



Prospectus

INITIAL PUBLIC OFFERING

ISSUER:

YOUFOODZ HOLDINGS LIMITED
(ABN 38 635 434 801)

JOINT LEAD MANAGERS:

BELL POTTER

 **morgans**

FINANCIAL ADVISOR:

Greenhill

Important Notices

OFFER

This Prospectus is issued by Youfoodz Holdings Limited (ACN 635 434 801) (**Youfoodz** or **Company**) for the purposes of Chapter 6D of the Corporations Act 2001 (Cth) (**Corporations Act**). The Offer contained in this Prospectus is an initial public offering to acquire new fully paid ordinary shares (**New Shares**) in Youfoodz.

LODGEMENT AND LISTING

This Prospectus is dated 30 October 2020 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. The Company will apply to ASX Limited (**ASX**) within seven days after the Prospectus Date for admission of the Company to the Official List and quotation of its Shares on ASX. The fact that the ASX may admit the Company to the Official List is not to be taken in any way as an indication of the merits of the New Shares, the Offer or the Company.

None of ASIC, ASX or their respective officers or representatives take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The Company, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

EXPIRY DATE

This Prospectus expires on the date which is 13 months after the Prospectus Date (**Expiry Date**). No New Shares will be issued or transferred on the basis of this Prospectus after the Expiry Date.

NOT INVESTMENT ADVICE

The information contained in this Prospectus is not investment or financial product advice and does not take into account your investment objectives, is general in nature only and does not take into account your financial situation or particular needs. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

In particular, you should consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your investment objectives, financial situation and personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional advisor before deciding whether or not to invest in the Company. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be other risk factors in addition to the risks in Section 5 that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or the repayment of capital by the Company or any return on investment in Shares made pursuant to this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, the Directors, the Joint Lead Managers or any other person in connection with the Offer. You should rely only on information contained in this Prospectus.

FINANCIAL INFORMATION PRESENTATION

Section 4 sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information.

The financial information for Youfoodz in Section 4 includes information for the historical financial years ended 30 June 2018, 30 June 2019 and 30 June 2020, and for the forecast 12 month period ending 30 June 2021.

All references to FY2018, FY2019, FY2020 appearing in this Prospectus are to the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020, respectively, unless otherwise indicated.

The Historical Financial Information and Pro Forma Historical Financial Information have been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards (**AAS**), except where otherwise stated. The Forecast Financial Information included in this Prospectus is unaudited and is based on the best estimate assumptions of Youfoodz. The basis of preparation and presentation of the Forecast Financial Information is, to the extent applicable and unless stated otherwise, consistent with the basis of preparation and presentation of the Historical Financial Information.

Investors should be aware that certain financial data included in this Prospectus is 'non-IFRS financial information' under Regulatory Guide 230: Disclosing non-IFRS financial information, published by ASIC. The Company believe this non-IFRS financial information provides useful information to users in measuring the Company's financial performance and financial condition. The non-IFRS measures do not have standardised meanings prescribed by AAS and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with AAS. Investors are cautioned therefore not to place undue reliance on any non-IFRS financial information and ratios included in this Prospectus.

FORWARD LOOKING STATEMENTS

This Prospectus contains forward looking statements which could be identified by words such as 'forecast', 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that indicate risks and uncertainties. The Forecast Financial Information included in Section 4 of this Prospectus is an example of forward looking statements. Any forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Company. The Forecast Financial Information and the forward looking statements should be read in conjunction with, and qualified by reference to, the risk factors as set out in Section 5, the specific and general assumptions set out in Section 4.2, the sensitivity analysis set out in Section 4.9 and the other information contained in this Prospectus.

The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward looking statements. The Company does not intend to update or revise forward looking statements, or to publish prospective Financial Information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus, including the Independent Market Report in Section 2, and Company Overview in Section 3, uses market data and third party estimates and projections. The Company has obtained significant portions of this information from market research prepared by third parties. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

STATEMENTS OF PAST PERFORMANCE

This Prospectus includes information regarding the past performance of Youfoodz and prospective investors should be aware that past performance is not, and should not be relied upon as being indicative of future performance.

DISCLAIMERS

Bell Potter Securities Limited (**Bell Potter**) and Morgans Corporate Limited (**Morgans**) have acted as underwriters and joint lead managers to the Offer (**Joint Lead Managers**). The Joint Lead Managers have not authorised, permitted or caused the issue or lodgement, submission, despatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by them or by any of its affiliates, officers or employees. To the maximum extent permitted by law, the Joint Lead Managers and their affiliates, officers, employees and advisors expressly disclaim all liabilities in respect of, and take no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

SELLING RESTRICTIONS

This Prospectus does not constitute an offer or invitation to apply for New Shares in any place in which, or to any person to whom, it would be unlawful to make such offer or invitation. No action has been taken to register or qualify the New Shares or the Offer, or to otherwise permit a public offering of the New Shares, in any jurisdiction outside Australia. The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions.

The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

This Prospectus may not be distributed to, or relied upon by, persons in the United States. The New Shares have not been, and will not be, registered under the United States Securities Act of 1933 (**US Securities Act**) or the securities laws of any state of the United States, and may not be offered or sold in the United States, except in a transaction exempt from, or not subject to, registration under the United States Securities Act and applicable US state securities laws.

For details of selling restrictions that apply to the Offer and the sale of New Shares in certain jurisdictions outside of Australia, please refer to Section 9.11.

EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing applications to subscribe for Shares offered under this Prospectus (**Applications**) in the seven day period after the Prospectus Date (**Exposure Period**). ASIC may extend this period by up to a further seven days (that is, up to a total of 14 days). The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of the funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be given to Applications received during the Exposure Period.

PROSPECTUS AVAILABILITY

During the Offer period, a paper copy of this Prospectus is available free of charge to any person in Australia by calling the Youfoodz IPO Information Line on 1300 737 760 (within Australia) and +61 2 9290 9600 (outside Australia) from 8.30am to 5.00pm (Sydney time), Monday to Friday (excluding public holidays). This Prospectus is also available to persons who are Australian residents in electronic form at the Offer website www.youfoodz.com/pages/prospectus.

The Offer constituted by this Prospectus in electronic form is available only to persons downloading or printing it within Australia. It is not available to persons in other jurisdictions (including the United States or US Persons). Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus.

APPLICATIONS

Applications may be made only during the Offer period on the Broker Firm Offer Application Form, the Priority Offer Application Form or the Employee Gift Offer Application Form (whichever is relevant to you) in accordance with Section 7 (in general referred to as **Application Form**) attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from www.youfoodz.com/pages/prospectus. By making an Application, you represent and warrant that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

OFFER MANAGEMENT

The Offer is being arranged and managed by Bell Potter and Morgans.

NO COOLING-OFF RIGHTS

Cooling-off rights do not apply to an investment in New Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

DEFINED TERMS AND ABBREVIATIONS

Some words and expressions used in this Prospectus have defined meanings, which are explained in the Glossary. Unless otherwise stated or implied, a reference to time in this Prospectus is to Sydney time. Unless otherwise stated or implied, references to dates or years are calendar year references. All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and the sum of components in tables contained in this Prospectus are due to rounding.

IMPORTANT NOTICES

PRIVACY

By completing an Application Form to apply for New Shares, you are providing personal information to the Company, through its service provider, Boardroom Pty Limited (**Share Registry**), which is contracted by or on behalf of the Company to manage Applications. The Company and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your Application, provide facilities and services that you request and administer the Company. If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time-to-time to inform you about other products and services offered by the Company, which it considers may be of interest to you. Your personal information may also be provided to the Company's members, agents and services providers on the basis that they deal with such information in accordance with the Company's privacy policy and applicable laws. The members, agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as afforded under Australian law.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisors for the purpose of administering, and advising on, the New Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information.

PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

COMPANY WEBSITE

The Company maintains a website at www.youfoodz.com. Any references to documents included on the Company's website are for convenience only, and information contained in or otherwise accessible through this or a related website is not a part of this Prospectus.

INVESTIGATING ACCOUNTANT'S INDEPENDENT LIMITED ASSURANCE REPORT AND FINANCIAL SERVICES GUIDE

The provider of the Investigating Accountant's Independent Limited Assurance Report (**IAR**) is required to provide Australian retail investors with a financial services guide in relation to its independent review under the Corporations Act (**Financial Services Guide**). The IAR and Financial Services Guide is included in Section 8.

QUESTIONS

If you have any questions about how to apply for New Shares, please call your broker. Instructions on how to apply for New Shares are set out in Section 7 of this Prospectus and on the back of the Application Form. Alternatively, call the Youfoodz IPO Offer Information Line on 1300 737 760 (within Australia) and +61 2 9290 9600 (outside Australia) from 8:30am to 5:00pm (Sydney time) Monday to Friday (excluding public holidays).

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial advisor, broker, lawyer or other professional advisor before deciding whether to invest in Company.

This Prospectus is important and should be read in its entirety.

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Offer Statistics and Key Dates

OFFER STATISTICS

Offer Price	\$1.50 per New Share
Gross cash proceeds from the Offer	\$70.0 million
Total number of New Shares offered to investors under the Offer	46.9 million
Total number of Shares on issue on Completion of the Offer	134.6 million
Market capitalisation at the Offer Price ¹	\$201.9 million
Pro forma net cash on Completion of the Offer ²	\$37.0 million
Enterprise Value ³	\$164.9 million
Enterprise Value/pro forma forecast FY2021F net revenue ^{4,5}	1.1x

KEY DATES

Prospectus Date	Friday, 30 October 2020
Retail Offer opens	Monday, 9 November 2020
Retail Offer closes	Tuesday, 24 November 2020
Settlement of the Offer	Friday, 27 November 2020
Issue of Shares under the Offer (Completion of the Offer)	Monday, 30 November 2020
Expected despatch of holding statements	Tuesday, 1 December 2020
Shares expected to begin trading on the ASX on a normal settlement basis	Tuesday, 8 December 2020

DATES MAY CHANGE

The dates above are indicative only and may change without notice. The Company and the Joint Lead Managers reserve the right to vary any and all of the times and dates of the Offer without prior notice (including, subject to the ASX Listing Rules, the Corporations Act and other applicable laws, to close the Offer early, extend the date the Offer closes, to accept late Applications or to cancel the Offer before Settlement). If the Offer is cancelled before the issue of New Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Applicants are encouraged to submit their Application Forms as soon as possible after the Offer opens. No cooling-off rights apply to the Offer. The admission of the Company to the Official List and the quotation and commencement of trading of the Shares is subject to confirmation from the ASX.

Unless otherwise indicated, all times stated throughout the Prospectus are Sydney time.

HOW TO INVEST

Applications for New Shares can be made in accordance with the procedures described in this Prospectus. Instructions on how to apply for New Shares are set out in Section 7 and on the back of the Application Form.

1. Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares on issue at Completion of the Offer.
2. Pro forma net cash represents cash and cash equivalents as at 30 June 2020, calculated on a pro forma basis assuming Completion of the Offer, less current loans and borrowings as at 30 June 2020
3. Enterprise Value is equal to the market capitalisation of the Company less pro forma net cash of \$37.0 million as at 30 June 2020
4. Enterprise Value/revenue multiple is calculated as the Enterprise Value divided by pro forma forecast FY2021 net revenue of \$149.9 million.
5. The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and is subject to the key risks set out in Section 5. There is no guarantee that forecasts will be achieved. Certain Financial Information included in this Prospectus is described as pro forma for the reasons described in Section 4.

Chair's Letter



DEAR INVESTOR

On behalf of the Board, it is my pleasure to offer you the opportunity to become a shareholder of Youfoodz Holdings Limited.

Founded in 2012, Youfoodz is based in Brisbane, Queensland and has grown to have a substantial share of the growing Australian fresh, ready-made meals market. Youfoodz specialises in the production and distribution of high quality and affordable fresh, ready-made meals and other convenience food products for residential (home delivery), retail and corporate customers. The Company's products are marketed and distributed through an omni-channel sales model to a database of more than 850,000 home delivery customers via a direct-to-consumer offering (**B2C**) and via a business-to-business offering to major supermarkets, independent grocers, petrol and convenience, corporate and government customers (**B2B**).

Youfoodz operates three production facilities in Brisbane and has developed a scalable, proprietary in-house technology system to optimise production and supply-chain management across its manufacturing centres. The Company's three facilities produce more than 350,000 ready-made meals, 80,000 snacks and 25,000 drinks per week on average¹.

A key strength of Youfoodz' business model is its speed of delivery. Youfoodz offers next day delivery for B2C customers in Brisbane and Melbourne. The Company is currently in the process of implementing next day delivery in Sydney which is expected to launch in 1H FY2021.

Strong underlying growth in the uptake of fresh ready-made meals is expected to continue in the medium-term, driven by a shift in consumer preferences away from traditional home-cooking and the increased accessibility of healthy, convenient and high-quality food products. For the period FY2016 to FY2022F, sales of chilled ready-made meals in Australian and New Zealand are anticipated to increase at a compound annual growth rate (**CAGR**) of 11.3%².

Youfoodz has approximately 460 employees and is led by Founder and CEO, Lance Giles. Key management personnel are supported by a highly experienced Board of Directors, with a demonstrated track record in the food industry, financial and legal expertise as well as corporate strategy and corporate governance experience.

Youfoodz is forecasting FY2021F net revenue of \$149.9 million and has a well-defined strategy to continue to grow its revenue organically by capturing a greater market share in both the B2C and B2B segments of the ready-made meal industry.

Youfoodz is seeking to raise \$70 million under the Offer, which will be used primarily to fund general corporate purposes including marketing and working capital to fund the Company's growth strategy, fit-out of a new, purpose-built manufacturing facility, repayment of a Shareholder Loan and to pay for the costs of the Offer. Each of the Non-Executive Directors of Youfoodz intend to subscribe for New Shares under the Offer. On Completion of the Offer, successful Applicants will hold approximately 27% of the Shares and Existing Shareholders will hold approximately 73% of Shares.

This Prospectus contains detailed information about the Offer, the ready-made meals industry in which Youfoodz operates, the Company's operations, the historical and forecast financial information position of Youfoodz and key personnel. An investment in Youfoodz is subject to a range of risks, including arrangements with B2B customers, integrated supply chain, relationship with suppliers, quality of ingredients, proposed new, purpose-built manufacturing facility, the reliance on Youfoodz' website, database, IT and logistics/warehouse systems, food safety and contamination, the cost of Youfoodz' inputs and operations, compliance with applicable laws and regulations and risks associated with operating in a competitive industry. For more information about the key risks associated with an investment in Youfoodz refer to Section 5 of this Prospectus.

I encourage you to read this Prospectus in detail paying particular attention to the Company's growth strategy as well as the risks associated with the Offer before making an investment decision.

On behalf of the Board of Directors, I look forward to welcoming you as a Shareholder of Youfoodz.

Yours sincerely,

Neil Kearney

Chair

1. Average weekly production in FY2020.

2. Independent Market Report (see Section 2.6.2).



1.

INVESTMENT OVERVIEW



1.1 INTRODUCTION

Topic	Summary	For more information
Who is Youfoodz?	<p>Youfoodz has grown to have a substantial share of the growing Australian ready-made meal market. The Company specialises in the production and distribution of high quality and affordable fresh, ready-made meals and other convenience food products for residential (home delivery), retail and corporate customers. Since inception in 2012, Youfoodz has delivered over 60 million ready-made meals to its home delivery, retail and corporate customers.</p> <p>Products are marketed and distributed through an omni-channel sales model to a database of more than 850,000 home delivery customers via a direct-to-consumer offering (B2C) and via a business-to-business offering via supply to supermarkets, grocery retailers, petrol and convenience stores and corporate customers (B2B).</p> <p>Youfoodz operates three production facilities in Brisbane, Australia and has developed a scalable, proprietary manufacturing technology to optimise production and supply-chain management. The Company's three facilities produce more than 350,000 ready-made meals, 80,000 snacks and 25,000 drinks per week on average¹.</p>	Section 3.1
What is a ready-made meal?	<p>A ready-made meal is a complete meal that has already been prepared and cooked, meaning the consumer only has to heat it, typically in a microwave oven, with no further preparation required. Hence, ready-made meals are highly convenient, typically being available to consume within less than five minutes. Ready-made meals can usually be heated and consumed in the packaging that they are purchased with. Some ready-made meals can also be consumed chilled. They are available in shelf-stable, dried, chilled or frozen formats. Ready-made meals are most commonly sold in single-serving formats.</p>	Section 2.3
What market does Youfoodz operate in?	<p>Youfoodz operates within the ready-made meals market. Sales of ready-made meals are increasing significantly faster than the growth in the overall food market as a result of:</p> <ul style="list-style-type: none"> growing need for convenience in at-home eating growing interest in healthy nutrition allowing consumers to easily track intake of calories and nutrients increasing variety interest in sustainability and ethically-driven food choices growing use of B2C <p>In FY2020, the Australia and New Zealand (ANZ) market for ready-made meals (including shelf-stable, dried, chilled and frozen meals, meal kits and prepared salads) was estimated at \$3.2 billion at retail prices.</p> <p>For the period FY2016 to FY2022F, sales of chilled ready-made meals in ANZ are anticipated to increase at a CAGR of 11.3%².</p>	Section 2.6
What is the Offer?	<p>The Offer is an initial public offering of 46.9 million New Shares by the Company at the Offer Price of \$1.50 per New Share to raise gross proceeds of \$70 million. All New Shares issued pursuant to this Prospectus will, from the time that they are issued and allotted, rank equally with all other Shares on issue at the Prospectus Date.</p>	Section 7.1

1. Average weekly production in FY2020.

2. Independent Market Report (See Section 2.6.2).

1. INVESTMENT OVERVIEW

Topic	Summary	For more information
Why is the Offer being conducted?	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> provide Youfoodz with access to capital markets, which it expects will provide funding and financial flexibility to pursue its growth initiatives, including but not limited to, marketing, product development, fit out of a new purpose-built manufacturing facility and other growth opportunities; repayment of the Shareholder Loan (as defined in Section 9.5.3); achieve a listing on ASX to broaden the Company's shareholder base and provide a liquid market for its Shares; and assist the Company in attracting and retaining staff. 	Section 7.3

1.2 KEY FEATURES OF YOUFOODZ' BUSINESS MODEL

Topic	Summary	For more information
What products does Youfoodz provide and why do customers choose Youfoodz?	<p>Youfoodz' provides a variety of high quality, healthy food and drink options to cater for all eating occasions. Products include ready-made meals for dinner, lunch and breakfast, as well as various snack and drink offerings. The Company believes the key reasons customers choose Youfoodz includes the following:</p> <ul style="list-style-type: none"> Fresh – products are designed to be chilled, not frozen, with a focus on fresh ingredients Healthy – healthy recipes with ingredients sourced direct from producers and other trusted suppliers Time efficient – delivery direct to customer's door or available at convenient retail locations and no requirement for meal preparation or cooking by customer Variety – large and diverse range of recipes (over 60 meals) with seasonal and inter-seasonal menu refreshes Convenient – eliminates planning on ingredients to buy and cook Eco-friendly – minimises food waste, delivery boxes and packaging is recyclable and weather proof Cost effective – reasonably priced alternative to cooking Portion control – meals designed to meet varying fitness objectives 	Section 3.2.2
How does Youfoodz generate revenue?	<p>Youfoodz generates revenue from the sale of its fresh, ready-made meals, snacks and drinks. The Company operates a complementary omni-channel sales model whereby products are distributed through both B2C and B2B channels.</p> <p>The Company's B2C offering is facilitated through a user-friendly online and mobile application platform that allows customers to select from the full product range of Youfoodz' fresh, ready-made meals, snacks and drinks to create an order. The platform allows customers to create meal plans and regular orders with high flexibility and limited friction. Customers have the ability to modify their order at any time prior to the order cut-off time which is typically 8.00pm the night before delivery. The Average Order Value for Youfoodz B2C customers in FY2020 was approximately \$90.</p> <p>Youfoodz' B2B offering is highly complementary to its B2C sales channel. The same ready-made meals and other convenience food products that are supplied into the B2C sales channel are provided to major supermarket chains, independent grocery stores, petrol and convenience stores and other retail outlets for resale in-store. The B2B channel also includes corporations and government organisations seeking meal solutions for employees.</p>	Section 3.2.4
Who are Youfoodz' customers?	<p>Youfoodz offers a clear value proposition for time-poor consumers who appreciate a convenient, flexible and healthy alternative to home-cooking.</p> <p>The Company's B2C offering is marketed to a database of more than 850,000 home delivery customers. In FY2020, Youfoodz had over 268,000 Active Customers who placed over 1.1 million home delivery orders for over 17 million fresh, ready-made meals.</p> <p>Youfoodz' B2B offering supplies fresh, ready-made meals to major supermarket chains, independent grocery stores, petrol and convenience stores, corporations and government organisations.</p>	Sections 3.1 and 3.2

Topic	Summary	For more information																																										
What is Youfoodz' marketing strategy?	<p>Youfoodz maintains a focused and controlled strategy to maximise returns from its marketing spend. The Company has an integrated, multi-channel marketing strategy across online and offline above-the-line marketing channels, as well as continual investment in below-the-line promotions, discounts and trading terms. This multi-channel marketing strategy enables the Company to optimise its marketing spend for its B2C and B2B customer base.</p> <p>All marketing campaigns and media are reviewed and analysed by reference to a range of performance indicators, which enables the Company to determine the success or otherwise of a campaign to design future campaigns to maximise return on investment.</p>	Section 3.2.5																																										
Where are Youfoodz products manufactured and how are they distributed?	<p>Youfoodz manufactures its products in-house with three facilities in Brisbane, Queensland. The three facilities are dedicated to the production of ready-made meals, snacks and drinks. The facilities operate 24 hours a day, seven days a week to ensure meals are delivered fresh to customers.</p> <p>As at 30 June 2020, the Company's meal manufacturing facility prepares and cooks more than 350,000 ready-made meals per week. The Company's meal manufacturing facility utilises its proprietary in-house technology which enables food preparation to occur ahead of sales by predicting the orders likely to be received and adjusting batch sizes accordingly.</p> <p>Youfoodz offers next day delivery for B2C customers in Brisbane and Melbourne. The Company is currently in the process of implementing next day delivery in Sydney which is expected to launch in 1H FY2021. For regions outside of Brisbane, Melbourne and Sydney the delivery timeframe is approximately three days.</p>	Sections 3.2.6 and 3.2.7																																										
What is the Company's growth strategy?	<p>Youfoodz has a well-defined growth strategy to continue to grow its revenue organically by capturing a greater market share in both the B2C and B2B segments of the ready-made meal market. To do this, Youfoodz is focused on executing five key growth initiatives, which includes:</p> <ul style="list-style-type: none">• capturing underlying market and category growth;• growing segment market share and Average Order Value through new offerings;• customer retention with a subscription model and loyalty program;• manufacturing automation and other efficiencies from a new purpose-built manufacturing facility; and• selectively targeting new geographies.	Section 3.6																																										
What is the Company's pro forma historical and forecast financial performance?	<p>The table below summarises the Pro Forma and Statutory Income Statements set out in Section 4.3</p> <table><tr><th></th><th colspan="3">Pro forma Historical</th><th>Pro forma Forecast</th><th>Statutory Forecast</th></tr><tr><th>\$ million</th><th>FY2018</th><th>FY2019</th><th>FY2020</th><th>FY2021F</th><th>FY2021F</th></tr><tr><td>Net revenue</td><td>123.3</td><td>156.6</td><td>127.3</td><td>149.9</td><td>149.9</td></tr><tr><td>Gross profit</td><td>30.4</td><td>27.5</td><td>37.3</td><td>51.2</td><td>51.2</td></tr><tr><td>Gross profit margin %</td><td>24.7%</td><td>17.5%</td><td>29.3%</td><td>34.1%</td><td>34.1%</td></tr><tr><td>EBITDA</td><td>(11.7)</td><td>(27.2)</td><td>(5.0)</td><td>0.5</td><td>2.9</td></tr><tr><td>NPAT</td><td>(17.1)</td><td>(34.6)</td><td>(6.2)</td><td>(0.6)</td><td>(0.8)</td></tr></table>		Pro forma Historical			Pro forma Forecast	Statutory Forecast	\$ million	FY2018	FY2019	FY2020	FY2021F	FY2021F	Net revenue	123.3	156.6	127.3	149.9	149.9	Gross profit	30.4	27.5	37.3	51.2	51.2	Gross profit margin %	24.7%	17.5%	29.3%	34.1%	34.1%	EBITDA	(11.7)	(27.2)	(5.0)	0.5	2.9	NPAT	(17.1)	(34.6)	(6.2)	(0.6)	(0.8)	Section 4.3
	Pro forma Historical			Pro forma Forecast	Statutory Forecast																																							
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1. INVESTMENT OVERVIEW

Topic	Summary	For more information
What is the impact of COVID-19 on the Company and its operations?	<p>At the onset of COVID-19, the Company's B2C channel benefited from an increase in new customer acquisitions and order volumes in response to government mandated lock down measures. Youfoodz is expected to continue to benefit from these tailwinds due to stronger consumer familiarity and accelerated market penetration of online food delivery services. Youfoodz is also expected to benefit through its ability to retain new customers acquired through this period.</p> <p>Youfoodz' B2B segment was adversely impacted by government mandated restrictions (including lock downs or social distancing measures) due to reduced foot traffic in retail and petrol and convenience stores. The Company has started to see a recovery in these B2B channels as government mandated restrictions ease.</p> <p>Youfoodz also experienced temporary supply chain disruptions from COVID-19 including inflation of raw material costs driven by panic buying and inflation in both outsourced and in-house logistics costs due to demand spikes and additional health and safety requirements. Inflation for both cost items was experienced during the initial weeks of COVID-19 with costs having since reverted to more normalised levels.</p>	Sections 2.5.3, 2.5.5 and 3.5
What is the Company's dividend policy?	<p>The payment of a dividend by Youfoodz is at the discretion of the Board and will be a function of a number of factors (many of which may be outside the control of Youfoodz and its Directors and Management, and are not reliably predictable), including the general business environment, operating results, cash flows and financial condition of Youfoodz' future funding requirements, capital management initiatives, taxation considerations, any contractual, legal or regulatory restrictions on the payment of dividends by Youfoodz, and any other factors the Directors may consider relevant.</p> <p>While it is the aim of Youfoodz that, in the longer term, its financial performance and position will enable the payment of dividends, at the Prospectus Date, Youfoodz, does not intend, nor expect, to declare nor pay any dividends in the immediately foreseeable future, given that Youfoodz' focus will be on long term growth.</p>	Section 4.10

1.3 KEY STRENGTHS

Topic	Summary	For more information
Substantial share of fresh ready-made meals market	<ul style="list-style-type: none"> Substantial share of the market in the production and distribution of high quality and affordable fresh, ready-made meals and other convenience food products for residential (home delivery), retail and corporate customers Strong brand and a database of more than 850,000 B2C customers across Australia Complementary B2C and B2B channels with flexible options 	Section 3
Favourable industry dynamics	<ul style="list-style-type: none"> Leveraged to the trend towards convenient, healthy and time-effective alternatives to home cooking Sales of chilled ready-made meals in Australia and New Zealand are anticipated to increase at a CAGR of 11.3% to FY2022³ Positioned to expand further into the high growth/high margin snack category 	Section 2
Highly scalable integrated business model	<ul style="list-style-type: none"> Data driven approach to marketing and product development across both B2C and B2B channels Integrated supply chain and proprietary manufacturing technology provides scale and efficiencies Efficient, nation-wide B2C and B2B delivery capability Newly implemented subscription model to support customer retention 	Section 3
Substantial growth opportunities	<ul style="list-style-type: none"> Significant opportunity to drive customer retention through loyalty programs to reward good customer behaviour and incentivise repeat purchases Capital investment has the potential to generate material annual EBITDA benefits through enhanced manufacturing capabilities and automation Expanding into new geographies to grow and retain its customer base in new markets such as New Zealand and the USA 	Section 3.6

3. Independent Market Report (see Section 2.6.2).

Topic	Summary	For more information
Attractive financial metrics	<ul style="list-style-type: none"> Strong track record of growth with net revenue CAGR of 90%+ over the past 5 years Gross profit margin expansion from 17.5% to 29.3% over the 12 months to 30 June 2020 	Section 4.3
Founder-led management and experienced Board	<ul style="list-style-type: none"> Senior management team led by Founder, Managing Director and CEO, Lance Giles Supported by highly experienced Board with extensive experience in the FMCG sector 	Section 6.1

1.4 KEY RISKS FOR THE COMPANY

There are a number of potential risks associated with the Company and the market in which it operates in, which may impact their financial performance. Some of the risks are summarised below and are described in Section 5.

