumption is valid and have reached this conclusion having regard to the circumstances which they consider likely to affect the Group during the period of one year from the date these financial statements are approved. Management have determined there are no indicators of impairment of the intangible assets as at 30 September.

The accounting policies adopted are consistent with those followed in the preparation of the Company's annual financial report for the year ended 31 March 2020.

Basis of consolidation

The financial statements comprise of the financial statements of the Group and its subsidiary as at 30 September 2020.

Significant financial and reporting changes in the current reporting period

Costs incurred in advance of an anticipated equity raising:

The Company has incurred costs of \$248,000 during the period relating to an expected equity raising via capital markets which was in progress as at the balance sheet date.

Notes to the Interim Financial Statements

1 Income	6 months ended	6 months ended
	30 September 2020	30 September 2019
	NZ\$	NZ\$
Contracts with customers	Unaudited	Unaudited
Total income	105,292,456	77,333,472
	<u>105,292,456</u>	<u>77,333,472</u>

Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements.

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery. Cash is normally received in advance of delivery. Where cash is received during the period in advance of delivery, which is after the period end, the balance is recognised as deferred revenue.

The Group considers there are no other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers there is no variable or non-cash consideration and no significant financing component exists.

2 Operating segments

The Company determines its operating segments based on internal information that is regularly reported to the Chief Executive, who is the Company's Chief Operating Decision Maker (CODM). The Company operates in one reportable segment being online meal kit and pre-prepared ready to heat meal delivery. This consists of creating and delivering meal kits and pre-prepared ready to heat meals to New Zealand consumers. Within this reportable segment there are no separate operating segments. The Company operates in one geographic area, that being New Zealand. The Company has no single external customers with revenues that amount to more than 10% of the Company's total revenue.

3 Taxation	6 months ended	6 months ended
	30 September 2020	30 September 2019
	NZ\$	NZ\$
Reconciliation of effective tax rate	Unaudited	Unaudited
The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable in New Zealand as follows:		
Profit before tax	11,284,159	4,497,498
Income tax using the Company tax rate 28%	3,159,565	1,259,239
Under / (over) provided in prior periods	56,223	(59,662)
Temporary differences	446,066	107,411
Non-deductible expenses	47,281	8,164
Income tax expense	<u>3,709,135</u>	<u>1,315,212</u>
	6 months ended	6 months ended
	30 September 2020	30 September 2019
	NZ\$	NZ\$
Deferred income tax	Unaudited	Unaudited
As at 1 April	(4,207,940)	(165,202)
Change / credit to statement of comprehensive income	(165,202)	
As at 30 September	<u>(4,373,142)</u>	

4 Dividends

Dividends provided for or paid during the period

6 months ended	6 months ended
30 September 2020	30 September 2019
NZ\$	NZ\$
Unaudited	Unaudited
<u>(6,289,249)</u>	<u>(1,567,518)</u>

5 Leases

The Group has lease contracts for property and various items of plant, machinery, vehicles and other equipment used in its operations. Leases of property have lease terms between 3 and 6 years, while plant, machinery, vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. Some leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension option. The Group assesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

The Group also has certain leases of machinery and with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Property	Motor vehicles	Plant & machinery	Total
	NZ\$	NZ\$	NZ\$	NZ\$
Balance as at 1 April 2020 (Audited)	9,190,491	14,016	329,451	9,533,958
Additions/ increases	4,587,375	-	-	4,587,375
Modifications	(445,919)	-	-	(445,919)
Depreciation expense	(1,493,997)	(10,331)	(73,344)	(1,567,632)
Balance as at 30 September 2020 (Unaudited)	<u>11,847,990</u>	<u>3,685</u>	<u>256,107</u>	<u>12,107,782</u>

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	NZ\$
As at 31 March 2020 (Audited)	
Current	1,082,375
Non-current	9,769,096
As at 1 April (Audited)	10,852,071
Additions	4,587,375
Modifications	(726,181)
Accretion of interest	29,681
Payments	(1,279,422)
As at 30 September 2020 (Unaudited)	<u>13,473,524</u>
Current	2,386,312
Non-current	11,087,212

The following are the amounts recognised in profit or loss:

	30 September 2020
	Unaudited
	NZ\$
Depreciation expense of right-of-use assets	1,567,632
Interest expense on lease liabilities	29,681
Total amount recognised in profit or loss	<u>1,597,313</u>

6 Borrowings	Effective interest	Maturity	30 September 2020 Unaudited NZ\$	31 March 2020 Audited NZ\$
Current interest bearing loans and liabilities				
Bank loans	0.355% plus margin (1.95% - 3.2%)	22/11/21	(18,039,533)	(16,918,933)

MFB Group Limited (the Borrower) has entered into a Senior Facility Agreement comprising of a term loan facility.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

7 Related party transactions

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

The following other shareholder contributions:

	30 September 2020 Unaudited NZ\$	31 March 2020 Audited NZ\$
The APL Holdings Trust	4,860,000	5,518,260
The Theresa Gattung Investment Trust	4,860,000	5,518,260
The Lim & Bagrie Family Trust	2,430,000	2,759,130
The Red Rose Trust	1,350,000	1,532,850
Waterman Fund 3LP	<u>31,500,000</u>	<u>35,766,500</u>
Total	<u>45,000,000</u>	<u>51,095,000</u>

Other shareholder contributions from related parties are not interest bearing and are repayable on repayment date.

The other shareholder contributions have been classified as equity contributions as repayment is on mutual agreement of both the borrower and the lender (or else they are perpetual) and the contributions are interest free. The other shareholder contributions carry no voting rights.

8 Contingent liabilities

The Group has no contingent liabilities (March 2020: NIL)

9 Capital commitments

The Group has capital commitments of \$240k (March 20: \$160k)

10 Events after the reporting date

On the 3rd November 2020, MFB Group were notified by a current landlord that a buyer has been identified for the MFB leased property and MFB will be required to vacate the site in January 2022. Post 30 September 2020 this will have an impact to the balance sheet of approximately \$2 million.

On the 9th December 2020, My Food Bag Group obtained additional long-term borrowings from ASB Bank of \$45m with the intention of using those funds to repay the outstanding shareholder loans. MFB Group have forecast with the additional debt and conclude the Group will continue to comply with the amended covenants and the going concern assumption remains appropriate.

11 Approval of financial statements

The interim financial statements were approved by the board of directors and authorised for issue on 15 December 2020.