Topic	Summary	For more information
Competition	The ready-made meal market is competitive. Youfoodz can be differentiated from its competitors due to a number of factors including its operating scale, the prices it offers for its products, the demographic of consumers targeted (men and women aged 20–35 years) and its product range. However, there is a risk that Youfoodz may lose market share to its competitors. Current and future competitors include other companies that already manufacture and/or deliver ready-made meals and suppliers of substitutes to Youfoodz' products such as supermarkets and other retailers (both online and in-store).	Section 5.2.1
Customer contracts	In addition to directly delivering ready-made meals to individual customers' homes, Youfoodz distributes its products to retailers, some of which operate without formal written agreements. Because of this, there is a risk that these customers may cease purchasing products from Youfoodz, which could have a material adverse impact on the Company's operational and financial performance. Further, contracts with Youfoodz' retail and corporate customers do not generally impose minimum purchase obligations, which means that the customer can cease purchasing, or reduce the order size of, Youfoodz' products.	Section 5.2.2.1
Customer retention and new contracts	Youfoodz' business model and growth strategy are reliant on its ability to retain existing customers and attract new customers in a cost-effective way. A key focus of the business is to attract and retain customers and there is a risk that the Company is unable to successfully achieve its growth objectives.	Section 5.2.2.2
Communication platforms	Youfoodz' success depends on customer engagement and frequent and unimpeded communication with its customers. To achieve this, it relies on a digital application platform, email and other messaging services to promote and communicate with its current customers (and potential customers). If an issue occurs resulting in the Company not being able to deliver messages to its current or new customers, then its operating and financial performance and reputation may be adversely affected.	Section 5.2.2.3
Supply chain	Youfoodz' supply chain is reliant on a streamlined integration of producers and suppliers, in-house manufacturing processes, outsourced distribution and logistics, service providers, and the technology platforms used by Youfoodz. There is a risk that an operational issue occurs along this supply chain, including, but not limited to, failures or delays associated with consolidating its existing facilities, relocating to upgraded facilities, updating the in-house manufacturing processes, switching suppliers, changing distribution arrangements and upgrading its technology platform, could significantly impact Youfoodz' ability to produce and deliver its meals at the desired level of quality, efficiency, and with the ingredients needed for each ready-made meal.	Section 5.2.2.4
Ingredient suppliers	Youfoodz regularly sources over 300 fresh ingredients for its products, some of which are sourced directly from producers and wholesalers, each week. Although Youfoodz has a diversified network of suppliers, if these suppliers terminate their relationships with Youfoodz, cease operations during an order cycle, or cause other disruptions, Youfoodz may not be able to make the necessary adjustments in time to ensure the correct ingredients are used or that the appropriate level of quality of ingredients can be achieved to produce certain products. This could result in an inability to meet its obligations to its customers.	Section 5.2.2.5

1. INVESTMENT OVERVIEW

Topic	Summary	For more information
Quality of ingredients supplied	Youfoodz relies on the ingredients that it receives from its suppliers being fresh and of a high quality. Youfoodz currently sources fresh ingredients directly from local farmers whose production of perishable products is subject to seasonality and weather conditions. Conditions that are not favourable for food production and farming may impact a supplier's ability to supply a specific ingredient at the required quantity or at all.	Section 5.2.2.6
Service agreements with third parties	Youfoodz has arrangements with numerous third-party service providers that provide various goods and services that Youfoodz requires for the business to run smoothly. There is a risk that service providers fail to perform adequately, fail to meet certain performance thresholds, terminate their relationship with Youfoodz, refuse to supply goods and services on commercially acceptable terms, or become insolvent (among other things).	Section 5.2.2.7
Proposed new purpose-built manufacturing facility	Part of the proceeds from the Offer are intended to fund a new purpose-built facility at a new location that is intended to consolidate all existing facilities into one location. Although Youfoodz has researched and identified potential sites for the new purpose-built manufacturing facility, a site has not been secured and no binding term sheet or lease agreement has been executed. There is a risk that Youfoodz is not able to secure the desired site for construction of the new purpose-built manufacturing facility. In addition, there is a risk that regulatory approvals or required applications could be refused, delayed, or approved with conditions that adversely affect operations at the relevant site. To the extent that any construction works are required for the proposed new purpose-built manufacturing facility, these works may be subject to delays or to cost overruns for a number of reasons.	Section 5.2.3
Compliance with laws and regulations	Youfoodz is subject to multiple laws and regulations, including, without limitation, those relating to food and safety, employment, occupational health and safety, intellectual property, data protection, IT/privacy, competition and taxation laws. Any failure by Youfoodz to adhere to relevant legal or regulatory requirements could adversely affect its business.	Section 5.2.4
Reliance on key employees	Youfoodz relies on the capabilities of a number of key employees, who have experience in, and knowledge of, the procurement processes, marketing, and manufacturing techniques involved in the preparation of fresh ready-made meals. The loss of one or more of its key employees and any delay in their replacement may adversely impact the ability of Youfoodz to implement its business and growth strategies as intended.	Section 5.2.5.1
Employment law and cost of labour	There are a number of employment and labour laws and regulations that govern Youfoodz' relationships with its employees and that impact Youfoodz' operating costs. Increases in labour costs, as well as increased unionisation activities on the part of Youfoodz' employees, may have an adverse effect on Youfoodz' costs and financial performance. Further, any non-compliance with employment and labour laws and regulations could result in the Company being liable for back-payments, fines or additional taxes and may also result in enforcement action.	Section 5.2.5.2
Occupational health and safety	Youfoodz is exposed to risks associated with the occupational health and safety of its employees. These risks include hazardous material exposure for staff, injuries associated with the servicing and operation of machinery in the facilities, accidents around the facility and trucks and other hazards. Injuries to employees, or third party distributors and contractors, may result in costs beyond what is covered under workers compensation schemes. Risks associated with occupational health and safety issues could also lead to civil or criminal liability and sanctions.	Section 5.2.5.3
Brand reputation and value	Youfoodz' success is, in part, due to the strength of its branding and its reputation. Youfoodz' branding and reputation could be adversely impacted by a number of factors. The deterioration of Youfoodz' reputation and the value associated with its brand could have an adverse impact on consumer loyalty and retention, the rate of new customer acquisitions, relationships with suppliers, and employee retention rates, all of which may adversely affect Youfoodz' business, financial performance and operations.	Section 5.2.6.1
Protection of intellectual property	Although Youfoodz owns the material intellectual property that it uses, including its trademarks, various designs, its proprietary manufacturing application, the domains; youfoodz.com.au and youfoodz.com, among other things, Youfoodz relies on laws relating to intellectual property, including copyright and trademark laws, to assist in protecting its proprietary rights. However, there is a risk that Youfoodz' intellectual property (including in its data or software) may be undertaken by another party without authority from Youfoodz.	Section 5.2.6.2

Topic	Summary	For more information
IT system risk	Youfoodz' website, databases, IT, and logistics/warehouse systems are critically important to its success in attracting and retaining customers, and maximising sales conversion from those customers. There is a risk that if one or more of Youfoodz' critical systems do not function properly or if there is an IT breach that occurs, there could be disruptions, loss of data, corruption of databases, delays in transaction processing, delays in receiving or processing orders through the warehouse, website slowdown or unavailability, and the inability to accept and fulfil customer orders. Such disruption, especially if sustained or regular, could adversely affect Youfoodz' financial performance and operations.	Section 5.2.7
Spoiled products	Perishable and fresh products constitute a significant proportion of the ingredients in Youfoodz' ready-made meals. If Youfoodz does not accurately anticipate the time it will take to obtain supplies or if it miscalculates customer demand, it may be unable to pack and ship inventory in a timely manner and perishable products may spoil.	Section 5.2.8.1
Supply chain contamination	Although Youfoodz uses fresh ingredients (many of which are sourced directly from farmers and the provider themselves) and has stringent food safety policies and procedures in place, Youfoodz cannot guarantee that food safety training and controls along the supply chain will be fully effective in preventing all food safety issues associated with its food products.	Section 5.2.8.2
Ingredient packaging and labelling	Any packaging errors or mislabelling of ingredients could cause customers to suffer allergic reactions and other health concerns and lead to associated claims against Youfoodz.	Section 5.2.8.3
Food cost volatility and changes in volatility	There is a risk that the cost of Youfoodz' inputs and operations may increase as a result of factors beyond Youfoodz' control, such as general economic conditions, market movements, increased competition, inflation, seasonal fluctuations, shortages or interruptions, weather conditions, climate change, consumer demand, food safety concerns, changes in the regulatory environment and products recalls. Prices of produce fluctuate depending on general conditions, season and demand, and there is a risk that certain produce will become scarce.	Section 5.2.9
Litigation, disputes and claims	Youfoodz may, from time to time, be involved in legal proceedings, litigation, claims, regulatory investigations or disputes (Claims) with a variety of parties, including, but not limited to, employees, former employees, shareholders, former shareholders, members of the communities around its facilities, Government agencies or regulators, end-consumers, contractors, customers, vendors or suppliers arising in the ordinary course of business or otherwise. The outcome of such Claims cannot be predicted with certainty and Youfoodz may also incur costs in pursuing, defending or settling Claims, including, but not limited to, settlement sums, compensation, cost orders, fines and legal and other professional fees. This could adversely affect Youfoodz' business, reputation, financial condition and results of operations. Refer to Section 9.8 for information about current legal proceedings involving the Group.	Section 5.2.10
Existing Shareholders retain a significant stake in the Company post-IPO	<p>At Completion of the Offer, Existing Shareholders will hold approximately 72.6% of the total shares on issue in Youfoodz and will continue to be able to exert significant influence over Youfoodz, including in relation to the election of directors, the appointment of new management, and the potential outcome of matters submitted to the vote of shareholders. There is a risk that the interests of the Existing Shareholders may be different from the interests of investors who acquire Shares under the Offer. Further, a holding of this percentage of Shares by Existing Shareholders will mean that they can block a takeover bid or other control transaction.</p> <p>There is also a risk that the continued shareholding of the Existing Shareholders, in particular until the end of the voluntarily imposed Escrow Period, may cause or contribute to a limited liquidity in the market for Shares, which could affect the market price at which other shareholders are able to sell. There is also a risk that a significant sale of shares by Existing Shareholders after the end of the voluntarily-imposed Escrow Period or the perception that such a sale might occur, could adversely impact the price of Shares.</p>	Section 5.2.11

1. INVESTMENT OVERVIEW

Topic	Summary	For more information
Loss making operation and sufficiency of funding	As at the Prospectus Date, Youfoodz is loss making and is not cash flow positive, meaning it is reliant on raising funds from investors to continue to fund its operations and product development. As a result of the Strategic Reset outlined in Section 4.7.9, the Company is forecasting to have positive EBITDA in FY2021 but not cash flow positive. Although the Directors consider that Youfoodz will, on Completion of the Offer, have enough working capital to carry out its stated objectives, there can be no assurance that such objectives can continue to be met in the future without securing further funding. Youfoodz may need to raise additional funds from time to time to finance the ongoing development and commercialisation of its technology and meet its other longer term objectives. Youfoodz' ability to raise additional funds will be subject to, among other things, factors beyond the control of Youfoodz and its Directors, including cyclical factors affecting the economy and the share markets generally. The Directors can give no assurance that future funds can be raised by Youfoodz on favourable terms, if at all. If further funds are required but cannot be raised, this may force curtailment of product development initiatives, operations, or both to remain solvent.	5.2.12
Impact of COVID-19	The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of individuals, businesses, and governments to operate. There continues to be considerable uncertainty as to the duration of and further impact of COVID-19 including in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantines and supply restrictions. The impact of some or all of these factors could cause an adverse impact to Youfoodz' business, financial performance and operations. For example, these Government restrictions may disrupt, and may continue to disrupt, Youfoodz' manufacturing operations. These disruptions may have a material adverse effect on Youfoodz' financial performance and operations.	Section 5.2.13
Other risks	A number of other key risks relating specifically to an investment in the Company and generally to an investment in the New Shares are included in Section 5.	Section 5

1.5 DIRECTORS AND MANAGEMENT

Topic	Summary	For more information
Who are the Directors of the Company?	<ul style="list-style-type: none"> • Neil Kearney – Independent Chair and Non-Executive Director • Lance Giles – Founder, Managing Director and Chief Executive Officer • Julie McPherson – Independent, Non-Executive Director • Andrew Duff – Independent, Non-Executive Director • Stuart Nash – Independent, Non-Executive Director 	Section 6.1
Who is the Management of the Company?	<ul style="list-style-type: none"> • Lance Giles – Founder, Managing Director and Chief Executive Officer* • John O'Connor – Chief Financial Officer* • Jonathan Salt – Chief Operating Officer* • Christina King – Chief People Officer • Simon Jarvis – Chief Marketing Officer • Aaron Miglioranza – Head of Retail <p>* Key management personnel (KMP)</p>	Section 6.1.2

1.6 SIGNIFICANT INTERESTS OF KEY SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Topic	Summary				For more information	
Who are the Existing Shareholders and what will their interest in the Company be at Completion of the Offer?	Shares held at the Prospectus Date		Shares held at Completion of the Offer		Section 7.5	
	Holder	Shares	%	Shares		%
	RGT Capital	67.3 million	76.7%	77.3 million		57.4%
	Founding Shareholders ¹	19.0 million	21.7%	19.0 million		14.1%
	Other Management ²	1.4 million	1.6%	1.4 million		1.0%
	Employee Gift Offer	–	–	0.2 million		0.2%
	New Shareholders	–	–	36.7 million		27.2%
	Total	87.7 million	100.0%	134.6 million		100.0%
	1. Shares held by Lance Giles, Karl Arthur Giles as trustee for the LStiles Trust, Arthur John Giles as trustee for the A & MG Trust, Jennifer Dowery as trustee for the JStiles Trust, Jermaine Leonard Karaitiana Chambers as trustee for the Chambers Trust and Jennifer Dowery as trustee for the Dowery Family Trust.					
	2. Shares held by John O'Connor, CFO and Jonathan Salt, COO. This excludes the Shares held by Lance Giles, CEO and his associates (being the Shares held by the Founding Shareholders).					
What significant benefits are payable to Directors and other persons connected with the Company or the Offer?	On Completion of the Offer, the number of Shares held by the Directors, or in which the Directors have an interest, is expected to be as follows:				Section 6.2	
	Name	Number of Shares		% of total Shares		
	Lance Giles and associates ¹	19,020,531		14.1%		
	Neil Kearney	20,000		0.01%		
	Andrew Duff	20,000		0.01%		
	Julie McPherson	20,000		0.01%		
	Stuart Nash	20,000		0.01%		
	Total	19,100,531		14.2%		
	1. Includes Shares held by Lance Giles, Karl Arthur Giles as trustee for the LStiles Trust, Arthur John Giles as trustee for the A & MG Trust, Jennifer Dowery as trustee for the JStiles Trust, Jermaine Leonard Karaitiana Chambers as trustee for the Chambers Trust and Jennifer Dowery as trustee for the Dowery Family Trust.					
	In addition, on Completion of the Offer, the Directors will hold the following Options:					
Director	Number of Options	Exercise Price	Expiry Date			
Neil Kearney	13,333	\$1.50	Five years from Completion of the Offer, subject to vesting.			
Andrew Duff	13,333	\$1.50	Five years from Completion of the Offer, subject to vesting.			
Julie McPherson	13,333	\$1.50	Five years from Completion of the Offer, subject to vesting.			
Stuart Nash	13,333	\$1.50	Five years from Completion of the Offer, subject to vesting.			
Directors are entitled to remuneration and fees as disclosed in Section 6.2.2 and are entitled to participate in the incentive arrangements disclosed in Section 6.2.1.						
Advisors and other service providers are entitled to fees for services and have other interests as disclosed in Section 6.3.						

1. INVESTMENT OVERVIEW

Topic	Summary	For more information												
Will any Shares be subject to restrictions on disposal following Completion of the Offer?	<p>All of the Shares held on Completion of the Offer by the Existing Shareholders will be subject to voluntary escrow arrangements as set out below:</p> <table> <tr> <th>Shareholder</th><th>Number of Shares</th><th>Escrow Period</th></tr> <tr> <td>RGT Capital¹</td><td>77.3 million</td><td>From Completion of the Offer until the FY2021 Results Date</td></tr> <tr> <td>Founding Shareholders and Other Management</td><td>20.4 million</td><td>From Completion of the Offer until the FY2022 Results Date</td></tr> <tr> <td>Total</td><td>97.7 million</td><td></td></tr> </table> <p>1. Includes the New Shares to be issued to RGT Capital under the Offer.</p>	Shareholder	Number of Shares	Escrow Period	RGT Capital ¹	77.3 million	From Completion of the Offer until the FY2021 Results Date	Founding Shareholders and Other Management	20.4 million	From Completion of the Offer until the FY2022 Results Date	Total	97.7 million		Section 7.6
Shareholder	Number of Shares	Escrow Period												
RGT Capital ¹	77.3 million	From Completion of the Offer until the FY2021 Results Date												
Founding Shareholders and Other Management	20.4 million	From Completion of the Offer until the FY2022 Results Date												
Total	97.7 million													

1.7 PROPOSED USE OF FUNDS AND KEY TERMS AND CONDITIONS OF THE OFFER

Topic	Summary	For more information																		
Who is the issuer of this Prospectus?	Youfoodz Holdings Limited (ABN 38 635 434 801), an Australian public company incorporated on 9 August 2019.	Section 7.1																		
What is the Offer?	<p>The Offer is an invitation to apply for 46.9 million New Shares offered for issue by Youfoodz at \$1.50 per New Share. The Offer is expected to raise \$70 million.</p> <p>The Offer comprises the Broker Firm Offer, Priority Offer, Employee Gift Offer and the Institutional Offer.</p> <p>The New Shares being offered to New Shareholders under the Offer will represent approximately 27% of the total number of Shares on issue at Completion of the Offer.</p>	Sections 7.1 and 7.2																		
What is the proposed use of funds raised under the Offer?	<p>The funds received under the Offer will be used as follows:</p> <table> <tr> <th>Use of Funds</th><th>\$ million</th><th>% of Offer proceeds</th></tr> <tr> <td>New purpose-built manufacturing facility</td><td>15.0</td><td>21%</td></tr> <tr> <td>Repayment of Shareholder Loan</td><td>25.0</td><td>36%</td></tr> <tr> <td>General corporate purposes, including marketing and working capital to fund the Company's growth strategy</td><td>24.4</td><td>35%</td></tr> <tr> <td>Costs of the Offer</td><td>5.6</td><td>8%</td></tr> <tr> <td>Total uses</td><td>70.0</td><td>100%</td></tr> </table>	Use of Funds	\$ million	% of Offer proceeds	New purpose-built manufacturing facility	15.0	21%	Repayment of Shareholder Loan	25.0	36%	General corporate purposes, including marketing and working capital to fund the Company's growth strategy	24.4	35%	Costs of the Offer	5.6	8%	Total uses	70.0	100%	Section 7.4
Use of Funds	\$ million	% of Offer proceeds																		
New purpose-built manufacturing facility	15.0	21%																		
Repayment of Shareholder Loan	25.0	36%																		
General corporate purposes, including marketing and working capital to fund the Company's growth strategy	24.4	35%																		
Costs of the Offer	5.6	8%																		
Total uses	70.0	100%																		

Topic	Summary	For more information
How is the Offer structured and who is eligible to participate in the Offer?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> the Retail Offer, consisting of the: <ul style="list-style-type: none"> Broker Firm Offer; Priority Offer; and Employee Gift Offer; and the Institutional Offer. <p>No general public offer of Shares will be made under the Offer.</p>	Section 7.2
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Joint Lead Managers.	Section 9.5.1
Will the New Shares be quoted on ASX?	<p>Youfoodz will apply to ASX for admission to the official list of ASX and quotation of Shares on ASX under the code 'YFZ' within 7 days after the Prospectus Date. It is anticipated that quotation will initially be on a normal settlement basis.</p> <p>Completion of the Offer is conditional on ASX approving that application. If approval is not given within three months after such an application is made, the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 7.17
What is the allocation policy?	<p>The allocation of New Shares between the Broker Firm Offer, Priority Offer and the Institutional Offer was determined by agreement between the Joint Lead Managers and the Company having regard to the allocation policies outlined in Sections 7.8.5, 7.10.5 and 7.13.2.</p> <p>The allocation of New Shares among Applicants in the Institutional Offer was determined by the Joint Lead Managers in agreement with the Company.</p> <p>The allocation of New Shares among Applicants in the Priority Offer will be determined by the Company in consultation with the Joint Lead Managers.</p> <p>The Company will determine the allocation of Shares to Eligible Employees within the Employee Gift Offer in accordance with the criteria set out in Section 7.9.5.</p> <p>With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate New Shares among their retail clients.</p>	Sections 7.8.5, 7.9.5, 7.10.5 and 7.13.2
Is there any brokerage, commissions or stamp duty payable by Applicants?	No brokerage, commission or stamp duty will be payable by Applicants on the acquisition of New Shares under the Offer.	Sections 7.7 and 9.10
What are the tax implications of investing in the New Shares?	<p>A summary of certain Australian tax consequences of participating in the Offer and investing in New Shares are set out in Section 9.10.</p> <p>The tax consequences of any investment in New Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.</p>	Section 9.10

1. INVESTMENT OVERVIEW

Topic	Summary	For more information
How can I apply for New Shares?	<p>Broker Firm Offer Applicants</p> <p>Broker Firm Offer Applicants may apply for New Shares by completing a valid Broker Firm Offer Application Form attached to or accompanying this Prospectus and following the instructions of their Broker who invited them to participate in the Broker Firm Offer.</p> <p>Priority Offer Applicants</p> <p>Applicants under the Priority Offer must apply in accordance with the instructions provided in their Priority Offer invitation made under this Prospectus.</p> <p>Employee Gift Offer Applicants</p> <p>To apply under the Employee Gift Offer, you must complete the Employee Gift Offer Application Form in accordance with the instructions provided to you by the Company.</p> <p>Institutional Offer Applicants</p> <p>The Joint Lead Managers has separately advised Institutional Investors of the application procedure under the Institutional Offer.</p>	Sections 7.8.2, 7.9.2, 7.10.2 and 7.13.1
What is the minimum Application size?	The minimum Application size under the Broker Firm Offer and Priority Offer is \$2,100 of New Shares in aggregate.	Section 7.8.3
When will an Applicant receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched to successful Applicants by standard post on or around 1 December 2020.	Section 7.7
Can the Offer be withdrawn?	<p>The Company may withdraw the Offer at any time before the allocation and issue of Shares to successful Applicants under the Offer.</p> <p>If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).</p>	Section 7.7
Where can I find out more information about this Prospectus or the Offer?	<p>All enquiries in relation to this Prospectus should be directed to the Youfoodz IPO Offer Information Line on:</p> <ul style="list-style-type: none"> • within Australia 1300 737 760; or • outside Australia: +61 2 9290 9600, <p>from 8.30am to 5.00pm (Sydney time), Monday to Friday (excluding public holidays).</p> <p>If you have any questions about whether or not to invest in the Company, you should seek professional advice from your accountant, financial advisor, stockbroker, tax advisor, lawyer or other professional advisor before deciding whether or not to invest.</p>	Section 7.7

2.

Independent Market Report



2. INDEPENDENT MARKET REPORT

FROST & SULLIVAN MARKET REPORT

2.1 INTRODUCTION

This report describes the ready-made meals market in Australia and New Zealand. This report has been commissioned from Frost & Sullivan by Youfoodz Holdings Limited.

2.2 BACKGROUND

Youfoodz is a leading supplier of ready-made meals, as well as snacks and drinks. The Company operates through traditional retail channels (supermarkets and convenience stores), direct-to-consumer (B2C), whereby consumers purchase online from the manufacturer and have products delivered direct to their door, and also supplies corporate customers. Whilst currently focused on Australia, Youfoodz plans to expand into the New Zealand market, which is also covered in this report.

2.3 DEFINITIONS

A ready-made meal is a complete meal that has already been prepared and cooked, meaning the consumer only has to heat it, typically in a microwave oven, with no further preparation required. Hence, ready-made meals are highly convenient, typically being available to consume within less than five minutes. Ready-made meals can usually be heated and consumed in the packaging that they are purchased with. Some ready-made meals can also be consumed chilled. They are available in shelf-stable, dried, chilled or frozen formats. Ready-made meals are most commonly sold in single-serving formats.

A related product format is meal kits. A meal kit contains all the ingredients needed to prepare a meal, together with instructions. Meal kits differ from ready-made meals in that they require preparation by the consumer, and are generally sold in shelf-stable form. They provide a less convenient option for the consumer than ready-made meals, as they can require up to 40 minutes to prepare.

As defined in this report, the ready-made meals market excludes single-item products, such as pre-made pizzas. Prepared salads are included.

2.4 METHODOLOGY

Information in this report has been taken from various sources, including national statistical offices, company websites, reports and presentations, analyst reports and news articles.

All years quoted in this report are financial years (y/e June 30th), unless otherwise stated. All currency values are in Australian dollars (\$), unless otherwise stated.

2.5 THE FOOD MARKET

2.5.1 Overview

The food market includes a number of product categories, including meals out and fast foods, and products bought for home consumption, including meat, fish and seafood, fruit and vegetables, bakery products, non-alcoholic beverages, dairy products, and other foods (which includes ready-made meals). This section describes the size and growth of the food market in Australia and New Zealand, and the main trends that are occurring.

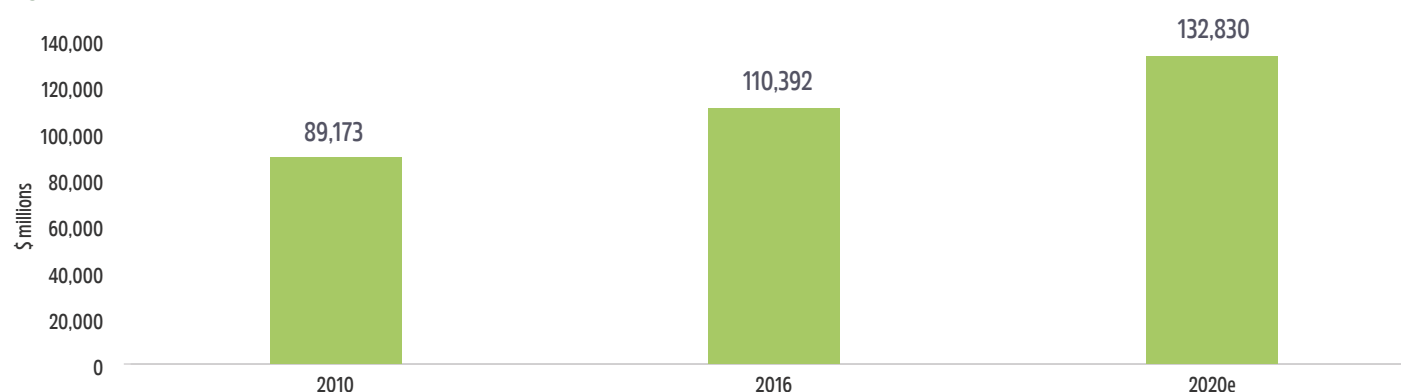
2.5.2 Market Size and Growth

2.5.2.1. Australia

Using data from the Australian Bureau of Statistics (ABS) Household Expenditure Survey (HES), in 2016 (the latest year for which data is available), average weekly household expenditure on food and non-alcoholic beverages was \$236.96, equivalent to \$12,232 per household per year, 16.6% of average total weekly expenditure on goods and services. This is an increase from \$204.20 in 2010 (16.5% of total weekly expenditure on goods and services)¹. Between 2010 and 2016, average household expenditure on food and non-alcoholic beverages therefore increased at a compound annual growth rate (CAGR) of 2.51%. Assuming a similar growth rate after 2016, by 2020 average weekly household expenditure on food and non-alcoholic beverages reached \$260.66. When multiplied by the estimated total number of households, total food expenditure in Australia was estimated to be approximately \$133 billion in 2020.

1. Australian Bureau of Statistics, Household Expenditure Survey, 2009-10 and 2015-16.

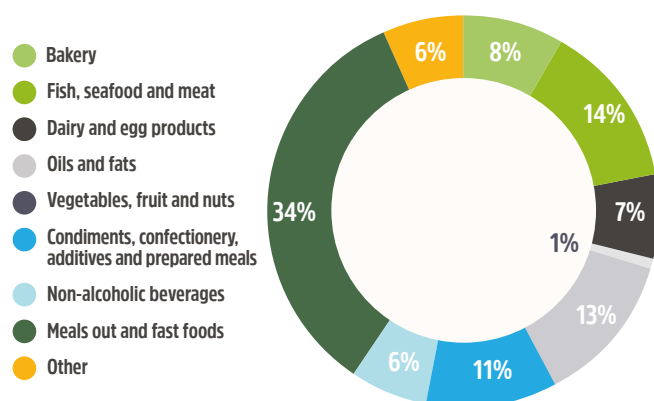
Figure 2.1: Total Household Food Expenditure (Consumer Prices), Australia, 2010 to 2020e



Source: Frost & Sullivan estimate based on ABS, HES, 2010 and 2016. 2020e is based on continuation of historic growth rate in average household expenditure, multiplied by estimated number of households (ABS, Household and Family Projections, Australia, 2016 to 2041).

By type, the largest expenditure category is meals out and fast foods, which represented approximately 34% of total household food expenditure in 2016. This is also the fastest growing category, with average household expenditure increasing by 4.1% CAGR between 2010 and 2016.

Figure 2.2: Household Food Consumption by Category, Australia, 2016



Source: ABS, HES 2015-16.

2.5.2.2. New Zealand

In New Zealand, based on the 2019 Household Expenditure Statistics, average weekly expenditure on food and non-alcoholic beverages was NZ\$233.60 (\$216.25).² This has increased from NZ\$191.70 (\$177.46) since 2013 at a CAGR of 3.3%. In 2019, expenditure on food and non-alcoholic beverages represented 17.3% of average total expenditure on goods and services.³ When multiplied by the estimated number of households, total household expenditure on food and non-alcoholic beverages was NZ\$21.35 billion (\$19.76 billion) in 2019, having increased from NZ\$15.45 billion (\$14.30 billion) in 2013 at a CAGR of 5.5%.⁴

Total consumer food expenditure in Australia and New Zealand can therefore be estimated at approximately \$153 billion.⁵

2. Based on exchange rate as at 21 September 2020.

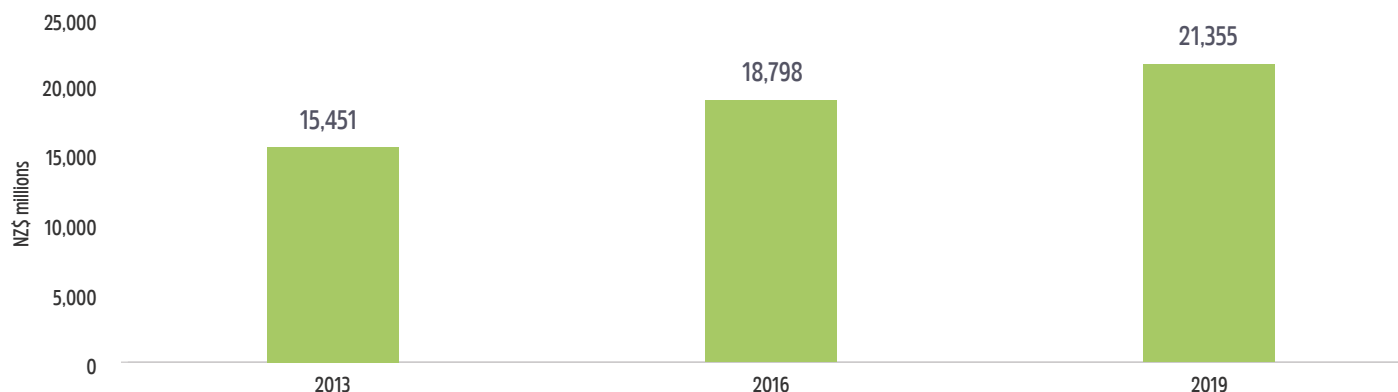
3. Statistics NZ, Household Expenditure Statistics, 2013, 2016, 2019. Year-ended March.

4. Frost & Sullivan calculation based on number of households as in Statistics NZ, Household Economic Survey.

5. Frost & Sullivan.

2. INDEPENDENT MARKET REPORT

Figure 2.3: Total Household Food Expenditure (Consumer Prices), New Zealand, 2013 to 2019



Source: Calculated based on Statistics NZ, Household Expenditure Statistics.

2.5.3 Trends in Expenditure on Food

Key trends in food expenditure are described below:

Growing proportion of expenditure on eating out and takeaway food: households in Australia have devoted an increasing portion of their food spending to out-of-home eating and fast food. In 2010, this category represented 30.8% of average weekly food expenditure in Australia, but by 2016 had increased to 33.9% and, based on historic trends, is estimated to have reached 36% in 2020.⁶ This trend has been driven by growing preference for spending on 'experiences' rather than 'things', the rapid growth in use of food delivery services, increased focus on convenience, and growing consumer demand for new food options (however, as discussed in Section 2.5.5, expenditure on eating out and takeaway food has been significantly impacted by the social and economic restrictions imposed as a result of the COVID-19 pandemic).

Growth in spending on packaged food: as well as growth in the proportion of food expenditure devoted to eating out and takeaway food, an increasing proportion of expenditure is devoted to packaged food (including ready-made meals). Conversely, the proportion of expenditure on meat, fish and seafood and bakery products has fallen significantly in Australia in recent years, from 14.6% of food expenditure in 2010 to 13.7% in 2016, and from 10.0% to 8.4% respectively.⁷

Premiumisation: the need of consumers to indulge and the willingness to pay more for new, high-quality and innovative products is creating a premiumisation trend in the food and beverage market. Changes in consumer tastes and preferences accounted for 20% of the growth in food demand in Australia between 2010 and 2017, the second most important growth driver after population growth.⁸

Growth in convenience foods: whilst overall growth in packaged food is closely linked to population growth, product categories which offer convenience to an increasingly time-poor population, such as ready-made meals, are growing ahead of the overall average. Packaged food products, including ready-made meals, address trends such as the increasing proportion of single-person households, and dual-person households where both individuals work.

Growing interest in health and nutrition: consumers are generally becoming more aware of the nutritional composition of packaged foods. Products such as ready-made meals easily enable consumers to track their intake of calories and nutrients such as proteins, a critical requirement when looking to lose weight and/or gain muscle. The origin and provenance of the product is also increasingly important, with consumers increasingly supporting brands that offer locally or ethically-sourced ingredients.

New business models: traditionally, out of home eating and in-store purchases at traditional retail channels (supermarkets and speciality food outlets) captured virtually all food expenditure. However, over recent years new delivery channels have emerged which leverage digital technology and innovations in logistics to provide new options to customers. These include B2C business models, where food is ordered online and delivered by the manufacturer direct to the consumer, and which can involve delivery of meal kits or ready-made meals. This allows the manufacturer to capture more transaction value, as it avoids use of wholesalers and retailers and associated wholesaler and retailer margins. B2C business models also allow companies to hold a more direct relationship with their consumers and capture additional data on consumer behaviour.

Growing business models also include the use of food delivery services for cooked meals from restaurants and fast-food outlets, including from the emerging concept of 'dark kitchens'.⁹ In September 2019, 4.1 million Australians used food delivery apps, almost 20% of the population, and an increase from 1.98 million (9.8% of the population) in March 2018.¹⁰ Consumers are also increasingly using online channels to order food from retailers, and have it delivered to their homes, with growth in use of the online channel for major food retailers, although online penetration in the food category remains well below other categories.

6. ABS, HES 2015-16, Frost & Sullivan estimates for 2020.

7. ABARES, Food Demand in Australia, 2018.

8. Ibid.

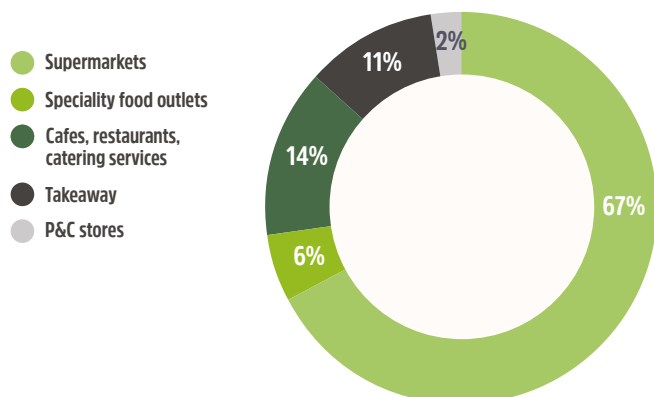
9. Dark kitchens are facilities that only serve the food delivery market, with no eat-in customers.

10. Roy Morgan, Meal delivery services double usage in only 18 months, (accessed from <http://www.roymorgan.com/findings/8270-food-delivery-services-september-2019-202002030451>).

2.5.4 Food Market Retail Channels

Food retail channels include supermarkets/grocery outlets, petrol and convenience stores, specialty food stores, cafes, restaurants and catering services and takeaway food outlets. In 2020, supermarkets accounted for over two-thirds of retail food sales in Australia.¹¹ The supermarket sector is dominated by Coles and Woolworths, although Aldi is gaining increasing share in the Australian market through its store opening programme. In 2019, Woolworths had 32.9% share of the grocery market, followed by Coles Supermarkets (26.6%) and Aldi Stores (12.4%).¹²

Figure 2.4: Retail Food Sales by Channel, Australia, 2020



Source: ABS, Retail Trade, July 2020; Australian Association of Convenience Stores, State of the Industry Report, 2019.

Within these channels, there is a strong shift to online retail, although online penetration in the food category is well behind most other categories. Year-on-year growth in online sales in the grocery and liquor and takeaway food categories was approximately 80% as at July 2020.¹³

Petrol and convenience stores are also a growing channel for food sales, with the value of food sales increasing by almost 6% in 2019 to over \$4 billion.¹⁴

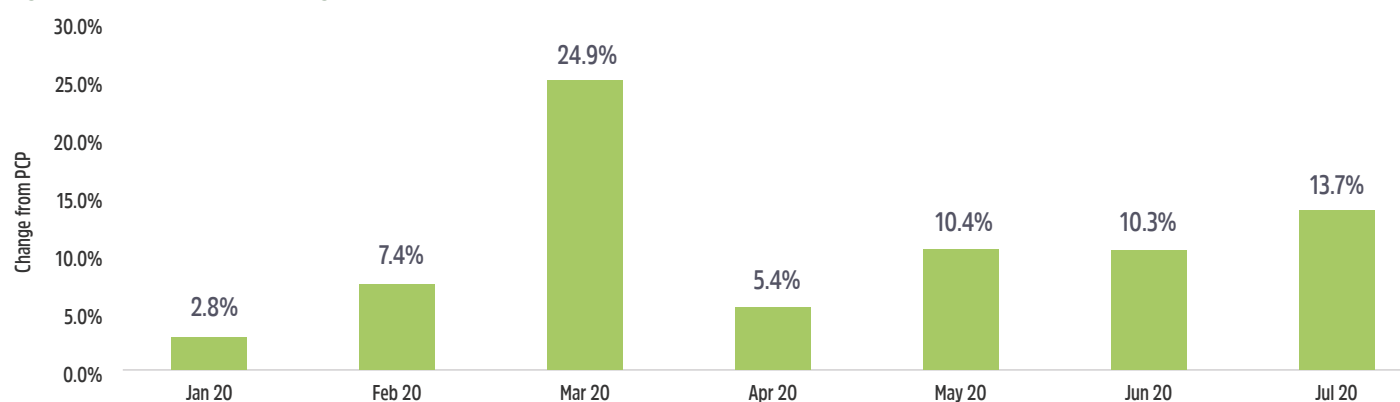
2.5.5 Impact of COVID-19

The implementation of restrictions on economic and social activities from March 2020 resulting from the COVID-19 pandemic impacted the food market in a number of ways. Sales by supermarkets and specialty food retailers (excluding liquor retailers), including online sales, increased sharply in March 2020 as consumers stocked up on food and other essential items, with an increase of almost 25% on the prior corresponding period (PCP). Sales in the P&C sector, however, have been negatively impacted by the COVID-19 pandemic, as reduced mobility has resulted in fewer customers visiting petrol outlets in particular.

Although growth rates in subsequent months fell back somewhat, they remain significantly ahead of the PCP. Over the period January to July 2020, retail food sales (excluding liquor) have grown 10.8% on the PCP.¹⁵

A similar situation occurred in New Zealand, where supermarket and grocery sales in April to June 2020 increased by 12.3% on the PCP.¹⁶

Figure 2.5: Retail Food Sales, Change from PCP, Australia, January to July 2020



Source: ABS, 8501.0 Retail Trade, Australia, July 2020. Includes sales in the supermarket and grocery stores and specialty food retailing segments.

11. ABS, Retail Trade, July 2020.

12. Roy Morgan, Looking beyond the panic-buying, Australia's big supermarket story is Aldi's growing market share, (accessed from file:///C:/Users/MDougan/AppData/Local/Temp/8336-Fresh-Food-and-Grocery-Report-December-2019.pdf).

13. NAB Online Retail Sales Index, July 2020.

14. Australian Association of Convenience Stores, State of the Industry Report, 2019.

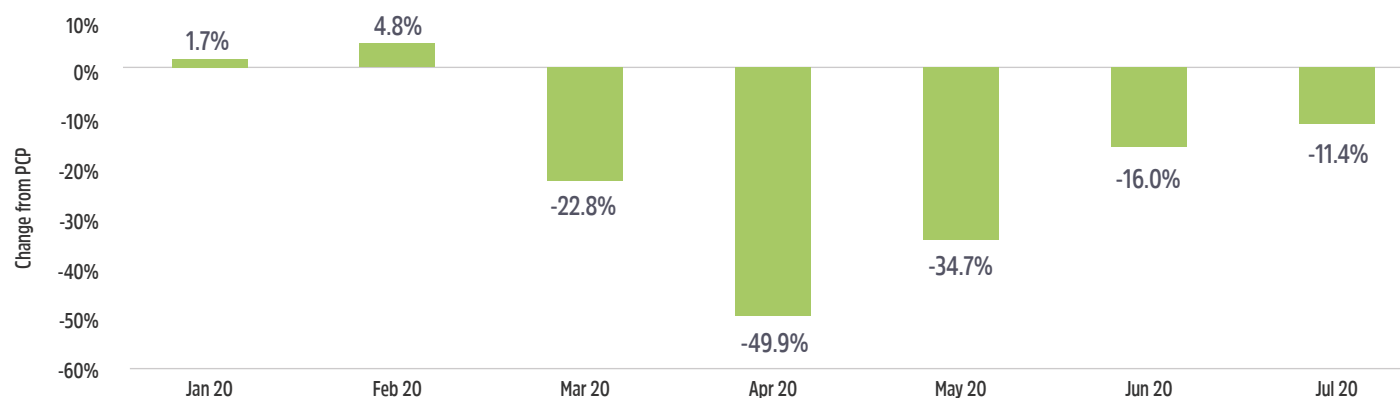
15. ABS, 8501.0 Retail Trade, Australia, July 2020.

16. Statistics NZ, Retail Trade Survey, June 2020 quarter.

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Conversely, despite a pivot by many venues to takeaway options, sales in the cafes, restaurants and takeaway food sector fell sharply as a result of COVID-19, with sales in Australia declining 23% in March and 50% in April. Although there has been a pullback since April as venues have been able to partly re-open for on-site guests, for the period January to July 2020 sales are 19% down on the PCP.¹⁷ Similarly in New Zealand, sales in the food and beverage services sector declined by 40% in the April to June quarter when compared to the PCP.¹⁸

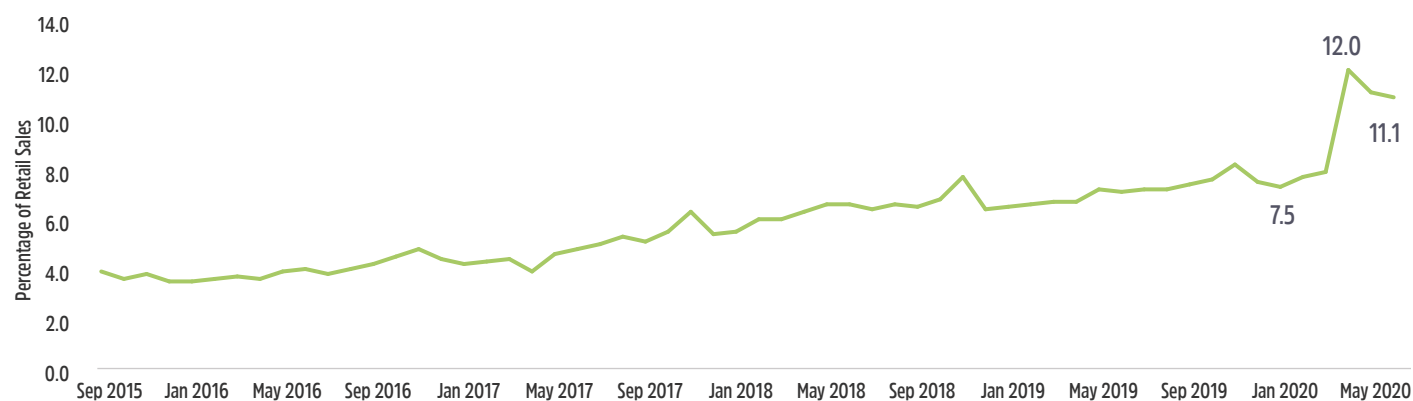
Figure 2.6: Cafes, Restaurants and Takeaway Food Sales, Change from PCP, Australia, January to July 2020



Source: ABS, 8501.0 Retail Trade, Australia, July 2020. Includes sales in the cafes, restaurants and catering services and takeaway food services segments.

As well as the return to eating-at-home rather than out of home, use of digital channels to order food has increased sharply, including ordering from traditional food retailers and from manufacturers through B2C. This coincides with strong growth in the overall penetration of online retail (across all product categories), which increased to 12% in April 2020 from 7.5% in December 2019. Although online penetration fell back slightly after April 2020 as physical shops started to re-open, online penetration remains significantly above its earlier levels.¹⁹ COVID-19 is expected to have an ongoing impact on online retail penetration, providing a significant acceleration to its growth in Australia and New Zealand.

Figure 2.7: Online Retail Penetration, Australia, September 2015 to July 2020



Source: ABS, 8501.0 Retail Trade, Australia, July 2020.

Strong growth in the B2C channel for food has occurred as a result of the COVID-19 pandemic as consumers have increasingly preferred to use digital channels to order food. Several service providers have reported strong growth in B2C sales resulting from COVID-19. For example, Marley Spoon reported an 82% increase in Australian revenue (on a constant currency basis) in 1H FY2020.²⁰ HelloFresh reported a 91% increase in revenue at its International division (which includes Australia) in the same period.²¹

17. ABS, 8501.0 Retail Trade, Australia, July 2020.

18. Statistics NZ, Retail Trade Survey, June 2020 quarter.

19. ABS, 8501.0 Retail Trade, Australia, July 2020.

20. Marley Spoon presentation, Wilsons Rapid Insights, September 2020.

21. HelloFresh, half-year report (ended June 30 2020).

2.6 THE READY-MADE MEALS MARKET

This section describes the ready-made meals market in Australia and New Zealand. Ready-made meals include products available in shelf-stable, dried, chilled and frozen formats. Meal kits are also included in the market definition.

2.6.1 Market Drivers for Ready-made Meals

Sales of ready-made meals are increasing significantly faster than the growth in the overall food market. This results from a number of factors, as described below.

Convenience: ready-made meals address the growing need for convenience in at-home eating, as the consumer does not have to purchase multiple ingredients and prepare and cook the meal. Using the B2C model, the consumer does not even need to visit a retail store. Convenience and speed in meal preparation is an increasingly important factor for many consumers, including the growing proportion of single-person households (which have increased from 19% of households in 1986 to 24% in 2016)²² and households where both parents are working.²³

Growing interest in healthy nutrition: consumers are increasingly keen to monitor the ingredients in their food, reflecting a trend towards items that are seen as 'fresher' and 'greener', with limited artificial additives. This is driving growth in chilled ready-made meals and meal kits in particular, which are seen as fresher than frozen alternatives, whilst lacking the additives that are often added to shelf-stable products.

Concern to monitor calories and nutrients: use of ready-made meals allows consumers to easily track intake of calories and nutrients such as proteins. This helps to address growing concerns to address weight loss, with the proportion of adults in Australia that are overweight or obese (defined as having a body mass index (BMI) over 25) increasing from 57% in 1995 to 63% in 2014.²⁴ 46% of Australian adults have actively tried to lose weight in the past year.²⁵ Protein intake is important for individuals seeking to gain muscle, and use of ready-made meals supports individuals to monitor protein intake.

Increasing variety: the increasing ethnic diversity in populations in Australia and New Zealand, as well as growing interest by consumers in trying new types of food, are supporting sales of ready-made meals as consumers try products in categories where they may not have the expertise or experience to prepare a meal from scratch. Ready-made meals offering Indian or Chinese cuisine, for example, allow consumers to try new types of food without needing to prepare the meal themselves.

Interest in sustainability and ethically-driven food choices: use of ready-made meals supports consumers to address concerns over sustainability and making ethically-driven food choices. Use of ready-made meals significantly reduces food waste, as consumers are buying exactly the amount required for a meal with no wastage of ingredients. They also help to minimise packaging use, with many products sold in recyclable packaging. Ready-made meal manufacturers may often implement ethically-driven sourcing policies for ingredients used in their products, working with farmers and ingredient suppliers on just-in-time sourcing arrangements, supporting the desire of consumers to purchase products that have been produced ethically, with 72% of Australian shoppers ranking ethical brand behaviour among their top three priorities in shopping for products.²⁶

Growing use of B2C: the use of B2C is also supporting growth in ready-made meals, driven by growing interest by consumers in using digital channels to order and purchase food products, and significant growth in the promotion of B2C channels by suppliers. Use of B2C supports the consumer requirement for convenience, as meals for several days may be ordered simply and easily through an online store or app. The 2020 COVID-19 pandemic has significantly stimulated the B2C channel, given the unwillingness of many consumers to visit retail outlets.

2.6.2 Market Size and Growth

In 2020, the Australia and New Zealand market for ready-made meals (including shelf-stable, dried, chilled and frozen meals, meal kits and prepared salads) was estimated at \$3.2 billion at retail prices. By 2022F, the ANZ market is forecast to reach \$3.5 billion, with growth of 6.1% CAGR between 2016 and 2022F.²⁷

22. Australian Institute of Family Studies, Population and households, (accessed from <https://aifs.gov.au/facts-and-figures/population-and-households>).

23. ABS, Labour Force Status of Families, June 2019, (accessed from <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-status-families/latest-release>).

24. Australian Institute of Health and Welfare (AIHW), Overweight & Obesity, (accessed from <https://www.aihw.gov.au/reports-data/behaviours-risk-factors/overweight-obesity/overview>).

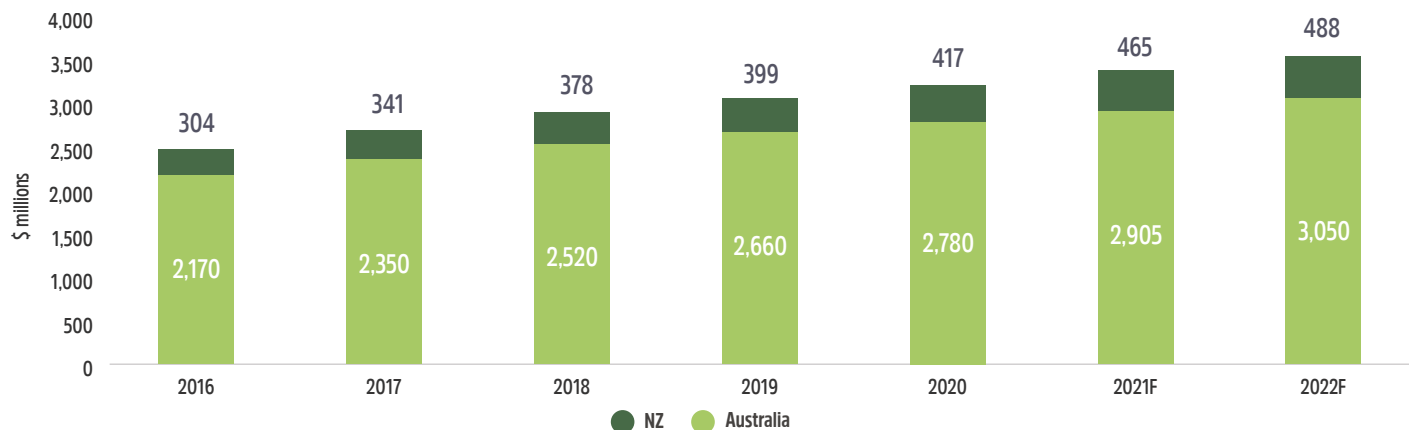
25. Dieticians Association of Australia, media release, January 2017, (accessed from <https://dietitiansaustralia.org.au/wp-content/uploads/2016/05/Aussies-wasting-time-and-money-on-pricey-fad-diets-FINAL.pdf>).

26. Inside FMCG, Aussies will pay more for sustainable products, July 2019, (accessed from <https://insidefmcg.com.au/2019/08/29/aussies-pay-more-for-sustainable-products/>).

27. Frost & Sullivan.

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Figure 2.8: Ready-made Meal Market Size (Retail Prices), Australia and New Zealand, 2016 to 2022F



Source: Frost & Sullivan.

Frozen ready-made meals accounted for approximately 46% of the ready-made meals market in 2020, however the strongest growth is in meal kits and chilled ready-made meals. This is due to increasing consumer preference for products that taste fresher than frozen ready-made meals, and which are perceived as having fewer additives than shelf-stable or dried products.

For the period 2016 to 2022F, sales of meal kits are anticipated to increase at a CAGR of 17.3%, and chilled ready-made meals at 11.3%.²⁸

2.6.3 Differentiation and Key Success Factors

2.6.3.1. Differentiation

Suppliers of ready-made meals, particularly through the B2C channel, attempt to differentiate their offers to consumers in a number of ways:

- **Choice:** suppliers need to offer a range of meals in their menus, both to cater to customers with different taste profiles and to maintain a range of new options for existing customers. Many suppliers segment their customer base into categories, with meals focused on addressing specific customer needs (e.g. 'fitness', 'weight loss').
- **Flexibility:** suppliers in the B2C channel focus on providing flexibility to customers, e.g. in minimum order size, delivery days, flexibility to change/cancel orders etc. For customers with unpredictable lifestyles, this can be an important differentiator. Suppliers therefore focus on providing a range of ordering options (e.g. online, through an app), as well as a range of purchase options. The ordering lead-time can vary between suppliers, and those with the most efficient and flexible offerings (e.g. next-day delivery) are most likely to appeal to consumers.
- **Value-for-money:** whilst not competing directly on price, ready-made meal providers need to ensure that they have a value-for-money proposition for consumers against the alternative of the consumer buying their own ingredients and preparing their own meal. Some providers (e.g. Dinnerly) do focus on the more cost-conscious segment of the market.
- **Meal quality:** providing quality ingredients and fresh tasting meals is important, driving suppliers to invest in sourcing ingredients from quality suppliers and in logistics infrastructure that can ensure freshness on delivery.
- **Shelf-life:** particularly in the retail sector for chilled products, being able to supply products with the maximum remaining shelf-life is important in minimising wastage and supplying fresh-tasting products to consumers. This favours suppliers with efficient supply chains.

2.6.3.2. Key Success Factors

Based on the aspects of differentiation described above, key success factors for ready-made meals suppliers can be summarised as:

- **Manufacturing efficiency:** manufacturing capability plays an important role in ensuring ready-made meals can be produced to a high-quality and on-time. For suppliers offering a broad range of ready-made meal recipes, scale is also particularly important given multiple production lines are often required to meet daily customer demand.
- **Logistics and delivery infrastructure:** the requirement to achieve reasonably short (e.g. next day) and reliable delivery times drives a need to establish delivery infrastructure allowing efficient customer service either nationally, or at least in the areas served by the supplier. Economies of scale typically lead to larger producers having lower per customer costs, driving higher profitability.
- **Sourcing network:** maintaining a diversified, reliable and quality network of suppliers such as farmers ensures that suppliers can maintain quality levels and production reliability.

28. Ibid.

- **Leveraging customer data:** through the B2C channel, ready-made meal suppliers obtain a significant amount of customer data, including demographic and socio-economic data, as well as data about meal choices and eating habits. This drives the ability to use this data in areas such as product innovation to cater for emerging needs.
- **Customer acquisition:** the approach used and costs incurred in customer acquisition is an important factor in the financial performance of ready-made meals suppliers using the B2C channel. Customer acquisition involves an upfront investment in sales, marketing and advertising, with a variety of approaches used, including door-to-door sales, booths in retail malls, social media, digital advertising and traditional advertising. The effectiveness of this mix in acquiring customers contributes to the return-on-investment that the supplier obtains.
- **Customer retention:** given the upfront costs in acquiring a new customer, retention of the customer is a key success factor for suppliers. Retention can be impacted by a range of factors including menu choice, ordering flexibility and meal quality.

2.6.4 Competitive Environment

Competition in the ready-made meals market includes companies selling exclusively through traditional retail channels (primarily supermarkets), those selling exclusively through B2C, and those that use both channels.

Major manufacturers focused on traditional retail include McCain's (including Healthy Choice and Man Size brands), Vesco Foods (Super Nature, On the Menu), Simplot (Lean Cuisine), and Pattie's Foods (Weight Watchers), as well as in-house brands offered by Woolworths, Coles Supermarkets and Aldi Stores. These companies principally supply frozen ready-made meals.

An additional range of manufacturers focus on the B2C market, although several also use traditional retail channels. Summary data on the main B2C brands is given below.

Table 2.1: Leading B2C Ready-made Meal Brands, Australia and New Zealand, 2020

Brand	Country	Product Type	Product Range*	Typical Price (meal for one)**
Chefgood	AU	Ready-made meals	15 meals	\$10.80-\$11.90
Dineamic	AU	Ready-made meals	45 meals, also offers soups, snacks and juices	\$10.00
Dinnerly (Marley Spoon)	AU	Meal kits	23 meals	\$6.25-\$7.25/serving
Fitfood	NZ	Ready-made meals	56 meals	NZ\$13.90
Fitness Outcomes	AU	Ready-made meals	21 meals	\$9.95
HelloFresh	AU, NZ	Meal kits	20 meals	\$10.99/serving (2-person box)
Jenny Craig	AU, NZ	Ready-made meals	68 meals, complete weekly menu plans	\$159/week (meal plan)
Lite n' Easy	AU	Ready-made meals	55 meals	\$65 (5 dinners)
Marley Spoon	AU, NZ	Meal kits	27 meals	\$11.25/serving (2-person box)
My Food Bag	NZ	Meal kits	30 meals	NZ\$10.00
My Muscle Chef	AU	Ready-made meals	60 meals	\$9.55-\$12.95
Thr1ve	AU	Ready-made meals	35 meals, also offer salads and soups, drinks and treats and breakfast items	\$9.95-\$14.95
Woop	NZ	Meal kits	15 meals	NZ\$29.00
Youfoodz	AU	Ready-made meals	62 meals, also offer snacks and juices	\$9.95-\$10.95

* weekly menu ** price excludes any available discounts and shipping costs

Source: Company websites.

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2.7 REGULATIONS

This section briefly describes the regulations that apply to manufacturers of ready-made meals in Australia and New Zealand.

2.7.1 Food Standards

As manufacturers of food products, suppliers of ready-made meals are subject to the food regulatory system in Australia and New Zealand. This system involves the Australian Federal government, New Zealand government and Australian states and territories. Food standards are developed under the *Australia New Zealand Food Standards Code*, which is administered by Food Standards Australia and New Zealand (**FSANZ**) and enforced by state and territory governments. Food standards include those relating to general aspects (such as labelling) and food safety.

Labelling standards include the requirement for food identification, date marking, ingredients, warning statements and advisories, directions for use and storage, and nutrition information. Food safety standards include requirements on safety practices, food premises and equipment.²⁹

2.7.2 Consumer Protection

Consumer protection legislation applies to the sale of goods and services to Australian consumers, principally based on the *Australian Consumer Law (ACL)*. The ACL places a range of obligations on businesses, including that a product is of acceptable quality, matches the provided description, etc. and that contracts are not detrimental to the consumer.³⁰

In New Zealand, the *Consumer Guarantees Act (CGA)* imposes similar requirements to the ACL, namely that products should be of acceptable quality and match the description.³¹

2.7.3 Privacy

Australian businesses that collect customer information ('entities') are required to abide by the *Privacy Act, 1988* (Cth), which outlines a set of obligations defined as the Australian Privacy Principles (**APPs**). The APPs govern the way in which personal information is to be collected, used, disclosed and stored.³²

The *NZ Privacy Act 1993* controls how 'agencies' collect, use, disclose, store and give access to personal information. The Act consists of 12 Principles which apply to data in New Zealand.³³

2.8 CONCLUSION

Ready-made meals form a growing category within the estimated \$153 billion that consumers in Australia and New Zealand spend on food every year.³⁴ Total expenditure on ready-made meals was estimated at \$3.2 billion in ANZ in 2020, and is anticipated to grow at 6.1% CAGR between 2016 and 2022F, a significantly higher growth rate than overall expenditure on food (2.5% CAGR in Australia)³⁵. The growth in the ready-made meals category results from a number of factors, including the convenience they offer, the growing interest in healthy nutrition, increasing consumer concern to monitor calories and nutrients, the increasing variety in products available, the growing interest in sustainability and ethically-driven food choices, and growing consumer acceptance and use of the B2C channel, which is used by many ready-made meals manufacturers.

The COVID-19 pandemic has created a step change in online retail penetration across all product categories, which is also reflected in significant growth in online ordering of food products, including ready-made meals. A number of suppliers are targeting the ready-made meals sector in Australia and New Zealand, with meal kits and chilled ready-made meals anticipated to see the strongest rate of growth among product categories.

2.9 DISCLOSURE

This is an independent report prepared by Frost & Sullivan. Save for the preparation of this report and services rendered in connection with this report for which normal professional fees will be received, Frost & Sullivan has no interest in Youfoodz Holdings Limited and no interest in the outcome of the IPO. Payment of these fees to Frost & Sullivan is not contingent on the outcome of the transaction. Frost & Sullivan has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report nor which may be assumed to have provided bias or influence. Frost & Sullivan consents to the release of this report in the Prospectus in the form and context in which it is included. As at the date of this report, this consent has not been withdrawn. Frost & Sullivan does not hold a dealer's license or Financial Services License. This report does not constitute advice in respect of the Offer.

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34. Frost & Sullivan, based on Australia and NZ HES.

35. Frost & Sullivan

3.

COMPANY OVERVIEW



3. COMPANY OVERVIEW

3.1 OVERVIEW OF YOUFOODZ

3.1.1 Introduction

Youfoodz has grown to have a substantial share of the growing Australian ready-made meal market. The Company specialises in the production and distribution of high quality and affordable fresh, ready-made meals and other convenience food products for residential (home delivery), retail, corporate and government customers. Since inception in 2012, Youfoodz has delivered over 60 million ready-made meals to its home delivery, retail and corporate customers.

Youfoodz' products are marketed and distributed through an omni-channel sales model to a database of more than 850,000 home delivery customers via a direct-to-consumer offering (**B2C**) and via a business-to-business offering to major supermarkets, grocery retailers, petrol and convenience retailers, corporations and government organisations (**B2B**).

Youfoodz operates three production facilities in Brisbane, Australia and has developed a scalable, proprietary manufacturing technology to optimise production and supply-chain management. The Company's three facilities produce more than 350,000 ready-made meals, 80,000 snacks and 25,000 drinks per week on average¹.

Youfoodz has a clear growth plan and is well-positioned to benefit from continued strong uptake of ready-made meals, driven by the trend towards increasingly convenient, healthy and cost efficient alternatives to traditional home-cooking.

3.1.2 Company History

Youfoodz was founded in Brisbane, Queensland by current CEO, Lance Giles, in 2012. Upon establishing Youfoodz, Lance identified a gap in the convenience food market for a high-quality fresh meal offering. Youfoodz launched a unique, fresh, ready-made meal home delivery service offering which targeted fitness enthusiasts and other health-conscious consumers. However, with shifting consumer trends towards convenient eating alternatives, Youfoodz' fresh, healthy and convenient ready-made meal delivery concept proved popular among a broader consumer base. Over the past eight years, Youfoodz has experienced rapid growth as a leading B2C provider of ready-made meals in Australia and a pioneer of the sector.

In 2013 the Company launched its B2B sales channel, recognising the value proposition of its products would be likely to appeal to select retail outlet and corporate customers. The Company has since established preferred supplier and national retailer agreements to supply its products to a diverse range of retail and corporate customers including Coles, Woolworths, BP, IGA, 7 Eleven and Caltex.

In 1H FY2020, after experiencing rapid growth over a number of years through its start-up phase, Youfoodz introduced a third party investor to provide a new capital injection, corporatise the business with appropriate Management and establish structures to build an operating platform for long-term success (**Strategic Reset**). The Strategic Reset initiatives included implementing a more refined marketing investment strategy, an increased focus on operational cost discipline and additional corporate structures to support the founder-led management team. In refining its marketing investment strategy, Youfoodz materially reduced marketing spend, resulting in a temporary reduction in B2C customer revenue. However, in 2H FY2020 Youfoodz relaunched a refined approach to marketing spend and achieved record new customer acquisitions and strong retention of existing customers with improved unit economics. The successful implementation of the Strategic Reset initiatives also contributed to an 11.8% increase in gross profit margin year-on-year for FY2020 and established a platform for Youfoodz to pursue sustainable long-term growth.

Youfoodz has a well-defined growth strategy to continue to grow its revenue organically by capturing a greater market share in both the B2C and B2B segments of the ready-made meal industry. To do this, Youfoodz is focused on executing five key growth initiatives, comprising:

- capturing underlying market and category growth;
- growing segment market share and Average Order Value through new offerings;
- customer retention with subscription model and loyalty program;
- manufacturing automation and other efficiencies; and
- selectively targeting new geographies.

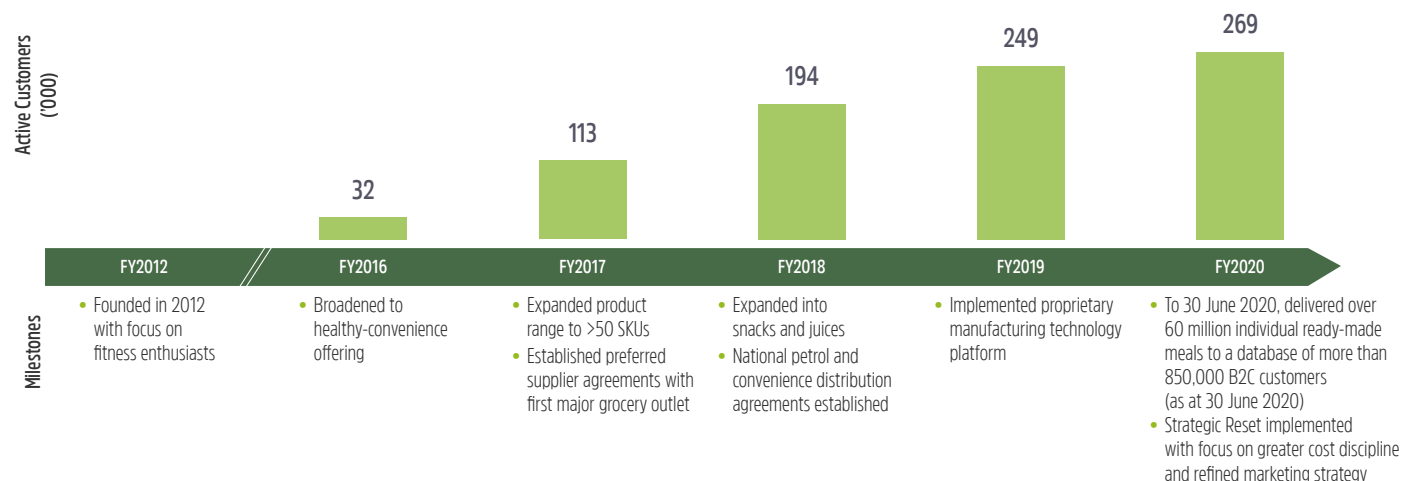
See Section 3.6 for further details on the Company's growth strategy.

1. Average weekly production in FY2020.

3.1.3 Key Growth Milestones

Since inception, Youfoodz has experienced significant growth and has established a solid foundation from which to support its growth strategy.

Figure 3.1: Youfoodz Key Growth Milestones²

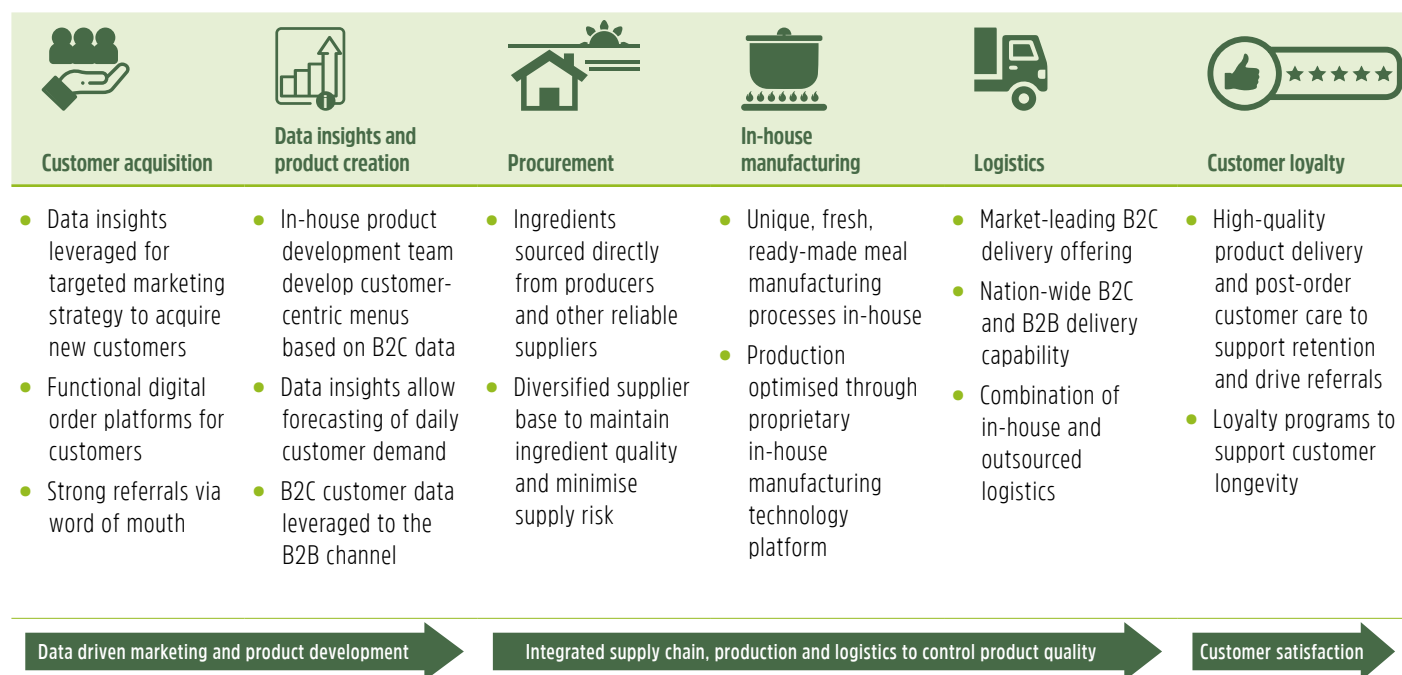


3.2 BUSINESS MODEL

3.2.1 Overview

Youfoodz produces and distributes high quality and affordable fresh, ready-made meals and other convenience food products to its home delivery, retail and corporate customers. The Company leverages strong customer acquisition capabilities, proprietary technology and an agile supply chain to acquire new customers and retain its existing customers through the provision of a premium, healthy and convenient food experience. Key elements of the Company's business model are in Figure 3.2.

Figure 3.2: Key Elements of Youfoodz' Business Model



2. Active Customers are customers who have ordered through the Company's B2C channel in each reporting period.

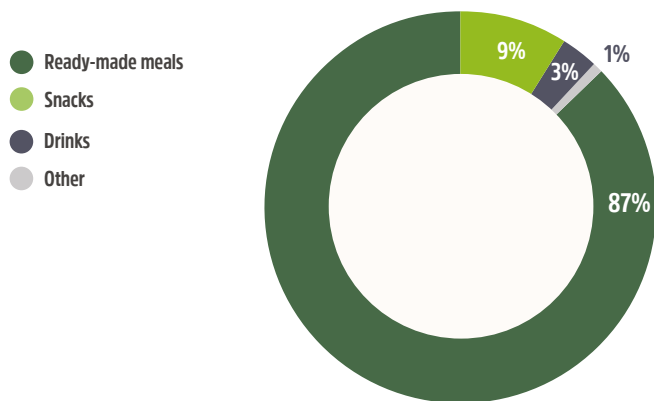
3. COMPANY OVERVIEW

3.2.2 Products

3.2.2.1. Existing offering

Youfoodz provides a variety of high quality, healthy food and drink options to cater for all eating occasions. Products include ready-made meals for dinner, lunch and breakfast, as well as various snack and drink offerings.

Figure 3.3: FY2020 Gross Revenue by Product³



The primary offering of Youfoodz is its high quality, fresh, ready-made meal product range. The value proposition of Youfoodz' ready-made meals includes the following key factors:

- **Fresh** – products are designed to be chilled, not frozen, with a focus on fresh ingredients.
- **Healthy** – healthy recipes with ingredients sourced direct from producers and other trusted suppliers.
- **Time efficient** – delivery direct to customer's door or available at convenient retail locations and no requirement for meal preparation or cooking by customer.
- **Variety** – large and diverse range of recipes (over 60 meals) with seasonal and inter-seasonal menu refreshes.
- **Convenient** – eliminates planning on ingredients to buy and cook.
- **Eco-friendly** – minimises food waste, delivery boxes and packaging are recyclable and weather-proof.
- **Cost effective** – reasonably priced alternative to cooking.
- **Portion control** – meals designed to meet varying fitness objectives.

A variety of fresh, ready-made meal recipe options are available to suit different meal occasions, customer taste preferences and varying fitness objectives. The snacks and drinks categories complement the ready-made meal offering as products are developed to appeal towards Youfoodz' health-conscious customer base. Figure 3.4 provides a summary of Youfoodz product range.

3. FY2020 gross revenue by product based on management accounts.

Figure 3.4: Youfoodz Product Range

Category	Product	Overview	SKUs	Unit Pricing for Consumer (AUD)	Sample products
Ready-made meals	Dinner and lunch range	<ul style="list-style-type: none"> Core product offering of Youfoodz Fresh, pre-cooked meals with a variety of recipes suitable for all meal occasions Products delivered chilled and can be consumed as chilled or re-heated within 2-3 minutes (e.g. via pan heating, microwave or oven) 	50+	\$9.95	
	Large range	<ul style="list-style-type: none"> Typical shelf life of ~7-14 days Can be frozen for consumption later Large range based on same recipes as standard dinner and lunch range however contains ~30% more volume 	15+	\$10.95	
	Breakfast range	<ul style="list-style-type: none"> Breakfast range includes oat, cereal and egg recipes 	5+	\$4.95 – \$6.95	
Snacks		<ul style="list-style-type: none"> Youfoodz-branded snack products including protein balls, popcorn, healthy chips, protein cookies, nut mixes and protein bars Variety of flavours offered for each product Typical shelf life of ~90-180 days 	30+	\$2.50 – \$4.99	
Drinks		<ul style="list-style-type: none"> Youfoodz-branded drink products including fresh juices, smoothies, Kombucha and vitamin 'shots' Variety of flavours offered for each product Typical shelf life of ~90-180 days 	25+	\$2.95 – \$4.99	
Other		<ul style="list-style-type: none"> Includes Youfoodz-branded grocery baskets, soups, protein powders, merchandise (water bottles, lunchboxes etc.) and other miscellaneous products 	10+	Various	

3. COMPANY OVERVIEW

3.2.2.2. New product development

Youfoodz employs a team of full-time food technologists and scientists, nutritionists and chefs to drive new product development and create new recipes. Youfoodz' new product development team is supported by its data driven approach to research and development and strong communication channels with customers via reviews and surveys. This allows Youfoodz to innovate and release new meals and product offerings on a regular basis to ensure alignment with its customer's evolving needs. Management believe variety is an important value proposition for customers and addresses this through menu updates four times per year (at the beginning of each season). In addition to these menu updates, and also due to the Company's scale, the digital menu display on Youfoodz' website and mobile apps are reshuffled every 2-3 weeks to ensure the Company's B2C customers are exposed to Youfoodz' large and diverse range of over 60 meals.

Youfoodz is continuing to expand its product offering to target a broader customer base with potential for new offerings across organic, vegetarian/vegan, family packs, premium dinners, two-serve options, desserts, kids meals and more.

3.2.3 Customers

Youfoodz offers a clear value proposition for time-poor consumers who value a convenient, flexible and healthy alternative to home-cooking.

The Company's B2C offering is marketed to a database of more than 850,000 home delivery customers. In FY2020, Youfoodz' had over 268,000 Active Customers who placed over 1.1 million home delivery orders for over 17 million fresh, ready-made meals.

Youfoodz customer surveys estimate that of its database of more than 850,000 customers:

- Approximately 81% identify as female;
- Approximately 46% of customers are in a relationship;
- Approximately 25% live in households with children; and
- Predominantly reside in urban or inner city suburban locations across the east coast of Australia.

More than 60% of Youfoodz B2C customers have ordered Youfoodz products 6 or more times.

As Youfoodz continues to grow and expand its product offering, it expects its customer base to evolve with the brand attracting consumers with diverse tastes and preferences. By way of example, in May 2020 Youfoodz introduced its large meal range as part of a strategy to grow its appeal to male consumers focused on larger portion sizes.

Youfoodz has been voted best food delivery service by ProductReview for 3 years running (2018, 2019, 2020).

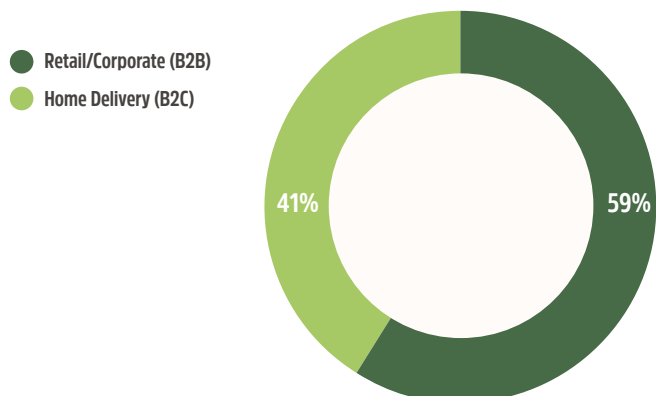
As Youfoodz interacts with its customers directly through its website and mobile applications, it gains valuable insights into customer preferences and tastes that enable Youfoodz to constantly evolve its offering to better serve its customers' needs. Youfoodz routinely surveys its customers and currently has over 12,500 reviews through customer review website ProductReview.com.au, with an average rating of 4.5 stars (as at October 2020). Independent research studies suggest approximately 75% of the Australian population would consider buying fresh or frozen ready-made meal products, whilst only 7% have ever bought Youfoodz.⁴

Youfoodz B2B offering supplies fresh, ready-made meals to major supermarket chains, independent grocery stores, petrol and convenience stores, corporations and government organisations.

3.2.4 Channels to market

Youfoodz' B2B operates a complementary omni-channel sales model whereby products are distributed through both B2C and B2B channels.

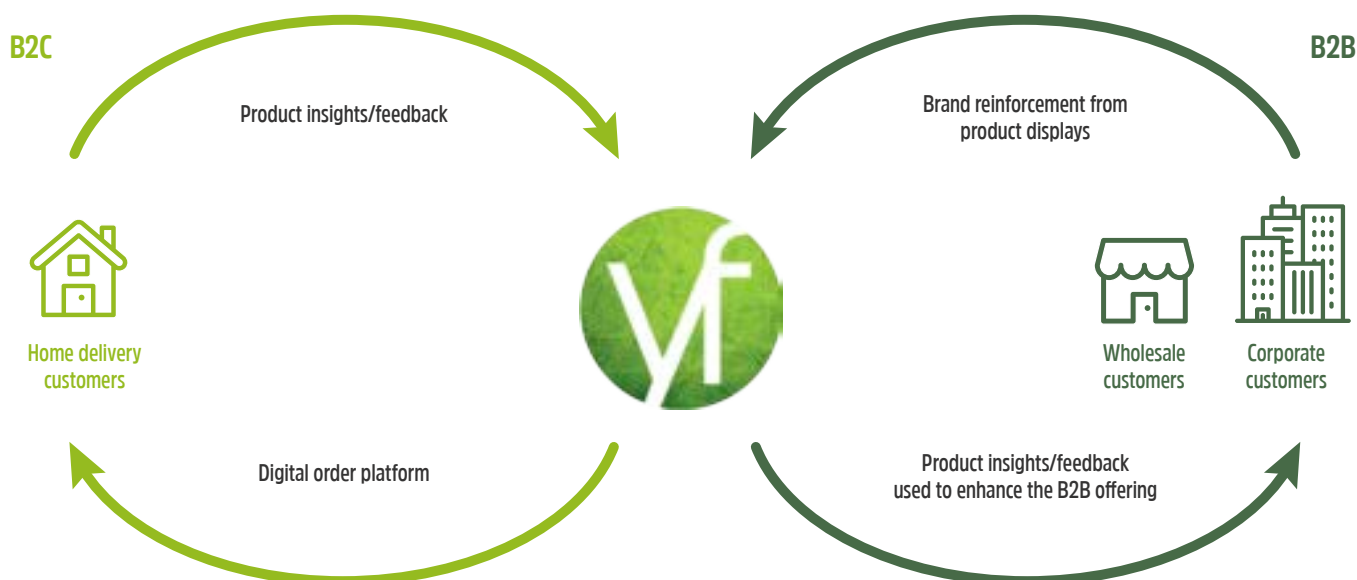
Figure 3.5: FY2020 Gross Revenue by Sales Channel



4. 'Usage and Attitude' study (2018) undertaken by Instinct and Reason Pty Limited on behalf of the Company.

The B2B offering allows Youfoodz to hold a direct relationship with consumers, benefiting from transaction data gathered via its digital order platform. This customer data is utilised to derive insights on order routing, consumer tastes and preferences, consumer demographics, new product development and marketing efficiency to enhance overall customer satisfaction. Customer insights can also be leveraged in Youfoodz' B2B channel to identify products likely to be popular among consumers based on the location or target demographic of certain retail or corporate outlet locations. Similarly, the B2B channel complements the B2C channel through positive brand reinforcement generated through customised retail and corporate product displays.

Figure 3.6: Youfoodz Complementary Omni-Channel Sales Model



3.2.4.1. Direct to consumer (B2C)

Youfoodz has a database of more than 850,000 B2C customers. The Company's B2C offering is facilitated through a user-friendly online and mobile application platform that allows customers to select from the full product range of Youfoodz ready-made meals, snacks and drinks to create an order. The platform allows customers to create meal plans and regular orders with high flexibility and limited friction. Customers have the ability to modify their order at any time prior to the order cut-off time which is typically the night before delivery. An order fee of \$7.50 is charged to customers for orders under \$89.00. For orders over \$89.00 a delivery fee is not typically charged, except for some regional areas and Western Australia. The Average Order Value for Youfoodz B2C customers in FY2020 was approximately \$90.

Historically, customers have been prompted to re-order Youfoodz each week based on order history or saved preferences. In response to customer feedback that a key reason for not ordering was simply forgetting, Youfoodz has implemented a 'set and forget' home delivery subscription model. This subscription model is aligned with Youfoodz' core values of providing maximum customer flexibility and can be cancelled at any time. The 'set and forget' subscription model was implemented in June 2020 and is expected to promote increased customer retention (see Section 3.3.3 for further details on the Company's subscription model).

The B2C channel also enables the 'soft launch' of new products to test reception and uptake with customers. Customers are surveyed online every week with the customer base segmented into existing and new customers. Existing customer surveys provide insights to drive improvements in product, service and overall experience, whilst new customer surveys provide insights on marketing and efficiency.

3.2.4.2. Business to business (B2B)

Launched in 2013, Youfoodz' B2B offering is highly complementary to its B2C sales channel. The same ready-made meals and other convenience food products that are supplied into the B2C sales channel are provided to over 3,500 retail outlets nationally, which includes major supermarkets, independent grocery stores, petrol and convenience stores and other retail outlets for resale in-store. The B2B channel also includes corporates and government organisations seeking meal solutions for employees.

A key benefit of the B2B channel is brand reinforcement and new customer leads gained through customised Youfoodz product displays in select retail stores. Prospective customers are often exposed to, and purchase, Youfoodz products in retail stores and subsequently transition to become repeat-order B2C customers.

3. COMPANY OVERVIEW

3.2.5 Sales and marketing

3.2.5.1. Brand

Youfoodz has a dedicated marketing team responsible for its marketing and branding strategy. As a market-leader in the provision of ready-made meals in Australia, Youfoodz prides itself on its reputation as a brand synonymous with convenient, healthy eating. As at 30 June 2020, Youfoodz has developed a database of more than 850,000 B2C customers across Australia and in September 2020 customer surveys indicated the Company had a net promoter score of +71 for existing customers. The marketing team has also worked hard to create a strong social media presence for Youfoodz. In October 2020 the Company had more than 244,000 Facebook followers and more than 126,000 Instagram followers.

3.2.5.2. Marketing

Youfoodz maintains a focused and controlled strategy to maximise returns from its marketing spend. The Company uses an integrated multi-channel marketing strategy across online and offline above-the-line marketing channels, as well as continual investment in below-the-line promotions, discounts and trading terms. This multi-channel marketing strategy enables the Company to optimise its marketing spend for its B2C and B2B customer base.

Marketing spend is managed by the Company's experienced in-house marketing team, reducing the need to engage marketing agencies, which enables Youfoodz to negotiate directly with media players.

Youfoodz has a focus on email, search-engine optimisation, social marketing, digital advertising, free-to-air television, subscription television, radio and retail and out of home displays complemented by targeted promotions.

Youfoodz undertakes four major marketing campaigns each year, in-line with the release of seasonal menu refreshes. The Company ensures marketing messaging for each campaign is aligned across all of its marketing channels.

All marketing campaigns and media are reviewed and analysed by reference to a range of performance indicators, which enables the Company to determine the success or otherwise of a campaign and to design future campaigns to maximise return on investment.

Table 3.1 below details Youfoodz integrated multi-channel marketing strategy.

Table 3.1: Overview of Youfoodz Marketing Channels

Marketing Type	Marketing Channel	Description
Above-the-line	Online	Display
		<ul style="list-style-type: none"> Youfoodz utilises display advertising spaces on select desktop and mobile web pages typically to target customers who have visited the Youfoodz website recently.
		Search engine marketing and search engine optimisation
		<ul style="list-style-type: none"> Youfoodz pays online search engine operators such as Google and Bing to increase the visibility of its online platforms on search engine results pages (search engine marketing). Youfoodz also undertakes activities to improve the visibility of its online platforms on search engine results pages that do not involve payments to the search engine operator (search engine optimisation).
		Social marketing
		<ul style="list-style-type: none"> Youfoodz utilises advertising space on social media platforms such as Facebook, Instagram, Twitter and Pinterest for both direct response and brand awareness marketing. Youfoodz' marketing team also publish content for the Company's own social-media pages.
		Email
		<ul style="list-style-type: none"> Selective email contact is maintained with new, existing and potential reactivation customers to alert them to sales and other events.
	Offline	TV
		<ul style="list-style-type: none"> Youfoodz has undertaken marketing campaigns in partnerships with television networks to target Youfoodz' key customer demographics. Campaigns have included collaborations with Australian television programs.
		Out-of-home
		<ul style="list-style-type: none"> Youfoodz utilises billboard displays in select urban regions to promote its marketing campaigns.
		Retail displays
		<ul style="list-style-type: none"> The Company partners with some of its B2B customers to develop customised in-store product displays to drive brand awareness. In-store displays comprise a combination of Youfoodz-branded banners, shelf strips, stickers and other visuals surrounding a dedicated chilled shelving space whereby Youfoodz meals, snacks and beverages can be displayed together.
		Radio
		<ul style="list-style-type: none"> Youfoodz regularly advertises products and promotions on the radio, often in drive time broadcasting hours.
		Print
		<ul style="list-style-type: none"> Youfoodz has experimented with print media via flyer advertising.

Marketing Type	Marketing Channel	Description
Below-the-line	B2B	<ul style="list-style-type: none"> Terms and in-store promotions Youfoodz agrees certain promotional budgets with a number of its B2B customers to drive in-store sales of products.
	B2C	<ul style="list-style-type: none"> Discounts Promotions Discounts are offered to long-term B2C channel consumers to provide ongoing value and promote loyalty. Promotions offered to attract new B2C channel consumers, reward loyalty of long-term customers and launch new seasonal marketing campaigns.

Figure 3.7: Youfoodz Marketing



3. COMPANY OVERVIEW

3.2.6 Production overview

3.2.6.1. Manufacturing process

Youfoodz manufactures its products in-house with three facilities in Brisbane, Queensland. The three facilities are dedicated to the production of ready-made meals, snacks and drinks. The facilities operate 24 hours a day, seven days a week to ensure meals are delivered fresh to customers.

As at 30 June 2020, the Company's meal manufacturing facility prepared and cooked more than 350,000 ready-made meals per week. The Company's meal manufacturing facility utilises the Company's proprietary in-house technology which enables food preparation to occur ahead of sales by predicting the orders likely to be received and adjusting batch sizes accordingly. This results in wastage of less than 0.6% for raw material and less than 0.4% for finished goods⁵. On a given day Youfoodz may run between 20 and 30 ready-made meal stock-keeping units (**SKUs**) with deep equipment cleaning undertaken across all production lines between SKU changes. Once cooked, the food is cooled for approximately 6 hours before it is ready for packaging.

Youfoodz' snacks and drinks facilities produce more than 80,000 and 25,000 units per week, respectively, on average⁶. Snack and drink products are either transported to the meal manufacturing site for packing, or to one of Youfoodz interstate packing locations (see logistics section below). Once products are packed they are scanned into a recyclable and weatherproof box and loaded onto pallets for delivery.

3.2.6.2. Proprietary in-house manufacturing technology

Youfoodz has developed a proprietary in-house technology system to assist the Company across its manufacturing centers. The technology system allows the Company to efficiently source and order product ingredients, prepare and cook product, pick and pack orders into containers and route orders for delivery. Data is managed through a digital technology application which can be accessed by team members throughout the manufacturing process. Data is collected from all points of the product fulfilment process, which is then integrated with customer order and recipe information. Youfoodz has also developed sufficient data analytics capabilities to enable forecasting of customer order quantities. This forecast information also feeds into the technology system to support inventory management.

The Company's proprietary in-house technology platform is an important element of Youfoodz' business and allows increased efficiency across the entire production process by:

- Accurately tracing product ingredients from sourcing right through to delivery to minimise wastage
- Accurately managing inventory levels through visibility on current and forecast stock on hand
- Monitoring pack volumes to ensure attainment to plan
- Optimising picking and packing for logistics route planning
- Improving depth and quality of reporting capabilities
- Improving quality control capabilities across production

Quality control is critical to safeguarding the reputation of Youfoodz and the health and safety of all of its customers. The technology system significantly improves Youfoodz capabilities in this respect.

3.2.6.3. Procurement

Youfoodz regularly sources over 300 unique product ingredients from a diverse network of primary producers and other trusted wholesale suppliers. The Company seeks to source its ingredients from local Australian produce growers. Youfoodz holds strong relationships with its suppliers, some of which have been supplying Youfoodz with produce since its inception. This strategy ensures strong quality control and attractive pricing of raw materials. Diversification also allows Youfoodz to forward order fresh produce and minimise supply chain risk. All ingredients are inspected and tested for product quality upon delivery.

5. Average wastage metrics for FY2020 based on management accounts. Metrics represent cost as a percentage of gross revenue.

6. Average weekly production in FY2020.

3.2.6.4. Quality processes

Youfoodz has robust processes and policies in place to ensure the quality of its product, services and operations are upheld to high standards.

Table 3.2: Quality Processes and Policies

Key focus	Description
Food safety	<ul style="list-style-type: none"> Youfoodz operates a Food Safety Management System certified by British Standards Institute (BIS) for the production, cooking, chilling, assembly, packaging of fresh meals and delivery of fresh chilled meals, juices and snacks. The Food Safety Management System incorporates all aspects of Good Manufacturing Practices (GMP) and Hazard Analysis and Critical Control Point (HACCP) programs, including designated temperature control checks throughout the manufacturing process, designated high-care and low-care food handling zoning, weighting checks, consistency checks and other compliance structures.
Product and Service Quality	<ul style="list-style-type: none"> Maintaining a consistent high-quality product offering for consumers is a key priority for Youfoodz. The Company strives to uphold product quality across its operations starting with the sourcing of high quality fresh food ingredients through to post-purchase customer care.
Workplace health and safety (WH&S)	<ul style="list-style-type: none"> Youfoodz has a dedicated WH&S team comprising of a Health, Safety and Environment Manager, a Rehabilitation and Return to Work Coordinator and 12 elected Health and Safety Representatives from within the Company. The WH&S team cover WH&S matters across the four Queensland locations of the Company. Current WH&S functions align with AS 4801:2001 Occupational Health and Safety Management Systems (specific Australia and New Zealand standard), however the Company is currently transitioning its framework towards alignment with global occupational standard ISO 45001. The Company has a comprehensive range of policies to outline standards and expectations of staff.
Fair work practices	<ul style="list-style-type: none"> Youfoodz takes compliance with Fair Work legislation and practices seriously and have a well experienced team of Human Resources professionals to ensure legislative requirements are met or exceeded. Regular reviews of internal systems and processes are conducted to ensure ongoing compliance with legislation. The People & Culture team continuously participate in self education to remain abreast of current and emerging industrial matters.
Environmental wellbeing	<ul style="list-style-type: none"> Environmental, economic and social sustainability is also a key priority for Youfoodz. The majority of Youfoodz products are served in packaging that is recyclable. The Company also seeks to minimise food wastage across its manufacturing processes through stringent wastage monitoring and efficient production planning via its proprietary in-house manufacturing application and utilising creative recipe concepts to maximise the utility of individual ingredients. In FY2020 the Company achieved food wastage levels of below 0.6% on finished foods⁷.

3.2.7 Logistics

Youfoodz currently offers its products to B2C and B2B customers in all Australian states and territories. A key strength of Youfoodz' business model is its speed of delivery. Youfoodz offers next day delivery for B2C customers in Brisbane and Melbourne. The Company is currently in the process of implementing next day delivery in Sydney which is expected to launch in 1H FY2021. For regions outside of Brisbane, Melbourne and Sydney the delivery timeframe is approximately 3 days.

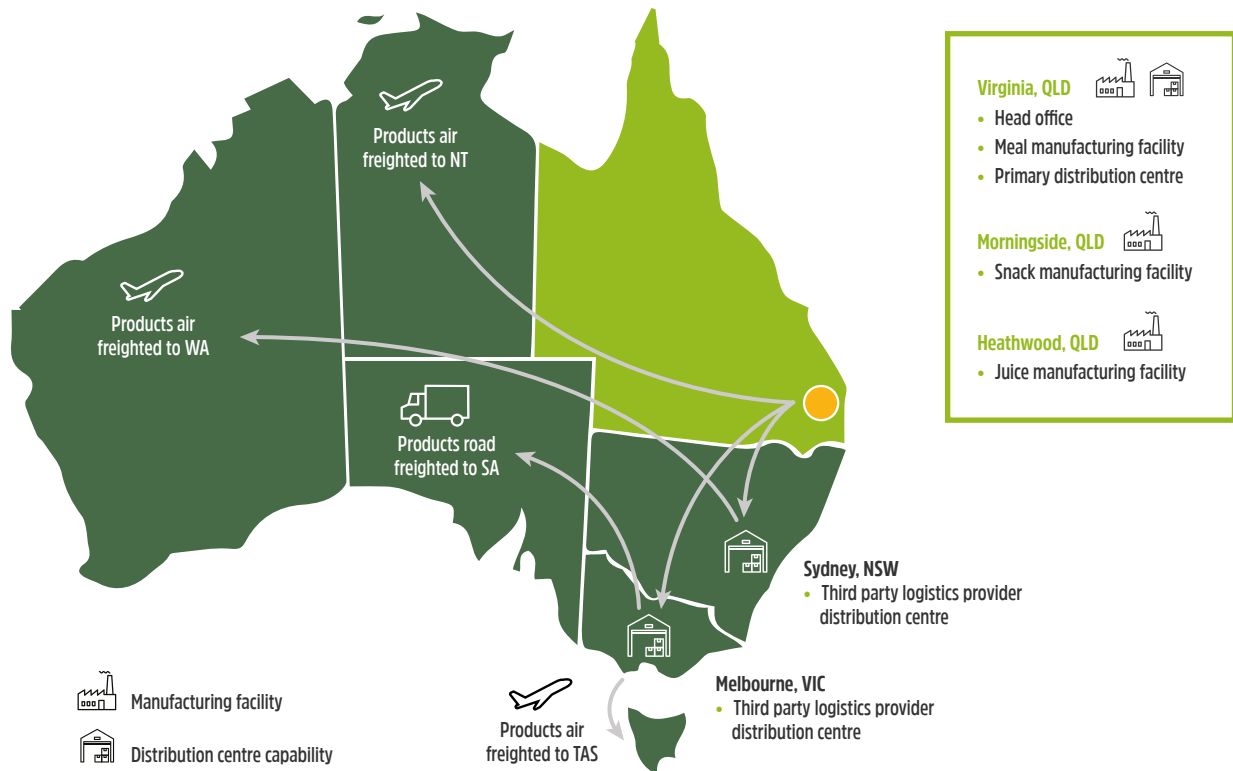
For home delivery and business orders within Queensland metropolitan regions, orders are picked and packed at Youfoodz' primary manufacturing site in Virginia. Youfoodz then utilises its in-house trucking fleet and drivers to deliver products directly to the doorstep of home delivery customers (in accordance with their delivery instructions) or to distribution centres or retail outlets of business customers. Youfoodz' fleet of vehicles are branded with Youfoodz marketing to promote brand awareness.

For home delivery and business orders outside of Queensland metropolitan regions, Youfoodz outsources long haul and 'last mile' delivery to an independent third-party logistics partner which has experience and appropriate scale to provide reliable deliveries to customers. Youfoodz also leverages the national distribution centres and packing capabilities of its independent third-party logistics partner in Melbourne and Sydney. The distribution centre in Sydney services Youfoodz customers in New South Wales and Western Australia. The distribution centre in Melbourne services Youfoodz customers in Victoria, Tasmania and South Australia. Quality control and customer experience of outsourced logistics are monitored through key performance indicators on delivery accuracy, time accuracy and customer feedback.

7. Average wastage metric for FY2020 based on management accounts. Metrics represent cost as a percentage of gross revenue

3. COMPANY OVERVIEW

Figure 3.8: Youfoodz Manufacturing and Distribution Network



In many regions home delivery customers do not need to be present to accept delivery, with the order box left at the customer's door in accordance with their instructions. Product orders for both channels are packed into recyclable and weather-proof boxes with ice blocks to ensure the products remain fresh. Packaging ensures product quality for up to 8 hours on a customer's doorstep (at temperatures below approximately 30 degrees).

3.3 INFORMATION TECHNOLOGY

Information technology and safeguards are critical to providing an uninterrupted service to Youfoodz customers and to maintain data integrity and privacy. Youfoodz has developed its own scalable cloud-based technology platform using a combination of proprietary internally developed software and technologies and licensed third-party software and technologies.

3.3.1 User interface

Youfoodz has designed its customer interface to be simple and easy to use which allows for an optimised customer experience from desktop to mobile web to mobile apps on iOS and Android. The Company believes customer experience continuity leads to improved customer engagement and retention of customer.

Youfoodz' next day delivery service in Brisbane and Melbourne provides customers the ability to update their preferences until typically 8pm the night before delivery. Next day delivery is expected to be launched in Sydney in 1H FY2021. The mobile app provides the ability to track delivery in real time and delivery dates can be pre-selected by the customer to meet their schedule.

Figure 3.9: Screenshot of Youfoodz App



3.3.2 Customer service

Youfoodz prides itself on its service commitment to its customers and ensures its team of service agents are equipped with information and knowledge for various types of enquiries. The Company facilitates customer service for both its B2C and B2B customers. It has a service desk open 7 days a week, 8.00am – 9.00pm and provides service via phone, email, SMS, social media and an online help desk/live chat. Youfoodz monitors the performance of its customer service by a daily customer satisfaction score based on feedback responses from customers. This feedback has been maintained at 4.8 out of 5.0 on average.

3.3.3 Subscription plans

As of June 2020, customers are able to sign up to flexible subscription plans with no lock in contracts, and the service can easily be switched on or off through the website or app. Both the website and app give customers access to the entire Youfoodz library of dinners, lunches, breakfasts, snacks and juices and they are able to pre-select meals for regular delivery. Reminders are delivered through app notifications and emails to prompt re-ordering if the service is turned off.

3.4 PEOPLE AND CULTURE

Youfoodz is headquartered in Brisbane with staff located across four sites. As at 30 June 2020, the Youfoodz team consisted of approximately 460 employees, employed on a full-time, part-time and casual basis. Youfoodz is split into two key segments: Production Employees and Non-Production Employees.

Figure 3.10: Organisational Split by Employee



Youfoodz has a strong workplace culture focusing on inclusion and gender diversity in its employment practices driven by a dedicated culture team which seeks to continuously improve employee engagement and satisfaction within the Company. 'Youfoodz' Fam' is a core value of the Company, acknowledging all employees of Youfoodz are treated equally as one family. It is also an acknowledgment of Youfoodz' origins as a family-owned business.

3. COMPANY OVERVIEW

3.5 IMPACT OF COVID-19

Recent macroeconomic disruptions caused by the global COVID-19 pandemic were unanticipated and impacted trading conditions for Youfoodz for a period of time. Specifically, impacts of COVID-19 included:

- Strong home delivery customer acquisitions and order volumes driven by positive demand tailwinds for food delivery services in response to limitations on travel and eating options.
- Marketing spend to acquire new customers was temporarily reduced.
- Disruption to Youfoodz' B2B sales channel due to varying government policies on economic lockdowns and an associated reduction in retail store foot traffic (some retail outlets shut-down completely), in particular the petrol and convenience channel.
- Temporary cost inflation for select key recipe ingredient costs due to supply chain constraints.
- Temporary inflation for both outsourced and in house logistics services due to demand spikes and additional health and safety requirements.
- Other operational teething issues in responding to unexpected demand spikes driven by COVID-19.

Looking forward Management are confident a portion of the new customers acquired through COVID-19 will remain customers of Youfoodz beyond the COVID-19 pandemic. Management also expects the B2B sales channel to recover in-line with a relaxation of restrictions enforced upon retailers and other business customers of Youfoodz. Whilst the unexpected supply chain shocks have imposed costs on the business, Management see these impacts as only temporary in nature, with most costs already having returned to more typical levels in recent months.

3.6 GROWTH STRATEGY

Youfoodz has a demonstrated track record of customer and revenue growth. Youfoodz plans to continue to grow its revenue organically by capturing a greater market share in both the B2C and B2B segments of the ready-made meal market. To do this, Youfoodz is focussed on executing five key growth initiatives, comprising:

- capturing underlying market and category growth;
- growing segment market share and Average Order Value through new offerings;
- customer retention with subscription model and loyalty program;
- manufacturing automation and other efficiencies; and
- selectively targeting new geographies.

3.6.1 Capturing underlying market and category growth

Strong underlying growth in the uptake of fresh ready-made meals is expected to continue in the medium-term, driven by a shift in consumer preferences away from traditional home-cooking and the increased accessibility of healthy, convenient and high-quality food products. The Australian and New Zealand chilled ready-made meal market is forecast to grow at a CAGR of 11.3% from FY2016 to FY2022F⁸. Furthermore, independent research studies suggest approximately 75% of the Australian population would consider buying fresh or frozen ready-meal products, whilst only 7% have ever bought Youfoodz.⁹

To ensure Youfoodz captures these underlying market growth thematic, the Company will continue to diligently invest in order to acquire new customers and retain existing customers. This will be achieved through ongoing investment in online and offline marketing channels as well as through growing supply relationships with new wholesale and corporate customers.

The Company is also aware of the significant fragmentation of the industry and may consider strategic acquisition opportunities that complement Youfoodz' current business operations.

3.6.2 Growing segment market share and Average Order Value through new offerings

Youfoodz will seek to continue to grow its market share, as well as increase existing customer Average Order Value, through expanding its product and service offerings. Key initiatives include:

- new product development including new menus within vegetarian, vegan and plant-based ready-meals, family packs, premium dinners, two-serve options, desserts, kids meals and more
- increasing next day delivery capabilities to new regions
- continue to build new B2B customer relationships
- expand into new B2B verticals such as airlines, aged care and mining

8. Independent Market Report (see Section 2.6.2).

9. 'Usage and Attitude' study (2018) undertaken by Instinct and Reason Pty Limited on behalf of the Company.

3.6.3 Customer retention with subscription model and loyalty program

Customer surveys conducted by Youfoodz indicate that over 60% of Youfoodz' new customers would like to order Youfoodz weekly or fortnightly, however only 27% actually do so. A key reason identified is due to the customer simply forgetting to re-order. In response to this feedback, in June 2020, Youfoodz implemented a 'set and forget' home delivery subscription model. The subscription model is aligned with Youfoodz' core values of providing maximum customer flexibility and can be cancelled at any time. The subscription model is expected to promote increased customer retention and improved B2C channel unit economics.

There is also an opportunity to drive customer retention through refinement of Youfoodz' loyalty programs to reward good customer behaviours and incentivise repeat purchases.

3.6.4 Manufacturing automation and other efficiencies

Youfoodz currently operates from three separate manufacturing facilities. Youfoodz is currently in discussions with developers to construct a new purpose-built ready-made meal manufacturing facility. The Company intends to consolidate its three manufacturing facilities into the new purpose-built manufacturing facility to increase capacity and provide enhanced manufacturing capabilities, automation and operating efficiencies. Development of the new purpose-built manufacturing facility is expected to commence in January 2021 with a construction timeline of approximately 18 months. On this basis, benefits from the new purpose-built manufacturing facility are likely to be realised from FY2023. Youfoodz expects to achieve substantial operating leverage by consolidating existing operations into the new, purpose-built manufacturing facility. Youfoodz will rent the new purpose-built manufacturing facility and provide a capital investment of approximately \$15 million for new equipment which has the potential to generate material further annual EBITDA benefits through enhanced manufacturing capabilities, automation and operating efficiencies detailed in Table 3.3 below:

Table 3.3: Strategy For New Purpose-Built Manufacturing Facility

Process	Operation	Capital investment outcome
Food processing/ kitchen	<ul style="list-style-type: none"> Manual product handling and processes Batch cooking and cooling Capacity 0.8T/hour 	<ul style="list-style-type: none"> Automated product handling and processes Continuous manufacturing lines Process control and CIP Capacity ~1.3T/hour
Packing	<ul style="list-style-type: none"> Hand picking and packing processes Two fast packaging lines and one slow packaging line 100 packs/man hour Capacity 400,000 meals/week 	<ul style="list-style-type: none"> Automated and semi-automated packaging lines Advanced weight control Five fast lines 120 packs/man hour Capacity 800,000 meals/week
Distribution – order picking	<ul style="list-style-type: none"> Manual pick face Manual box pack 	<ul style="list-style-type: none"> Semi-automated picking

3.6.5 Selectively targeting new geographies

Having grown to have a substantial share of the Australian fresh ready-made meals market, Youfoodz has successfully expanded into new geographies within Australia. The Company is well positioned to continue to grow and retain its customer base in B2C and B2B markets in broader Australia.

Expanding into new geographies also presents a significant opportunity for Youfoodz to grow and retain its customer base in other markets. Through leveraging its existing business model and key strengths in customer acquisition, retention of customers, and production and distribution of ready-made meals, Youfoodz is well placed to expand into new geographies and regions such as New Zealand and the USA.

The initial focus will be to expand into New Zealand, given the proximity and similarities to the Australian market. The ready-made meal market in New Zealand is estimated to be worth \$488 million in FY22¹⁰. In the future, Youfoodz will also seek to de-risk any major international expansion plans via relationships held within its B2B channel.

10. Independent Market Report (see Section 2.6.2).

4.

FINANCIAL INFORMATION



4.1 INTRODUCTION

4.1.1 Financial information

The financial information of Youfoodz contained in this Section 4 includes the Historical Financial Information for the financial years ended 30 June 2018 (**FY2018**), 30 June 2019 (**FY2019**) and 30 June 2020 (**FY2020**), together with the Forecast Financial Information for the financial year ending 30 June 2021 (**FY2021F**) (collectively the **Financial Information**) as described below.

Table 4.1: Overview of Youfoodz Holdings Limited Financial Information

	Statutory Financial Information	Pro Forma Financial Information
Historical Financial Information	<p>Statutory Historical Financial Information comprises the following:</p> <ul style="list-style-type: none"> statutory historical income statements for FY2018 and FY2019 for Youfoodz Pty Ltd and IDK Pty Ltd and FY2020 for Youfoodz Holdings Pty Ltd (Statutory Historical Income Statements); statutory historical cash flows for FY2018 and FY2019 for Youfoodz Pty Ltd and IDK Pty Ltd and FY2020 for Youfoodz Holdings Pty Ltd (Statutory Historical Cash Flows); and statutory historical consolidated statement of financial position of Youfoodz Holdings Pty Ltd as at 30 June 2020 (Statutory Historical Statement of Financial Position). 	<p>Pro Forma Historical Financial Information comprises the following:</p> <ul style="list-style-type: none"> pro forma historical consolidated income statements for FY2018, FY2019 and FY2020 (Pro Forma Historical Income Statements); pro forma historical consolidated cash flows for FY2018, FY2019 and FY2020 (Pro Forma Historical Cash Flows); and pro forma historical consolidated statement of financial position as at 30 June 2020 (Pro Forma Historical Statement of Financial Position).
Forecast Financial Information	<p>Statutory Forecast Financial Information comprises the following:</p> <ul style="list-style-type: none"> statutory forecast consolidated income statement for FY2021F (Statutory Forecast Income Statement); and statutory forecast consolidated cash flows for FY2021F (Statutory Forecast Cash Flows). 	<p>Pro Forma Forecast Financial Information comprises the following:</p> <ul style="list-style-type: none"> pro forma forecast consolidated income statement for FY2021F (Pro Forma Forecast Income Statement); and pro forma forecast consolidated cash flows for FY2021F (Pro Forma Forecast Cash Flows).

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information are together referred to as the **Historical Financial Information**.

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information are together referred to as the **Forecast Financial Information**.

The Historical Financial Information and the Forecast Financial Information together form the **Financial Information**.

Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information, including the application of relevant new and revised accounting standards had they applied to the Statutory Historical Financial Information (see Sections 4.2.1, 4.2.2, 4.2.3 and 4.2.4);
- an explanation of certain financial measures that are neither recognised by the Australian Accounting Standards Board (**AASB**) or under the International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**) that are used by Youfoodz and included in this Prospectus to assist investors in understanding the financial performance of the business (see Section 4.2.6) (**non-IFRS financial measures**);
- a summary of Youfoodz' key operating and financial metrics (see Section 4.3.2);
- the pro forma adjustments to the Statutory Historical Financial Information (see Sections 4.3.3, 4.4.2 and 4.5);
- Youfoodz' best-estimate general and specific assumptions underlying the Forecast Financial Information (see Section 4.6);

4. FINANCIAL INFORMATION

- Management's discussion and analysis of the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information (see Section 4.7);
- an analysis of the key sensitivities in respect of the Forecast Financial Information (see Section 4.9); and
- a summary of the proposed dividend policy (see Section 4.10).

The information in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus. In addition, the significant accounting policies adopted in the preparation of the Financial Information are set out in Appendix A and have been consistently applied throughout the financial periods presented in this Prospectus unless stated otherwise.

All amounts disclosed in the tables are presented in Australian dollars and unless otherwise noted, are in millions rounded to one decimal place (the nearest hundred thousand). Rounding of figures provided in the Financial Information may result in some immaterial differences between the sum of components and the totals outlined within tables and percentage calculations.

4.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

4.2.1 Overview

The Directors are responsible for the preparation and presentation of the Financial Information. The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the Company's underlying historical financial performance, cash flows and financial position of Youfoodz, together with the forecast financial performance and cash flows.

The Statutory Historical Financial Information and Statutory Forecast Financial Information have been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards (**AAS**) issued by the AASB, which are consistent with the International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**).

The Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information have been prepared solely for inclusion in this Prospectus and have been derived from the Statutory Historical Financial Information and the Statutory Forecast Financial Information adjusted for certain transactions and pro forma adjustments as described further below.

The Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information have been prepared in accordance with the recognition and measurement principles contained in AAS, other than that they include adjustments that have been prepared in a manner consistent with AAS that reflects: (i) the exclusion of certain transactions that occurred or are forecast to occur in the relevant periods; and (ii) the impact of certain transactions as if they occurred in each period commencing on 1 July 2017 in the Pro Forma Historical Financial Information and in the Pro Forma Forecast Financial Information.

Due to their nature, the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information do not represent the actual or prospective financial position, financial performance or cash flows of the Company. Youfoodz believes that the Pro Forma Historical Financial Information provides useful information as it permits investors to examine what it considers to be the underlying financial performance and cash flows of the business presented on a consistent basis with the Forecast Financial Information.

This Prospectus includes Forecast Financial Information based on the specific and general assumptions of Youfoodz.

The significant accounting policies and critical areas of accounting judgements and estimates adopted in the preparation of the Financial Information are set out in Appendix A. The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by the AAS applicable to general purpose financial reports prepared in accordance with the Corporations Act.

In addition to the Financial Information, Section 4.2.6 describes certain non-IFRS financial measures that are used to manage and report on Youfoodz' business that are not defined under or recognised by AAS or IFRS.

The Directors are responsible for the preparation and presentation of the Financial Information.

The Pro Forma Historical Financial Information and Forecast Financial Information (as defined in Section 4.1.1) has been reviewed by KPMG Financial Advisory Services (Australia) Pty Limited (**Investigating Accountant**), in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information, as stated in its Independent Limited Assurance Report. Investors should note the scope and limitations of the Independent Limited Assurance Report (contained in Section 8).

4.2.2 Preparation of Historical Financial Information

The Statutory Historical Financial Information has been extracted from the financial statements of Youfoodz Pty Ltd and IDK Pty Ltd for the full years FY2018 and FY2019 and from the financial statements of Youfoodz Holdings Pty Ltd for the full year FY2020. The financial statements of Youfoodz Pty Ltd for the years ended 30 June 2018 and 27 June 2019 were audited by KPMG in accordance with Australian Standards. The audit opinions issued to the members of Youfoodz Pty Ltd relating to those financial statements were 'modified in respect of the balance of inventory in the statement of financial position and the changes in inventories in the statement of profit and loss and other comprehensive income and the net cash flows from operating activities reported in the statement of cash flows'. In addition, there was a 'material uncertainty relating to going concern'. The financial statements of IDK Pty Ltd for the years ended 30 June 2018 and 27 June 2019 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinions issued to the members of IDK Pty Ltd relating to those financial statements were unmodified. The financial statements of Youfoodz Holdings Pty Ltd for the year ended 25 June 2020 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinion issued to the members of Youfoodz Holdings Pty Ltd relating to those financial statements were 'modified in respect of the balance of inventory in the consolidated statement of financial position, and the cost of sales in the consolidated statement of profit and loss and other comprehensive income and the net cash flows from operating activities reported in the consolidated statement of cash flows'. In addition, there was a 'material uncertainty related to going concern'.

The Pro Forma Historical Income Statements and Pro Forma Historical Cash Flows have been prepared for the purpose of inclusion in this Prospectus and have been derived from the Statutory Historical Financial Information and adjusted for the effects of the pro forma adjustments described in Section 4.3.3 and 4.4.2 of this Prospectus. In particular, pro forma adjustments have been made to reflect the following:

- the unaudited results for Fresh Four Pty Ltd and Youjuice Pty Ltd had they been included within Youfoodz Holdings Limited for FY2018 and FY2019;
- the adoption of AASB 117 for FY2020 and FY2021F; and
- the impact of the Offer.

No adjustments have been made in respect of the period 27 June 2019 to 30 June 2019 and 25 June 2020 to 30 June 2020 on the basis of materiality.

Section 4.4.2, Table 4.8 sets out the pro forma adjustments made to the Statutory Historical Cash Flows and a reconciliation of the Pro Forma Historical Cash Flows to the Statutory Historical Cash Flows, including explanations of these adjustments.

The Pro Forma Historical Statement of Financial Position in Section 4.5 is derived from the Statutory Historical Statement of Financial Position, and is adjusted to reflect the following (among others):

- the impact of the Offer, including costs directly attributable to the Offer offset against share capital; and
- the repayment of the Shareholder Loan out of the proceeds of the Offer.

The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of the future financial position of the Company.

Investors should note that past results are not a guarantee of future performance.

4.2.3 Preparation of Forecast Financial Information

The Forecast Financial Information is presented on both a statutory and pro forma basis for FY2021F and has been prepared solely for inclusion in this Prospectus. The basis of preparation and presentation of the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information is consistent with the basis of preparation and presentation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, respectively.

The Forecast Financial Information has been prepared by Youfoodz based on an assessment of current economic and operating conditions and on the general and specific assumptions regarding future events and actions set out in Section 4.6. The disclosure of these assumptions is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and the effect on the Forecast Financial Information if they do not occur and is not intended to be a representation that the assumptions will occur.

The Statutory Forecast Financial Information represents Youfoodz' best estimate of the financial performance and cash flows that it expects to report in its general purpose statutory financial statements for FY2021F. This assumes Completion of the Offer will occur on 30 November 2020 and reflects seven months of incremental public company costs associated with Youfoodz being a publicly listed entity.

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information.

Section 4.3.1, Table 4.2 sets out both the statutory forecast net profit / (loss) after tax (**NPAT**) and pro forma NPAT for FY2021F.

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The Forecast Financial Information should be read in conjunction with the general and specific assumptions set out in Section 4.6.1 and the specific assumptions set out in Section 4.6.2, the sensitivity analysis described in Section 4.9, the risk factors described in Section 5, the Significant Accounting Policies set out in Appendix A, and the other information in this Prospectus.

The inclusion of these assumptions and these risks is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur.

The Directors believe the general and specific assumptions, when taken as a whole, to be reasonable at the time of preparing the Prospectus. The Forecast Financial Information has been prepared with respect to current operating conditions under the COVID-19 pandemic. The impact of the COVID-19 pandemic on the business is discussed further in Section 4.7.1.4.

However, the information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or negative effect on Youfoodz' actual financial performance, cash flows or financial position.

In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of Youfoodz, the Directors and Management, and are not reliably predictable. Accordingly, none of the Company, its Directors and management or any other person can give investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

It is not intended that the Forecast Financial Information or other forward-looking statements be updated or revised, nor is it intended that prospective Financial Information will be published in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law or regulation.

The Forecast Financial Information is presented on both a Statutory and Pro Forma basis as set out in Section 4.1.1. The Statutory Forecast Income Statement and Pro Forma Forecast Income Statement for FY2021F also have regard to the current trading performance of Youfoodz up until the date of lodgement of the Prospectus.

Due to its nature, the Pro Forma Forecast Financial Information does not represent Youfoodz' actual or prospective financial performance or cash flows for the respective period.

4.2.4 Changes in accounting standards

Youfoodz has initially applied AASB 16 Leases from 28 June 2019. AASB 16 Leases introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Youfoodz applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 27 June 2019. Accordingly, the comparative information presented for the year ended 27 June 2019 is not restated – i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.

The initial application of these standards did not have any material effect on the financial statements. As the impacts were not material no pro forma adjustments have been made to FY2018 and FY2019 results.

4.2.5 Critical accounting policies

Preparing financial statements in accordance with AAS requires the use of critical accounting estimates. It also requires Management to make judgements, estimates and assumptions in the application of accounting policies that affect the reported amounts in the consolidated financial statements. Management continually evaluates its judgements and estimates in relation to assets and liabilities, contingent liabilities, revenues and expenses. Management bases its 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 could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of, assets and liabilities within the next financial year include:

- Treatment of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be utilised;
- Impairment of trade and other receivables; and
- Impairment testing of intangible assets.

4.2.6 Explanation of certain non-IFRS financial measures

The Company uses certain measures to manage and report on the business that are not recognised under AAS or IFRS. These measures are collectively referred in this Section 4 and under ASIC Regulatory Guide 230 Disclosing Non-IFRS Financial Information as **non-IFRS financial measures**.

These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS.

In the disclosures in this Prospectus, unless otherwise indicated, we use the following non-IFRS financial measures:

- **Gross revenue** is total revenue before terms and discounts.
- **Net revenue** is gross revenue less terms and discounts.
- **Gross profit** is calculated as net revenue less cost of goods sold.
- **Gross profit margin** is a profitability measure and is calculated by gross profit divided by net revenue, expressed as a percentage.
- **EBIT** represents earnings before interest on corporate and other debt (including shareholder loans), interest on the lease liability recognised under AASB 16 and income tax expense.
- **EBITDA** represents earnings before interest on corporate and other debt (including shareholder loans), interest on the lease liability recognised under AASB 16, income tax expense, depreciation including depreciation on the right of use asset recognised under AASB 16, amortisation, impairment expense and non-trading income.
- **EBITDA margin** is a profitability measure and is calculated by EBITDA divided by net revenue, expressed as a percentage.
- **Underlying EBITDA** is EBITDA adjusted for Management's view of what items they consider to be non-recurring.
- **CAGR** stands for Compound Annual Growth Rate.
- **Working capital** means the sum of current trade and other receivables, inventories and other current assets, less the sum of trade and other payables, provisions and other current liabilities.
- **Net operating cash flow** means EBITDA after the removal of non-cash items in EBITDA, changes in indirect tax liabilities and changes in working capital.
- **Net operating cash flow after capital expenditure** means cash flow from operating activities and payments for other capital expenditure.
- **Net cash flow** means net cash flow after Offer impacts and proceeds from issue of shares, repayment of borrowings and costs of the Offer.

Although the Directors believe these non-IFRS financial measures provide useful information for measuring the financial performance and condition of Youfoodz, they should be considered as supplements to the consolidated income statement and consolidated statement of cash flow measures that have been presented in accordance with the AAS and IFRS, not as a replacement for them. Investors are cautioned not to place undue reliance on any non-IFRS financial measures included in the Prospectus.

4. FINANCIAL INFORMATION

4.3 HISTORICAL AND FORECAST INCOME STATEMENTS

4.3.1 Pro Forma Historical Income Statements and Pro Forma and Statutory Forecast Income Statements

Table 4.2 sets out the Pro Forma Historical Income Statements for FY2018, FY2019 and FY2020 and the Pro Forma and Statutory Forecast Income Statements for FY2021F. The Pro Forma Historical Income Statements and the Pro Forma Forecast Income Statement are reconciled to the Statutory Historical Income Statements (which are set out in Section 4.3.4). Investors are referred to Section 4.7, which provides a description and Management discussion and analysis of the income statement categories. Section 4.7 provides a summary of the historical trading performance including events which have impacted the business.

Table 4.2: Summary of Pro Forma Historical Income Statements for FY2018, FY2019 and FY2020 and the Pro Forma and Statutory Forecast Income Statements for FY2021F

\$ millions	Note	Pro forma			Pro forma	Statutory
		FY2018	FY2019	FY2020	FY2021F	FY2021F
Gross revenue	1	153.2	211.4	171.5	199.8	
Terms and discounts	2	(29.9)	(54.7)	(44.2)	(49.8)	
Net revenue		123.3	156.6	127.3	149.9	149.9
Cost of goods sold	3	(92.9)	(129.2)	(90.0)	(98.7)	(98.7)
Gross profit		30.4	27.5	37.3	51.2	51.2
Other income		0.3	0.3	0.0	-	-
Marketing costs	4	(19.4)	(19.9)	(13.3)	(18.5)	(18.5)
Employee costs	5	(10.9)	(18.9)	(17.0)	(17.8)	(17.8)
Occupancy costs	6	(5.0)	(6.0)	(5.5)	(6.2)	(3.9)
General administration and other costs	7	(7.0)	(10.2)	(6.6)	(8.1)	(8.1)
Operating expenditure		(42.5)	(55.0)	(42.4)	(50.6)	(48.3)
EBITDA		(11.7)	(27.2)	(5.0)	0.5	2.9
Depreciation and amortisation	8	(1.6)	(2.0)	(2.2)	(3.0)	(4.8)
EBIT		(13.3)	(29.2)	(7.2)	(2.4)	(1.9)
Non-trading income	9	-	-	3.0	3.5	3.5
Impairment (expense)	10	(2.4)	(0.4)	-	-	-
Net finance income/(expense)	11	(0.4)	(3.6)	(2.0)	(1.7)	(2.5)
EBT		(16.1)	(33.2)	(6.2)	(0.6)	(0.9)
Tax (expense)/benefit		(1.0)	(1.4)	-	-	0.1
Net profit/(loss) after tax		(17.1)	(34.6)	(6.2)	(0.6)	(0.8)

Notes:

1. Gross revenue represents amounts earned from the sale of goods to customers through the Youfoodz home delivery and wholesale networks and is presented gross of terms and discounts.
2. Terms and discounts includes volume rebates and price discounts offered to customers.
3. Cost of goods sold includes directly allocated employee costs, product, packaging, wastage and freight and transport costs.
4. See Section 4.7.4.1 for further commentary.
5. Employee costs includes indirect salaries, wages, incentives and superannuation in relation to head office employees and public company costs.
6. See Section 4.7.4.3 for further commentary. The difference between pro forma and statutory reflects the adoption of AASB 16.
7. See Section 4.7.4.4 for further commentary. This also includes incremental costs associated with becoming a public company.
8. Depreciation & amortisation represents depreciation & amortisation expenses for property, plant and equipment prior to the adoption of AASB 16.
9. Non-trading income includes JobKeeper benefits received, which were \$3.0 million in FY2020 and \$3.5 million in FY2021F.
10. Impairment (expense) represents the impairment related party receivables.
11. Net finance income (expense) includes interest expenses.

4.3.2 Key pro forma operating and financial metrics

Table 4.3 sets out Youfoodz' Pro Forma Historical key operating and financial metrics for FY2018, FY2019 and FY2020 and the Pro Forma Forecast key operating and financial metrics for FY2021F.

Table 4.3: Key Operating Metrics and Financial Metrics

	Note	Pro forma			Pro forma
		FY2018	FY2019	FY2020	FY2021F
Gross revenue growth rates	1	n.a.	37.9%	(18.9%)	16.5%
Net revenue growth rates	2	n.a.	27.0%	(18.7%)	17.8%
Gross profit margin as % of net revenue		24.7%	17.5%	29.3%	34.1%
Operating EBITDA as % of net revenue		(9.5%)	(17.4%)	(3.9%)	0.4%
Cost items (as % of net revenue)					
Cost of goods sold	3	(75.3%)	(82.5%)	(70.7%)	(65.9%)
Marketing costs	3	(15.8%)	(12.7%)	(10.5%)	(12.3%)
Employee costs	3	(8.9%)	(12.0%)	(13.3%)	(11.9%)
Occupancy costs	3	(4.1%)	(3.8%)	(4.3%)	(4.2%)
General administration and other costs	3	(5.7%)	(6.5%)	(5.2%)	(5.4%)

Notes:

1. Gross revenue growth rates are calculated as the change in current period pro forma gross revenue as a percentage of prior period pro forma gross revenue.
2. Net revenue growth rates are calculated as the change in current period pro forma net revenue as a percentage of prior period pro forma net revenue.
3. Calculated as % of net revenue.

4.3.3 Pro Forma adjustments to the Statutory Historical Income Statements

Table 4.4 sets out the pro forma adjustments that have been made to the net profit/(loss) after tax in the Statutory Historical Income Statements (which are set out in Section 4.3.4) and Statutory Forecast Income Statement. No pro forma adjustments have been made to reported (i.e. audited) net revenue in these statutory statements of profit or loss.

Table 4.4: Pro Forma Adjustments to the Statutory Historical Income Statements FY2018 to FY2020

\$ millions	Note	Statutory		
		FY2018	FY2019	FY2020
Pro forma net profit/(loss) after tax		(17.1)	(34.6)	(6.2)
Non-audited entities	1	0.8	-	-
AASB 16 adjustments	2	-	-	(0.3)
Statutory net profit/(loss) after tax		(16.3)	(34.6)	(6.5)

Notes:

1. Includes the Net Profit After Tax results which are unaudited for Fresh Four Pty Ltd and Youjuice Pty Ltd had they been included within Youfoodz for FY2018.
2. Relates to the adoption of AASB 16 Leases, see Section 4.3.5 for further details.

4. FINANCIAL INFORMATION

4.3.4 Statutory Historical Income Statements and Statutory Forecast Income Statement

Table 4.5 sets out the Statutory Historical Income Statements and Statutory Forecast Income Statement.

Table 4.5: Statutory Historical Income Statements and Statutory Forecast Financial Income Statement

\$ millions	Note	Statutory			Statutory
		FY2018	FY2019	FY2020	FY2021F
Net revenue		122.7	156.6	127.3	149.9
Cost of goods sold		(90.9)	(129.2)	(90.0)	(98.7)
Gross profit		31.7	27.5	37.3	51.2
Other income		0.4	0.3	0.0	-
Marketing costs		(19.4)	(19.9)	(13.3)	(18.5)
Employee costs		(11.7)	(18.9)	(17.0)	(17.8)
Occupancy costs	1	(8.1)	(6.0)	(3.1)	(3.9)
General administration and other costs		(3.8)	(10.2)	(6.6)	(8.1)
Operating expenditure		(43.0)	(55.0)	(40.0)	(48.3)
EBITDA		(10.9)	(27.2)	(2.7)	2.9
Depreciation and amortisation	1	(1.6)	(2.0)	(4.0)	(4.8)
EBIT		(12.6)	(29.2)	(6.6)	(1.9)
Non-trading income		-	-	3.0	3.5
Impairment (expense)		(2.4)	(0.4)	-	-
Net finance income/(expense)	1	(0.4)	(3.6)	(3.0)	(2.5)
EBT		(15.3)	(33.2)	(6.6)	(0.9)
Tax (expense)/benefit		(1.0)	(1.4)	0.1	0.1
Net profit/(loss) after tax		(16.3)	(34.6)	(6.5)	(0.8)

Note: Refer to Table 4.2 for a description of income statement items.

1. Occupancy costs, depreciation & amortisation and net finance income/(expense) is presented on a AASB 16 basis. Youfoodz adopted AASB 16 on 28 June 2019.

4.3.5 Impact of AASB 16 on the Pro Forma Historical Income Statements and Pro Forma Forecast Income Statements

As discussed in Section 4.2.4, Youfoodz has adopted AASB 16 for the first time from 28 June 2019. The adoption of AASB 16 does not impact net cash flows, however the presentation of lease expense and payments in the income statement are impacted. Under AASB 16, the income statement presents the lease expense as a combination of depreciation (in relation to the right-of-use asset recognised on the balance sheet) and interest cost relating to the finance cost embedded within the lease. This is compared to the previous accounting standard (AASB 117) where a rental expense is shown as an operating expense. Operating expenses therefore decrease and depreciation and interest expenses increase under AASB 16 adoption. Table 4.6 provides a reconciliation of between the Pro Forma Results and the impact of AASB 16.

Table 4.6: Reconciliation Between AASB 16 and AASB 117 FY2020 to FY2021F

\$ millions	Note	FY2020	FY2021F
EBITDA (AASB 117)		(5.0)	0.5
Decrease in operating lease expense		2.3	2.3
EBITDA (AASB 16)		(2.7)	2.9
EBIT (AASB 117)		(7.2)	(2.4)
Decrease in operating lease expense		2.3	2.3
Increase in depreciation of right-of-use asset		(1.8)	(1.8)
EBIT (AASB 16)		(6.6)	(1.9)
NPAT (AASB 117)		(6.2)	(0.6)
Decrease in operating lease expense	1	1.6	1.6
Increase in depreciation of right-of-use asset	1	(1.2)	(1.3)
Increase in interest expense	1	(0.7)	(0.6)
NPAT (AASB 16)		(6.5)	(0.8)

Notes:

1. NPAT impacts are shown net of tax effects.

4. FINANCIAL INFORMATION

4.4 HISTORICAL AND FORECAST CASH FLOWS

4.4.1 Pro Forma Historical Cash Flows, Pro Forma and Statutory Forecast Cash Flows

Table 4.7 sets out Youfoodz' Pro Forma Historical Cash Flows, the Pro Forma Forecast Cash Flows and the Statutory Forecast Cash Flows. The Statutory Historical Cash Flows (which are set out in Section 4.4.3) are reconciled to the Pro Forma Historical Cash Flows and the Pro Forma Forecast Cash Flows in Section 4.4.2. Investors are referred to Section 4.7, which provides a Management discussion and analysis of the cash flow line items.

Table 4.7: Pro Forma Historical Cash Flows, Pro Forma and Statutory Forecast Cash Flows FY2018 to FY2021F

\$ millions	Note	Pro forma			Pro forma	Statutory
		FY2018	FY2019	FY2020	FY2021F	FY2021F
EBITDA		(11.7)	(27.2)	(5.0)	0.5	2.9
Changes in indirect tax liabilities	1	7.0	14.1	3.0	(24.9)	(24.9)
Changes in working capital	2	12.8	16.4	(21.4)	(5.2)	(5.2)
Net operating cash flow		8.1	3.3	(23.4)	(29.5)	(27.1)
Capital expenditure	3	(4.2)	(3.1)	(2.4)	(3.0)	(3.0)
Net operating cash flow after capital expenditure		3.9	0.2	(25.8)	(32.5)	(30.1)
Interest paid for leased assets	4	-	-	-	-	(0.7)
Principal repayments on leased assets		-	-	-	-	(1.7)
Proceeds from the issue of share capital	5	0.8	0.8	24.6	70.0	70.0
Proceeds from/(repayment of) borrowings	6	(0.2)	2.5	0.3	3.7	3.7
Offer costs (recognised in equity)	7	-	-	-	(5.6)	(5.6)
Net cash flow		4.5	3.5	(1.0)	35.6	35.6

Notes:

1. Changes in indirect tax liabilities balances which are now settled (see Table 4.10 for further detail).
2. Changes in working capital represents the movement in trade receivables, inventories, other current assets, trade payables and other payables and other current liabilities.
3. Capital expenditure is presented net of asset acquisition and disposals and primarily relates to manufacturing equipment and IP/software development costs.
4. Interest paid for leases and principal repayments on leases represents amounts paid for lease obligations under AASB 16.
5. Net proceeds from historical issues of share capital and the Offer.
6. Proceeds from/(repayment of) borrowings, inclusive of the repayment of the Shareholder Loan.
7. Offer costs are recognised in equity (see Table 4.10 for further detail).

4.4.2 Pro Forma adjustments to the Statutory Historical Cash Flows

Table 4.8 sets out the pro forma adjustments that have been made to the Statutory Historical Cash Flows. These adjustments are summarised and explained below.

Table 4.8: Pro Forma Adjustments to the Statutory Historical Cash Flows FY2018 To FY2020

\$ millions	Note	FY2018	FY2019	FY2020
Pro forma net free cash flow		4.5	3.5	(1.0)
Non-audited entities	1	0.8	-	-
Statutory net free cash flow		5.2	3.5	(1.0)

Notes:

1. Includes the Cash Flow for Fresh Four Pty Ltd and Youjuice Pty Ltd had they been included within Youfoodz for FY2018.

4.4.3 Statutory Historical Cash Flows

Table 4.9 sets out the Statutory Historical Cash Flows.

Table 4.9: Statutory Historical Cash Flows FY2018 to FY2020

\$ millions	Note	Statutory		
		FY2018	FY2019	FY2020
EBITDA		(10.9)	(27.2)	(2.7)
Changes in indirect tax liabilities		7.0	14.1	3.0
Changes in working capital		12.8	16.4	(21.4)
Net operating cash flow		8.9	3.3	(21.1)
Capex		(4.2)	(3.1)	(2.4)
Net operating cash flow after capital expenditure		4.7	0.2	(23.5)
Interest paid for leased assets		-	-	(0.9)
Principal repayments on leased assets	1	-	-	(1.4)
Proceeds from the issue of share capital		0.8	0.8	24.6
Proceeds from/(repayment of) borrowings		(0.2)	2.5	0.3
Net cash flow		5.2	3.5	(1.0)

Note:

1. Refer to Table 4.7 for a description of cash flow items.

4. FINANCIAL INFORMATION

4.5 STATUTORY AND PRO FORMA HISTORICAL STATEMENTS OF FINANCIAL POSITION

Table 4.10 below presents the pro forma adjustments that have been made to the Statutory Historical Statement of Financial Position of Youfoodz as at 25 June 2020 to present a Pro Forma Historical Statement of Financial Position for Youfoodz as at 30 June 2020, reflecting the following adjustments:

- the impact of the Offer, including costs directly attributable to the Offer offset against share capital; and
- the repayment of a Shareholder Loan out of the proceeds of the Offer.

The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of Youfoodz' view of its financial position upon Completion of the Offer or at a future date.

Table 4.10: Statutory and Pro Forma Historical Statements of Financial Position

\$ millions	Note	25 June 2020		30 June 2020	
		Statutory	Adj. 1	Adj. 2	Pro forma
Note			1	2	
Current assets					
Cash and cash equivalents		0.9	45.0	(5.6)	40.2
Trade and other receivables		6.2	-	-	6.2
Inventories		4.5	-	-	4.5
Other current assets		1.0	-	-	1.0
Total current assets		12.5	45.0	(5.6)	51.9
Non-current assets					
Plant and equipment		10.0	-	-	10.0
Intangible assets		4.1	-	-	4.1
Total non-current assets		14.2	-	-	14.2
Total assets		26.7	45.0	(5.6)	66.0
Current liabilities					
Trade and other payables	3	50.0	(25.0)	-	25.0
Loans and borrowings		3.2	-	-	3.2
Lease liability		1.5	-	-	1.5
Current tax liabilities		1.8	-	-	1.8
Other current liabilities		2.0	-	-	2.0
Total current liabilities		58.4	(25.0)	-	33.4
Non-current liabilities		-	-	-	-
Provisions		0.1	-	-	0.1
Lease liability		4.4	-	-	4.4
Total non-current liabilities		4.5	-	-	4.5
Total liabilities		62.9	(25.0)	-	37.9
Net assets		(36.2)	70.0	(5.6)	28.1
Equity					
Share capital		24.6	70.0	(5.6)	89.0
Retained earnings		(60.9)	-	-	(60.9)
Total equity		(36.2)	70.0	(5.6)	28.1

Notes:

- Adjustment 1: Cash and equity increase reflecting the equity raised through proceeds of the Offer of \$70.0 million for new share capital.
- Adjustment 2: Total Offer costs of \$5.6 million are anticipated to be incurred, of which the full amount is directly related to the Offer and offset against share capital.
- Pro forma trade and other payables represents balance following repayment of the Shareholder Loan.

4.5.1 Liquidity and capital resources

Following Completion of the Offer, Youfoodz' principal sources of funds are expected to be cash on hand and operating cash flow. Following Completion of the Offer, the Company will have pro forma net cash of \$37.0 million (which is cash less current loans and borrowings) and will be used to fund working capital and marketing activities. Historical and forecast working capital and capital expenditure trends are discussed in Sections 4.7.7 and 4.7.8. Following Completion of the Offer, Youfoodz will have sufficient cash to meet its operational and working capital requirements and stated business objectives during the Forecast Period.

4.6 FORECAST FINANCIAL INFORMATION

The Forecast Financial Information is based on various general and specific assumptions, including the general assumptions set out in Section 4.6.1 and the specific assumptions set out in Section 4.6.2. In preparing the Forecast Financial Information, Youfoodz has undertaken an analysis of historical performance and applied assumptions where appropriate in order to forecast future performance for FY2021F. The Directors believe that Youfoodz has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing the Prospectus. However, actual results are likely to vary from those forecast and any variation may be materially positive or negative.

The assumptions upon which the Forecast Financial Information is based are, by their nature, subject to significant uncertainties and contingencies, many of which are outside the control of Youfoodz and its respective Directors and Management, and are not reliably predictable. Accordingly, none of Youfoodz, or its respective Directors or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.9, the risk factors set out in Section 5 and the Independent Limited Assurance Report on the Forecast Financial Information set out in Section 8.

4.6.1 General assumptions

In preparing the Forecast Financial Information, Youfoodz has adopted the following general assumptions:

- there are no material changes in the competitive and operating environment in which Youfoodz operates;
- there are no significant deviations from current market expectations of economic and market conditions under which Youfoodz operates;
- there are no material changes in government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on the financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures of Youfoodz;
- there are no changes in applicable AAS, IFRS, other mandatory requirements or Corporations Act which could have a material impact on Youfoodz reported financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures;
- there are no material employee relations disputes or other disturbances, contingent liabilities or legal claims that arise or that are settled to the detriment of Youfoodz;
- there are no material changes in key personnel, including key management personnel. It is also assumed that Youfoodz will maintain its ability to recruit and retain the personnel required to support the future growth of the Company;
- there are no material changes to Youfoodz corporate and funding structure other than the transactions contemplated under the terms of the Offer set out in this Prospectus;
- there are no significant disruptions to the continuity of operations of Youfoodz or other material changes in the business;
- there are no material amendments to any material contract, agreement or arrangement relating to Youfoodz business or intellectual property;
- none of the risks listed in Section 5 eventuates (including any risks associated with the legal proceedings referred to in Section 9.8), or if they do, none of them has a material adverse impact on the operations of Youfoodz; and
- the Offer proceeds are received in accordance with the timetable set out in the Key Dates section of this Prospectus.

4. FINANCIAL INFORMATION

4.6.2 Specific assumptions

The Forecast Financial Information is based on various best estimate assumptions, including those set out below. In preparing the Forecast Financial Information, Youfoodz has analysed historical performance including the current revenues, expenses and applied assumptions, where appropriate, across the business.

It is difficult to differentiate the impact of the COVID-19 pandemic on Youfoodz' trading performance in FY2021F and year-to-date FY2021F, specifically the impact caused by matters such as supply delays and lockdowns, particularly in Victoria.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.9, the risk factors set out in Section 5, the Independent Limited Assurance Report in Section 8 and other information contained in this Prospectus.

Gross revenue assumptions

Gross revenue is forecast to increase 16.5% in FY2021F (pro forma).

Gross revenue is included in the pro forma forecast only and is not reported for statutory purposes.

The key drivers of gross revenue for Youfoodz are:

B2C (Home delivery):

- Active Customers
- Average Order Frequency
- Average Order Value
- Return on advertising spend (ROAS)

Home delivery is forecast to increase \$24.3 million between FY2020 and FY2021F representing a growth rate of 24.2% year on year.

Revenue is assumed to be driven by the return on marketing spend which is forecast to increase by \$5.2 million in FY2021F to \$18.5 million. Growth in gross revenue for home deliveries is largely driven by an increase in the total number of orders. The forecast assumes Average Order Value increases by approximately 4% driven by the introduction of a delivery fee for orders under \$89. Average Order Frequency is forecast to remain flat in FY2021.

Customer numbers are an important driver and a consistent customer retention rate is forecast with that achieved in FY2020. Growth in new customers is assumed to occur as a result of the strategic focus on specific marketing programs and campaigns which are dynamically altered throughout the year.

Management has also assumed further improvements to be realised on ROAS as a result of new product and meal offerings starting from late September 2020.

B2B (Wholesale and Corporate):

- The number of physical stores
- Sales per physical store

Wholesale revenue represents sales to retailers, petrol stations, convenience stores and corporates. Overall wholesale revenue is forecast to increase by \$3.6 million between FY2020 and FY2021F, a 5.1% increase year on year. Wholesale revenue is forecast based on weekly number of stores, average number of units per store and the unit price agreed with the retailer.

Youfoodz recently secured two new retail agreements with B2B customers which are forecast to largely offset the COVID-19 impact on existing business and to further improve the wholesale segment in FY2021.

Terms and discounts assumptions

Terms and discounts vary depending on the offers made and are expected to be relatively consistent as a percentage of gross revenue in the forecast period. Spending on terms and discounts is dynamic and has recently been targeted at some of the new but less significant sales units in the drinks and snacks categories.

These items are included in the pro forma forecast only and are not reported for statutory purposes.

Gross profit margin assumptions	<p>Gross profit margins are expected to increase from 29.3% in FY2020 to 34.1% in FY2021F due to the continued improvement initiatives being adopted and as a result of stronger net revenue performance. Continued SKU optimisation to reduce product costs as well as capex investment and increased labour efficiencies are also forecast to contribute to this improvement.</p> <p>The key drivers include:</p> <ul style="list-style-type: none"> • Product costs • Direct labour • Stock damage and losses • Packaging • Delivery/freight <p>Product costs continue to be supported by increased purchasing power and direct sourcing from vendors. Management is continually evaluating the optimal product mix and core range selection to reflect changes in ingredient costs or delete underperforming SKUs as well as following historical and seasonal trends in prices for major proteins and vegetables when considering menu design.</p> <p>Continued investment in capex particularly in respect of meat dicing assets and food marinating equipment has enabled Youfoodz to reduce costs and perform the work in house.</p> <p>Direct labour continues to be optimised as a result of ongoing efficiencies which are forecast to continue in FY2021F.</p> <p>Stock damage and losses is assumed to move in line with revenue with a modest improvement forecast as a result of ongoing investment in food science to yield an increase in shelf life for certain products.</p> <p>Packaging costs are forecast at as similar rate to FY2020 (approximately 2% of gross revenue).</p> <p>Delivery/freight is forecast to remain relatively flat with a modest improvement arising from the commencement of a delivery fee being charged to customers for orders under \$89.</p>
Operating expense assumptions	<p>Operating expenses include:</p> <ul style="list-style-type: none"> • Marketing costs • Employee costs • Occupancy costs • General and administrative expenses <p>Marketing costs comprise direct, indirect and wholesale marketing costs. These are forecast to increase from approximately 8% of gross revenue in FY2020 to approximately 9% of gross revenue in FY2021F to support the increase in sales, particularly in the home delivery segment.</p> <p>Employee costs comprise head office staff and include allowances for increased costs associated with being a public company.</p> <p>Occupancy costs primarily relate to Youfoodz' operations in Brisbane with an increase forecast due to the expansion of existing 'pick and pack' operations.</p> <p>General and administrative expenses also include costs associated with being a public company.</p>
Depreciation and amortisation	Forecast based on the depreciation of fixed assets, both existing and those assumed to be acquired during FY2021F.
Net finance income/(expense)	Youfoodz has minimal finance costs as significant external finance facilities are not held.
Income tax assumptions	Youfoodz is an Australian tax resident and will pay tax at the corporate rate of 30%.
Cash flow and working capital assumptions	Working capital balances have been forecast based on the historical operating trends of Youfoodz, with the key drivers of working capital being inventory and trade payables. Inventory levels are forecast based on the requirement to support forecast sales growth and trade payables balances forecast based on current trading terms with suppliers.

4. FINANCIAL INFORMATION

4.7 MANAGEMENT DISCUSSION AND ANALYSIS OF THE PRO FORMA HISTORICAL AND FORECAST FINANCIAL INFORMATION

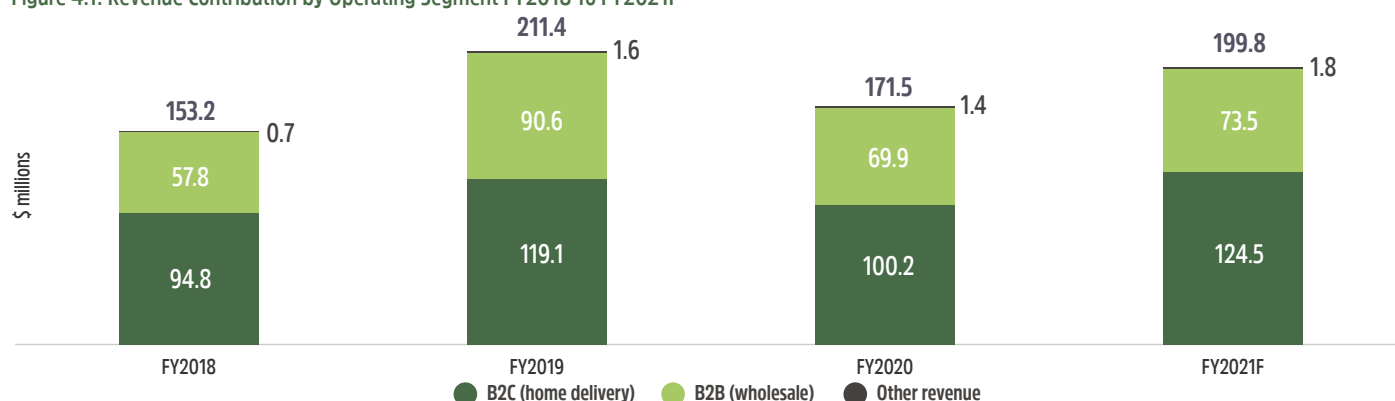
The following Section 4.7 is an overview of the factors which have affected the operational and financial performance of Youfoodz for the periods FY2018, FY2019, FY2020 and FY2021F and which the Directors of Youfoodz expect to continue to impact the company in the future.

The Forecast Financial Information is based on management's best estimate assumptions concerning future events. Management of Youfoodz has analysed the historical performance and cash flows and applied assumptions to forecast the FY2021F financial performance and cash flow of Youfoodz.

4.7.1 Revenue

Youfoodz derives revenue from the sale of fresh, ready-made meals and other convenience food products which are offered to customers through two key operating segments: B2C (home delivery) and B2B (wholesale). Gross revenue represents amounts earned from the sale of goods to customers through B2C and B2B networks gross of any terms and discounts. Gross revenue is monitored by the Company predominantly to understand production margins and efficiency. Net revenue represents proceeds received by Youfoodz from B2C and B2B sales net of any terms and discounts. Net revenue is monitored by the business to understand top-line business growth and performance. Other revenue relates to delivery fee recovery income for home deliveries.

Figure 4.1: Revenue Contribution by Operating Segment FY2018 To FY2021F



4.7.1.1. Key revenue drivers of Youfoodz' revenue

Since inception in 2012, Youfoodz has experienced significant revenue growth, achieving gross revenue of \$171.5 million in FY2020, of which 59% was derived from its B2C segment and 41% was derived from its B2B segment.

Revenue growth in the B2C segment has historically been driven by the acquisition of new customers. Other drivers of revenue in the B2C segment include Average Order Frequency and Average Order Value.

Revenue growth in the B2B segment has historically been driven by growth in the number of distribution agreements established with B2B customers (including grocery retailers, petrol and convenience retailers and corporate customers). Other drivers of revenue in the B2B segment include the average revenue spend per B2B customer.

Section 4.7.1.2 and Section 4.7.1.3 discuss the revenue drivers of the B2C and B2B segments in further detail.

From FY2018 to FY2019, gross revenue increased from \$153.2 million to \$211.4 million, representing a growth rate of 37.9%.

In FY2020, after experiencing rapid growth over a number of years, Youfoodz implemented a Strategic Reset to corporatise the business and establish structures to build an operating platform for long-term success. The Strategic Reset included implementing a more refined marketing investment strategy. In refining its marketing investment strategy, Youfoodz materially reduced marketing spend, resulting in a temporary reduction in B2C and B2B customer revenue in 1H FY2021. However, in 2H FY2020 Youfoodz returned to growth, relaunched a refined approach to marketing spend and achieved record new customer acquisitions and strong retention of existing customers with improved customer acquisition efficiency.

Refer to Section 4.7.9 for further detail on the success of Youfoodz' Strategic Reset in FY2020.

In FY2021F, Youfoodz is forecast to continue its historical track-record of growth, with gross revenue forecast to increase from \$171.5 million to \$199.8 million, representing a growth rate of 16.5%.

4.7.1.2. Key revenue drivers of Youfoodz' B2C segment revenue

Youfoodz derives a large portion of revenue from the home delivery sales channel via its proprietary website and delivery network. Youfoodz has experienced strong revenue growth over the last three years through the home delivery channel. Historical revenue growth within the channel has been driven by both new customer acquisition and existing customer retention which has been achieved while maintaining a high return on marketing expenditure.

Youfoodz monitors drivers of its B2C business both on a regular periodic basis (weekly, monthly and annually) and on a customer cohort basis over time (i.e. tracking how groups of customers change behaviour as they remain customers of Youfoodz).

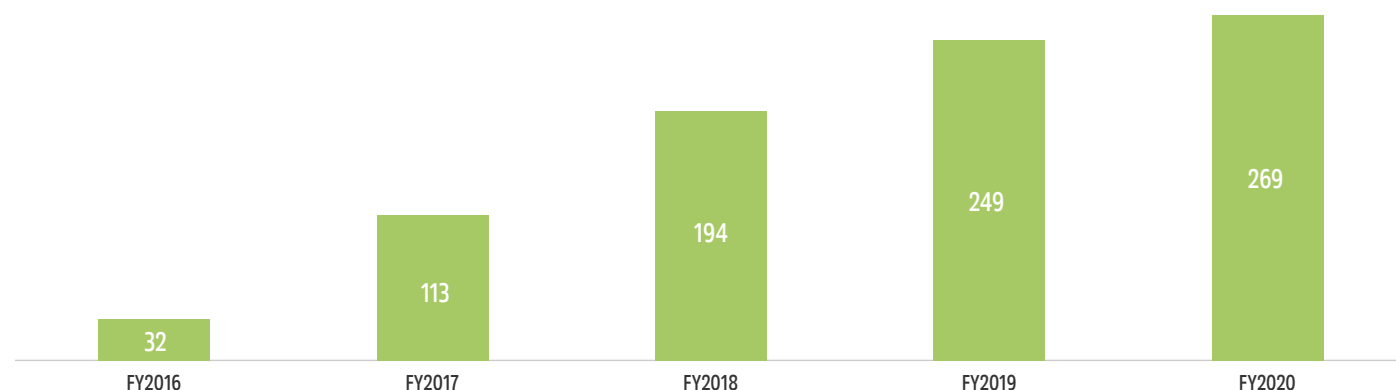
Number of Active Customers

Active Customers include all customers who have placed a B2C order with Youfoodz over a selected time period. Acquiring new customers and retaining existing customers as Active Customers is the key driver of growth for Youfoodz' B2C segment.

From FY2016 to FY2020 Active Customers increased from 31,728 to 268,653, representing a CAGR of 70.6%.

Marketing spend is a key factor driving the acquisition of new customers. Brand reinforcement and marketing investment in Youfoodz' B2B segment also contribute to new customer growth in Youfoodz' B2C segment. For example, a customer may trial a Youfoodz product after seeing it in store and subsequently transition online to make a purchase (becoming an Active Customer).

Figure 4.2: Youfoodz B2C Segment Active Customers ('000s)



Average Order Frequency

"Average Order Frequency" represents the average number of orders made by Active Customers of Youfoodz' B2C segment over any specified period of time (i.e. order volume divided by Active Customers). Historically, Average Order Frequency for Youfoodz B2C segment has been relatively consistent at approximately 4 orders per Active Customer per year.

A key factor impacting Average Order Frequency is customer retention, with returning customers driving higher average order frequency across any observed period. Historically customers of Youfoodz have manually ordered purchases via the Company's digital home-delivery platform each time they would make an order. The Company is currently in the process of implementing a flexible subscription offering to provide greater convenience to returning customers, which has the potential to generate a higher average order frequency for Youfoodz in the future (see Section 3.3.3 for further details). Youfoodz' overall product (e.g. meal, drink and other food ranges) and service (e.g. delivery capability) offerings also contributes to average order frequency.

For FY2021 Youfoodz is forecasting Average Order Frequency to remain relatively flat with FY2020.

Average Order Value

"Average Order Value" reflects the average dollar amount spent each time a B2C customer places an order through Youfoodz' digital home-delivery platform. Average order value is calculated including GST and is gross of discounts. In FY2020, Average Order Value was approximately \$90. Average Order Value is forecast to increase to approximately \$95 in FY2021, representing a year-on-year increase of approximately 4%. The increase is primarily driven by the introduction of a delivery fee for order values below \$89. Preliminary trading in FY2021F is trending in-line with forecast (see Section 4.8 for further detail).

4.7.1.3. Key revenue drivers of Youfoodz' B2B revenue

B2B segment revenue is primarily driven by new agreements with retail and corporate customers to sell Youfoodz products through retail outlets and corporate channels. A key factor impacting the value of a B2B customer is the number of retail outlets which the customer stocks Youfoodz products in. Youfoodz recently secured two new retail agreements with B2B customers that will improve the wholesale segment in FY2021F, largely offsetting the COVID-19 impact on existing wholesale customers.

4. FINANCIAL INFORMATION

4.7.1.4. COVID-19 revenue performance

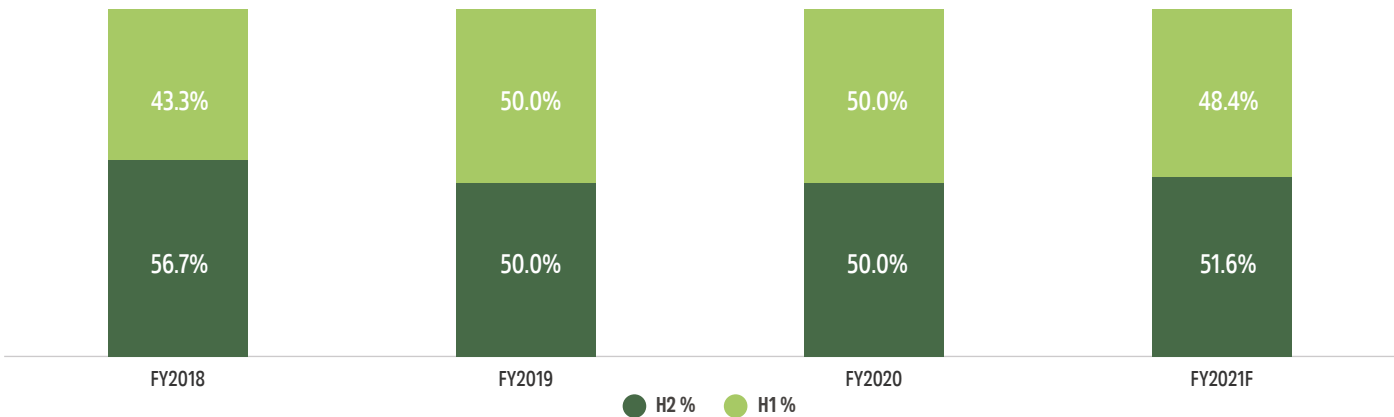
At the onset of COVID-19, the Company's B2C channel benefited from an increase in new customer acquisitions and order volumes in response to government mandated lock down measures. Youfoodz is expected to continue to benefit from these tailwinds due to stronger consumer familiarity and accelerated market penetration of online food delivery services. Youfoodz is also expected to benefit through its ability to retain new customers acquired through this period.

Youfoodz' B2B segment was adversely impacted by government mandated restrictions (including lock downs or social distancing measures) due to reduced foot traffic in retail and petrol and convenience outlets. The Company has started to see a recovery in these B2B channels as government mandated restrictions ease.

4.7.1.5. Revenue seasonality

Youfoodz typically generates slightly more revenue towards the second half of the financial year due to the impacts of lower sales during the Christmas period in late December.

Figure 4.3: Revenue Contribution Per Half FY2018 to FY2021F



4.7.2 Cost of goods sold

Cost of goods sold comprises directly allocated labour costs (including employment on-costs), product costs (predominantly raw materials), stock damage and wastage, packaging and delivery and freight expenses.

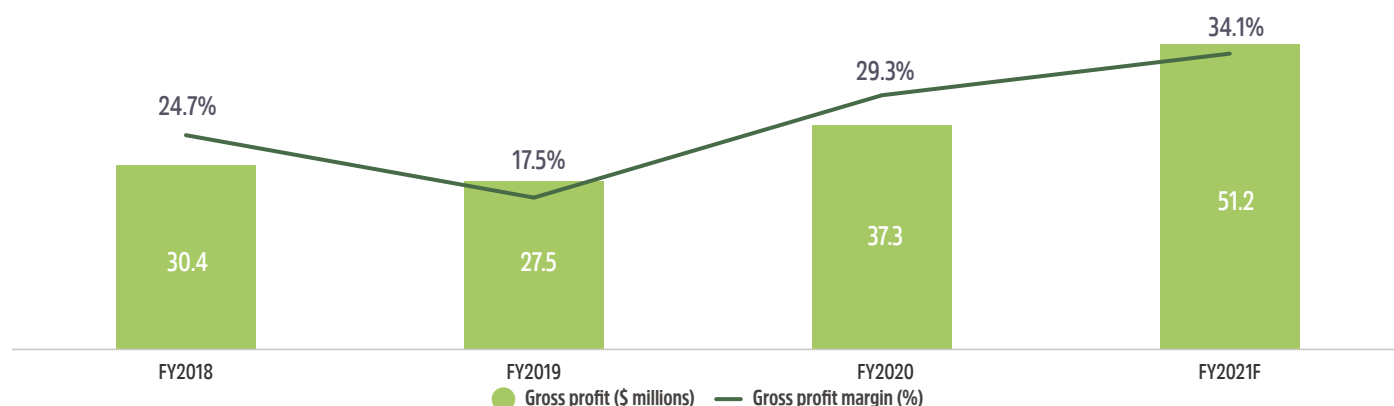
Youfoodz holds strong relationships with its suppliers, some of which have been supplying Youfoodz with produce since Youfoodz' inception. This strategy ensures strong quality control and attractive pricing of raw materials. Diversification also allows Youfoodz to forward order fresh produce and minimise supply chain risk.

Delivery and freight expenses primarily relate to the outbound shipping of Youfoodz products directly to B2C customers and either direct to store or to relevant distribution centres. With the exception of some regional areas and Western Australia, delivery fees are not charged to B2C customers who place an order over \$89. For orders under \$89 a delivery fee of approximately \$7.50 is charged.

Cost of goods sold is monitored closely by Management with the assistance of the Company's proprietary in-house technology system. The technology system allows the Company to efficiently source and order product ingredients, prepare and cook product, pick and pack orders into containers and route orders for delivery. The system was upgraded as part of the Strategic Reset (see Section 4.7.9 for further detail), which contributed to a step-up in gross profit margin from 17.5% in FY2019 to 29.3% in FY2020.

4.7.3 Gross profit

Figure 4.4: Gross Profit and Gross Profit Margin (%) FY2018 to FY2021F



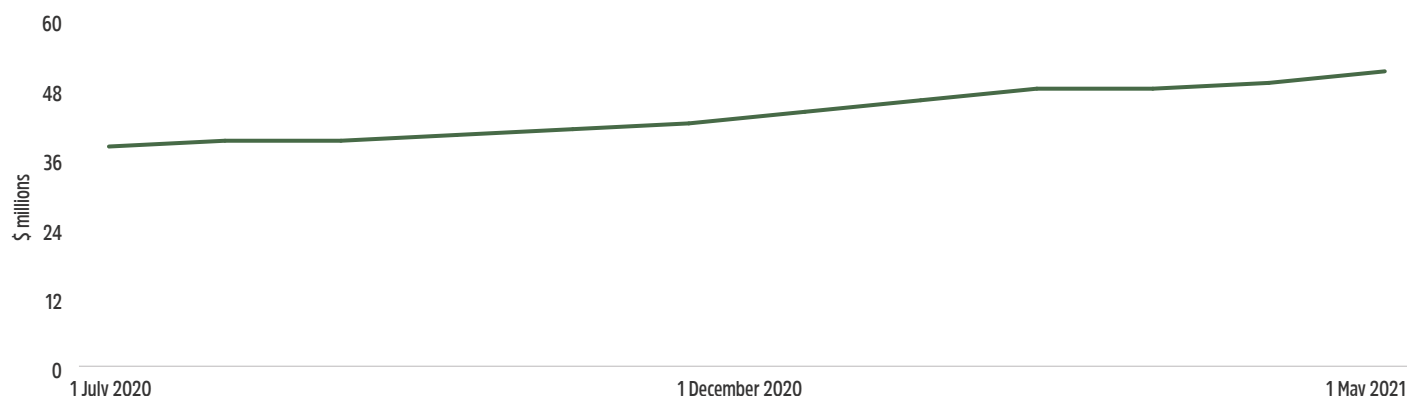
In FY2020, Youfoodz undertook the Strategic Reset to corporatise the business and establish structures to build an operating platform for long-term success. As part of the Strategic Reset Youfoodz focused on various operational initiatives to drive gross profit margin improvement (see Section 4.7.9 for further detail). As a result of the operational initiatives implemented as part of the Strategic Reset, Youfoodz increased gross profit margin from 17.5% in FY2019 to 29.3% in FY2020, representing a year-on-year improvement of 11.8%.

In FY2019, the Company implemented a number of initiatives that have since been discontinued, including the launch of a meal-kit offering and a Perth distribution centre. These initiatives contributed to lower margins in FY2019 relative to FY2018. See Section 4.7.9 for further detail on the changes implemented from FY2019 to FY2020.

Gross profit is estimated by Management to increase from \$37.3 million in FY2020 to \$51.2 million in FY2021F, representing a growth rate of 37.1%. The change in gross profit reflects an expected improvement in gross profit margin from 29.3% to 34.1%. This trend is driven by reduced direct labour costs attributable to automation and other efficiency improvements within the production facility undertaken during FY2020 and reduced product costs due to renegotiated terms with produce suppliers.

Youfoodz expects to achieve substantial further operating leverage in the future by consolidating existing manufacturing operations into a new, purpose-built manufacturing facility and investing in automation capabilities. See Section 3.6.4 for further detail.

Figure 4.5: Rolling LTM Gross Profit FY2018 To FY2021F

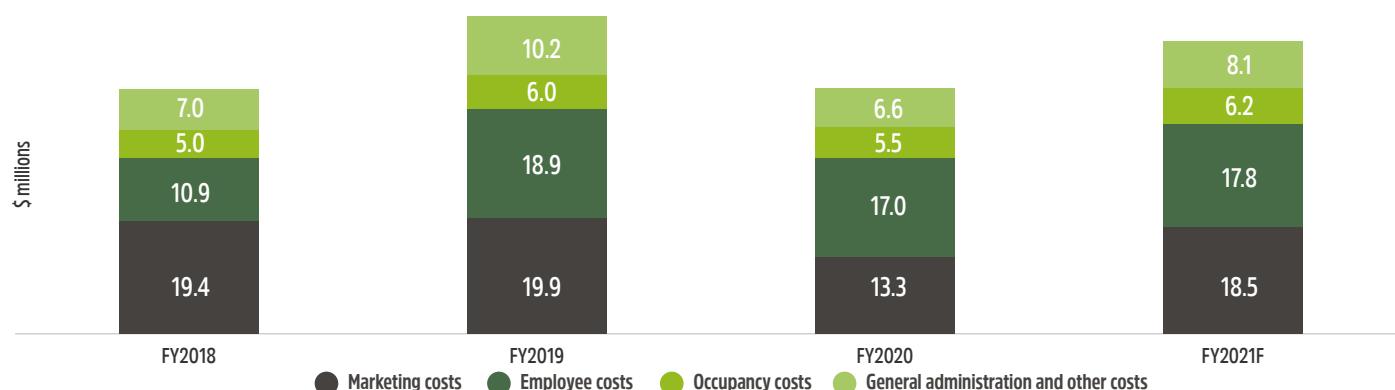


4. FINANCIAL INFORMATION

4.7.4 Operating expenses

Operating expenses include marketing costs, employee costs, occupancy costs and general administration and other costs.

Figure 4.6: Operating Expenses FY2018 to FY2021F



4.7.4.1. Marketing costs

Marketing costs represent a significant portion of Youfoodz' operating expenses. Whilst discretionary in nature, marketing investment plays an important role in Youfoodz' strategy to acquire new customers and encourage repeat purchases by existing consumers across both the B2C and B2B segments. The Company maintains a focused and controlled strategy to maximise returns through its various marketing channels. Marketing costs include online display advertising, search engine optimisation, search engine marketing, social media, email marketing, TV advertising, out-of-home advertising, retail displays, radio advertising and print advertising.

Marketing costs as a percentage of gross revenue represented 12.7% and 9.4% in FY2018 and FY2019, respectively. In FY2020, marketing costs were reduced by \$6.6 million as part of Youfoodz' Strategic Reset (see Section 4.7.9 for further detail). In FY2021F, marketing costs are forecast to increase \$5.2 million to \$18.5 million to support ongoing new customer acquisitions and retention of existing customers.

4.7.4.2. Employee costs

Employee costs include personnel salaries, wages and employment on-costs which are not directly allocated to cost of goods sold. Management forecast employee costs to increase from \$17.0 million in FY2020 to \$17.8 million in FY2021F in line with continued growth in the business.

4.7.4.3. Occupancy costs

Occupancy costs represent costs associated with the rental of manufacturing, warehouse and head office facilities. Management forecast occupancy costs to increase from \$5.5 million in FY2020 to \$6.2 million in FY2021F. A discussion on the adoption of AASB 16 is included in Section 4.2.4 and reconciliation is included in Section 4.3.5.

4.7.4.4. General administration and other costs

General administration and other costs decreased from \$7.0 million in FY2018 to \$6.6 million in FY2020. The reduction in general administration and other costs is attributable to better cost control within the business over time. In FY2021F, general administration and other costs are forecast to increase to \$8.1 million, primarily due to additional costs associated with being a public company.

4.7.5 EBITDA

Improved EBITDA has been driven by continued strong cost control within the business. EBITDA is expected to improve to \$0.5 million in FY2021F.

Set out below is Management's view on underlying EBITDA showing the impacts that a number of discontinued initiatives and one-off items have had, particularly in FY2019 and to a lesser extent in FY2020. The full expense has been recognised in both the Statutory Historical Income Statements and the Pro Forma Historical Income Statements, however Management are of the view that is important to present the impact that these items have had on the historical financial performance of Youfoodz.

Table 4.11 sets out a summary of one-off items impacting EBITDA to arrive at an underlying EBITDA.

Table 4.11: Pro Forma and Underlying EBITDA FY2018 to FY2020

\$ millions	Note	FY2018	FY2019	FY2020
Pro forma EBITDA		(11.7)	(27.2)	(5.0)
Adjustments to present Underlying EBITDA				
Discontinued initiatives	1	-	4.8	-
Restructuring costs		-	0.6	-
Technology implementation costs		-	1.2	-
Other non-recurring items	2	-	6.5	1.1
Underlying EBITDA		(11.7)	(14.1)	(3.9)

Notes:

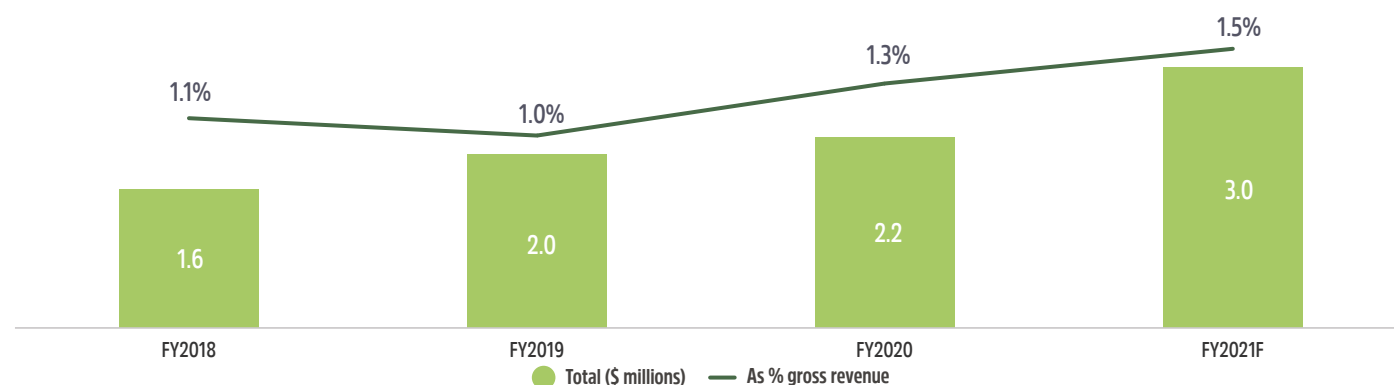
- Discontinued initiatives include the launch of meal kits and the opening of a Perth warehouse, both of which are no longer operations of the business.
- Other non-recurring items include one-off sponsorships and other marketing campaigns which did not recur in FY2020 and will not be undertaken moving forward. Management have not sought to eliminate all revenue that may have resulted due to the campaign as this data was not available.

4.7.6 Depreciation and amortisation

Depreciation and amortisation increased from \$1.6 million in FY2018 to \$2.2 million in FY2020 or an increase from 1.1% to 1.3% of gross revenue. The increase reflects increased investment in production equipment, IT and software development. Depreciation and amortisation is expected to increase to \$3.0 million in FY2021F or 1.5% of gross revenue.

Depreciation is presented in accordance with AASB 117 and does not include any depreciation associated with right of use assets recognised in accordance with AASB 16.

Figure 4.7: Depreciation and Amortisation FY2018 to FY2021F



4. FINANCIAL INFORMATION

4.7.7 Working capital

Working capital is driven by operating items and was impacted historically by tax balances which have now been settled.

Table 4.12: Working Capital at Period End FY2018 to FY2020

\$ millions	Note	30 Jun 2018	30 Jun 2019	30 Jun 2020
Trade and other receivables		3.9	4.7	5.4
Inventories		3.9	2.3	4.1
Other current assets		0.1	0.2	1.3
Trade and other payables	1	(35.5)	(65.9)	(49.8)
Other current liabilities		(0.7)	(0.2)	(1.5)
Net working capital		(28.4)	(58.9)	(40.5)

Notes:

1. Trade and other payables includes tax liabilities which have now been settled (see Table 4.10 for further detail).

4.7.8 Capital expenditure

Youfoodz' capital expenditure is primarily spent on improved production equipment, software and website upgrades and development.

Table 4.13: Capital Expenditure FY2018 to FY2021F

\$ millions	30 Jun 2018	30 Jun 2019	30 Jun 2020	30 Jun 2021
Manufacturing plant and equipment	2.7	1.0	0.4	0.6
Website and software	1.4	2.1	2.0	2.4
Other	0.0	0.0	0.0	0.0
Gross capital expenditure	4.2	3.1	2.4	3.0
Disposals and other adjustments	0.0	0.0	0.0	0.0
Net capital expenditure	4.2	3.1	2.4	3.0

4.7.9 Strategic Reset

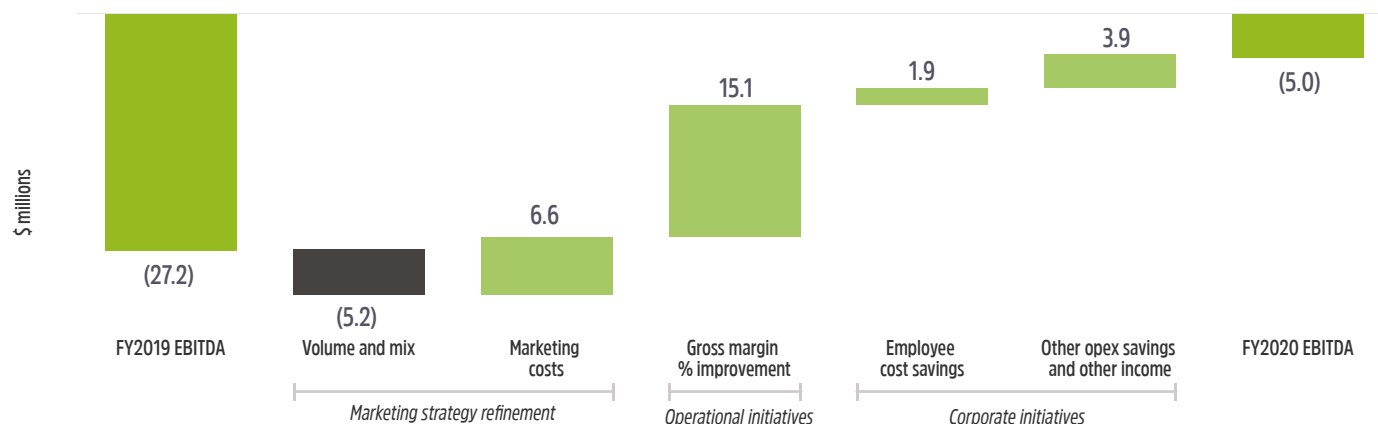
4.7.9.1. Overview

From FY2012 to FY2019, Youfoodz experienced rapid growth as it evolved from a start-up to a national brand preparing more than 350,000 ready-made meals per week. During this accelerated growth phase, the Company found itself in a situation where it didn't have adequate cost controls or governance structures in place appropriate for its size. The Company also implemented a number of initiatives during this period that have subsequently been discontinued, including the launch of a meal-kit offering, the launch of a Perth distribution centre and inefficient allocation of marketing expenditure. A combination of the lack of cost controls and discontinued initiatives led to margin erosion in FY2019 relative to FY2018. As a consequence, the balance sheet was stretched, including creditors and indirect tax liabilities.

In 1H FY2020, a third party investor was introduced to provide a new capital injection, corporatise the business with an appropriate Management team and establish structures to build an operating platform for long-term success ("Strategic Reset"). The Strategic Reset initiatives also included implementing a more refined marketing investment strategy, an increased focus on operational cost discipline and additional corporate structures to support the founder-led Management team. The new capital was also used to address the increased creditor balance. Whilst the Strategic Reset resulted in a temporary reduction in revenue growth (largely due to a scale back of marketing investment and organisational redesign), the successful implementation of the initiatives subsequently contributed to an 11.8% increase in gross margin and \$22.2 million improvement in EBITDA year-on-year for FY2020. Youfoodz has now established an enhanced operational platform supported by an experienced Management team and Board to pursue sustainable long-term growth, with net revenue forecast to return to growth in FY2021F (forecast of 17.8% growth).

Further detail of the initiatives are set out below.

Figure 4.8: Strategic Reset EBITDA Bridge FY2019 to FY2020



4.7.9.2. Refinement of marketing strategy

Youfoodz has historically experimented with marketing investment through a variety of channels and has developed broad learnings on the most efficient strategies for acquiring and retaining customers. As part of the Strategic Reset in 1H FY2020 Youfoodz management made a proactive decision to temporarily slow-down growth in the business by reducing marketing investment, in order to:

- 1) Further understand the most effective marketing strategies for Youfoodz
- 2) Stabilise operations whilst the business implemented appropriate operational initiatives to support sustainable long-term growth

Marketing costs as a percentage of gross revenue represented 12.7% and 9.4% in FY2018 and FY2019, respectively. In 1H FY2020, marketing costs as a percentage of gross revenue was reduced to below 6%. This material reduction in marketing spend resulted in a temporary reduction in revenue across both the B2C and B2B segments.

In 2H FY2020 Youfoodz returned to growth across both its B2C and B2B channels by increasing marketing spend as a percentage of gross revenue to approximately 10%, with a refined marketing approach. The refined marketing approach has resulted in the Company achieving record new customer acquisitions and strong retention of existing customers in B2C, with improved new customer acquisition cost efficiency.

4.7.9.3. Operational initiatives

Having grown rapidly to reach significant operating scale, Youfoodz made material operational improvements as part of the Strategic Reset to drive efficiencies and increase the Company's focus on achieving profitability. Initiatives undertaken as part of the Strategic Reset in FY2020 included:

- refined the Company's proprietary manufacturing technology to increase cost monitoring, tracking and production planning capabilities;
- streamlining of manufacturing facilities and processes and SKU rationalisation;
- improvements in manufacturing cost controls and policies;
- improvements in logistics planning capabilities; and
- labour optimisation.

As a result of the operational initiatives implemented as part of the Strategic Reset, Youfoodz increased gross profit margin from 17.5% in FY2019 to 29.3% in FY2020, representing a year-on-year improvement of 11.8%.

Youfoodz expects to achieve substantial further operating leverage in the future by consolidating existing manufacturing operations into a new, purpose-built manufacturing facility and investing in automation capabilities. See Section 3.6.4 for further detail.

4.7.9.4. Corporatisation of business

The Strategic Reset also included a broader corporatisation of Youfoodz, with initiatives including:

- increased governance structures;
- improvements in management reporting capabilities;
- reduction of overinvestment in headcount; and
- the addition of experienced management capability to support the Founder and CEO, including establishing the role of current Chief Financial Officer.

4. FINANCIAL INFORMATION

4.8 TRADING UPDATE

In respect of FY2021F, the Forecast Financial Information incorporates the forecast results for the period 1 July 2020 to 30 June 2021 based on the assumptions set out in Section 4.6.

Since the finalisation of the Forecast Financial Information, Youfoodz has continued to deliver sales growth through Q1 FY2021F consistent with forecast expectations for the period.

Table 4.14 sets out the actual performance of Youfoodz home delivery gross revenue, Average Order Value, number of orders and number of new customers and wholesale gross revenue, average number of stores, total units sold and average unit price for the period Q1 FY2021F, compared to the growth rate assumption incorporated into the Forecast Financial Information in respect of FY2021F.

Overall gross revenue for Q1 FY2021F is ahead of forecast by 1.3% (\$0.6 million). The increase in gross revenue is offset by a 5.2% increase (\$0.6 million) in total terms and discounts largely due to deeper discounting for a promotion on snack/juice products, resulting in net revenue being ahead of forecast for the period by 0.8%.

The Company expects forecast gross and net revenue for FY2021F to remain materially in line with the Forecast Financial Information.

Table 4.14: Current Trading

		Q1 – 2021F			
	Unit	Actual	Forecast	Delta	% Delta
Home delivery					
Gross revenue	\$m	31.0	30.7	0.3	+0.9%
Average Order Value	\$	95.4	94.5	0.9	+1.0%
Number of orders	\$000	324	323	1	+0.4%
Number of new customers	#000	45,200	44,859	341	+0.8%
Wholesale					
Gross revenue	\$m	17.7	17.3	0.3	+1.9%
Average number of stores	#	3,070	3,136	(66)	(2.1%)
Units sold	#000	2,262	2,126	136	+6.0%
Average unit price	\$	8.2	8.6	(0.4)	(5.4%)
Group gross revenue (excl. delivery recovery)	\$m	48.6	48.0	0.6	+1.3%
Group net revenue	\$m	36.9	36.6	0.3	+0.8%

4.9 SENSITIVITY ANALYSIS

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Youfoodz, its Directors and Management. These estimates are also based on assumptions with respect to future business developments which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. Set out in Table 4.15 below is a summary of the sensitivity of the impact on the Forecast Financial Information of changes to a number of key variables. The changes in the key variables as set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in the other assumptions. In practice, changes in assumptions may offset each other or be additive and it is likely that Youfoodz Management would respond to any adverse changes in one item to seek to reduce the net effect on Youfoodz NPAT and cash flow.

For the purposes of the sensitivity analysis shown in Table 4.15, each sensitivity is presented in terms of the impact on FY2021F pro forma forecast EBITDA.

Table 4.15: Sensitivity Analysis on the Pro Forma Operating EBITDA for FY2021F

\$ millions	Variance		
		EBITDA impact	
Assumption			
Change in units sold	+ / - 5%	(2.5)	2.5
Change in Active Customers (Home delivery)	+ / - 5%	(1.7)	1.7
Change in average stores (Wholesale)	+ / - 5%	(0.8)	0.8
Cost of goods sold	+ / - 2%	(2.0)	2.0
Marketing costs	+ / - 2%	(0.3)	0.3
General administration and other costs	+ / - 2%	(0.1)	0.1

4.10 DIVIDEND POLICY

The payment of a dividend by Youfoodz is at the discretion of the Board and will be a function of a number of factors (many of which may be outside the control of Youfoodz and its Directors and Management, and are not reliably predictable), including the general business environment, operating results, cash flows and financial condition of Youfoodz, future funding requirements, capital management initiatives, taxation considerations, any contractual, legal or regulatory restrictions on the payment of dividends by Youfoodz, and any other factors the Directors may consider relevant.

While it is the aim of Youfoodz that, in the longer term, its financial performance and position will enable the payment of dividends, at the Prospectus Date, Youfoodz, does not intend, nor expect, to declare nor pay any dividends in the immediately foreseeable future, given that Youfoodz' focus will be on long term growth.

5.

KEY RISKS



5.1 INTRODUCTION

Youfoodz is subject to various risk factors. Some of these are specific to its business activities, while others are of a general nature. Individually, or in combination, these risk factors could have a material adverse impact on Youfoodz' assets and liabilities, financial position and performance, profits and losses and prospects, and the value of the Shares.

The principal risk factors are described below and are not an exhaustive list of the risks associated with Youfoodz or the market in which it operates, or an investment in the Shares either now or in the future. This information should be used as guidance only and read in conjunction with all other information presented in this Prospectus.

There can be no guarantee that Youfoodz will achieve its stated objectives or that any forward looking statement or forecasts will eventuate.

Before deciding whether to invest in Youfoodz, you should read the entire Prospectus and satisfy yourself that you have a sufficient understanding of these potential risks and should consider whether an investment in Youfoodz is suitable for you after taking into account your own investment objectives, financial circumstances and tax position. If you do not understand any part of the Prospectus or are in any doubt as to whether to invest in Youfoodz, you should seek professional advice from your accountant, stockbroker, lawyer or other professional advisor.

5.2 SPECIFIC RISKS

5.2.1 Competition

The ready-made meal market is competitive. Youfoodz can be differentiated from its competitors due to a number of factors including its operating scale, the prices it offers for its products, the demographic of consumers targeted (men and women aged 20 – 35 years) and its product range. However, there is a risk that Youfoodz may lose market share to its competitors. Current and future competitors include other companies that already manufacture and/or deliver ready-made meals and suppliers of substitutes to Youfoodz' products such as supermarkets and other retailers (both online and in-store). For more information about the market in which Youfoodz operates, please refer to Section 2.

Some of Youfoodz' competitors, at present or in the future, may have larger resources to draw from, superior technical and technological capabilities, more market experience, a more efficient supply chain, superior goodwill and reputation, more extensive physical and technological infrastructure, and a larger customer bases than Youfoodz. The nature of competition faced by Youfoodz may change over time, for example, new competitors may enter the market.

A perceived increase in competition, new partnership, acquisition or other market development, or new strategy by other participants, including, but not limited to the filing of ready-made meal-related patent applications (among other things), could also have an impact on Youfoodz' ability to compete in the market.

5.2.2 Operational matters

5.2.2.1. Customer contracts

In addition to directly delivering ready-made meals to individual customers' homes, Youfoodz distributes its products to retailers, including some of the largest supermarkets and petrol and convenience store chains in Australia, and to corporate customers who are seeking solutions for employee meals. Some of these retail and corporate customers operate without formal written agreements. For example, Youfoodz' arrangements with two large Australian supermarket chains are not governed by formal agreements, but instead involve purchase orders being placed for products on a regular and periodic basis. Because of this, there is a risk that these customers may cease purchasing products from Youfoodz, which could have a material adverse impact on the Company's operational and financial performance. Further, contracts with Youfoodz' retail and corporate customers do not generally impose minimum purchase obligations, which means that the customer can cease purchasing, or reduce the order size of, Youfoodz' products.

Many of the arrangements that Youfoodz has entered into with its retail and corporate customers can be terminated for convenience on short notice without cause (some up to a little as four weeks' notice). Accordingly, there is a risk that these contracts are terminated by key customers at short notice, which has the potential to have a material adverse impact on the business and its financial performance depending on the customer and their usual purchase size.

In addition, the contracts that Youfoodz has entered into with its customers are regularly reviewed and renegotiated, which could result in Youfoodz entering into revised arrangements with these customer in the future on less favourable terms.

5.2.2.2. Customer retention and new customers

Youfoodz' business model and growth strategy are reliant on its ability to retain existing customers and attract new customers in a cost-effective way. A key focus of the business is to attract and retain customers and there is a risk that the Company is unable to successfully achieve its growth objectives. If customers (including new customers) do not perceive Youfoodz' products to be of sufficient value, quality, and utility and an appropriate alternative to their previous habits, or if Youfoodz fails to develop new and relevant products, it may not be able to attract, engage and retain customers.

5. KEY RISKS

In order to attract and retain customers, Youfoodz has invested in marketing activities across a variety of channels, in order to promote its brand. There is a risk that Youfoodz may not realise the value of this investment if marketing activities are misguided or otherwise inefficient in acquiring and retaining customers. There is a risk that the Company may need to spend more than anticipated to attract and retain customers or that the Company may generate less revenue per customer than anticipated, either of which could have an adverse impact on Youfoodz' financial performance and operations. There is also a risk that, due to operational and financial considerations, Youfoodz will be required to reduce its investment in marketing, which could have a material adverse impact on its ability to acquire, retain, and engage customers. It is possible that Youfoodz may not correctly balance its marketing activities across different advertising channels or change the mix of advertising channels which may affect the quality of its customer acquisition and retention and may adversely impact Youfoodz' business, financial performance and operations.

To attract and retain customers, Youfoodz may also include the introduction of new services or technologies. There is a risk that expansion initiatives, such as the implementation of a subscription-based model, may result in additional costs and risks, or may not deliver the outcomes intended. Youfoodz' strategy depends on increasingly expanding its end-customer and retail merchant bases, which may not eventuate as planned. If Youfoodz is unable to acquire new customers cost-effectively, retain its existing customers or keep existing customers engaged, its business, financial performance and operations could be materially adversely affected.

Youfoodz' historical growth rates may not be sustainable and the Company cannot guarantee that a particular growth rate will be achieved. Although Youfoodz has experienced a period of considerable growth in both revenue, employee numbers and customer base, further growth in the future could place significant strain on current management, operational, and financial resources as well as the infrastructure supporting Youfoodz' current products, including its manufacturing facilities and distribution network. Youfoodz' future success depends on its ability to effectively manage its growth and failure to do so could result in the inability to retain existing customers and attract new customers, which could adversely affect Youfoodz' operating and financial performance.

5.2.2.3. Communication platforms

Youfoodz success depends on customer engagement and frequent and unimpeded communication with its customers. Accordingly, to achieve this, it relies on a digital application platform, email and other messaging services to promote and communicate with its current customers (and potential customers). Streamlined communications are also required to inform its customer base of Youfoodz' new product offerings and promotional offers. If an issue occurs resulting in the Company not being able to deliver messages to its current or new customers, then its operating and financial performance and reputation may be adversely affected.

Youfoodz also relies heavily on social media platforms to actively communicate with customers and engage new potential customers. These social media platforms are third-party providers, which means that Youfoodz does not have control over, or input in, any changes made to the platforms. For example, changes to the terms and conditions of these social media platforms that may be detrimental to Youfoodz' communication or algorithmic changes whereby users are not directed to Youfoodz' social media pages or disruptions to these platforms could hinder Youfoodz' ability to successfully promote its products. Further, there could also be a decline in the use of social networking services by customers (and potential customers), which could lead to fewer customers seeing Youfoodz' promotional activity.

5.2.2.4. Supply chain

Youfoodz' supply chain is reliant on a streamlined integration of producers and suppliers, in-house manufacturing processes, outsourced distribution and logistics, service providers, and the technology platforms used by Youfoodz. There is a risk that an operational issue occurs along this supply chain, including, but not limited to, failures or delays associated with consolidating its existing facilities, relocating to upgraded facilities, updating the in-house manufacturing processes, switching suppliers, changing distribution arrangements and upgrading its technology platform, could significantly impact Youfoodz' ability to produce and deliver its meals at the desired level of quality, efficiency, and with the ingredients needed for each ready-made meal. As a result of an operational failure with respect to the supply chain, Youfoodz' ability to accurately deliver ready-made meals (and its other array of products) on-time to customers could be hindered. This could result in an inability to meet its obligations to its customer contracts. This could adversely affect Youfoodz' customer acquisition and retention, its operating and financial performance, and reputation.

5.2.2.5. Ingredient suppliers

Youfoodz regularly sources over 300 fresh ingredients for its products, some of which are sourced directly from producers and wholesalers, each week. These suppliers are responsible for producing and providing goods to Youfoodz prior to an agreed deadline and at a certain quality standard. Although Youfoodz has a diversified network of suppliers, if these suppliers terminate their relationships with Youfoodz, cease operations during an order cycle, or cause other disruptions, Youfoodz may not be able to make the necessary adjustments in time to ensure the correct ingredients are used or that the appropriate level of quality of ingredients can be achieved to produce certain products. This could result in an inability to meet its obligations to its customers. If these were to occur, Youfoodz' reputation as a manufacturer of high quality products may be adversely affected and could lead to an adverse impact on Youfoodz' operating and financial performance. Further, if Youfoodz is unable to select or find reliable suppliers in the future, negotiating satisfactory pricing or other supply terms or effectively managing relationships with existing suppliers, Youfoodz' operations and financial results may also be adversely affected.

5.2.2.6. Quality of ingredients supplied

Youfoodz prides itself on the quality of the ingredients it uses in its ready-made meals. Youfoodz relies on the ingredients that it receives from its suppliers being fresh and of a high quality. Youfoodz currently sources fresh ingredients directly from local farmers whose production of perishable products is subject to seasonality and weather conditions. Conditions that are not favourable for food production and farming may impact a supplier's ability to supply a specific ingredient at the required quantity or at all. Despite the fact that Youfoodz sources over 300 different ingredients from its diversified network of suppliers, if a supplier is unable to supply the particular ingredient, Youfoodz' operations, financial performance and reputation may be adversely affected.

5.2.2.7. Service agreements with third parties

Youfoodz has arrangements with numerous third-party service providers that provide various goods and services that Youfoodz requires for the business to run smoothly. For example, Youfoodz has a services agreement with a Victorian-based refrigerated delivery company that specialises in temperature-controlled distribution. There is a risk that a service provider, fails to perform adequately, fails to meet certain performance thresholds, terminates their relationship with Youfoodz, refuses to supply goods and services on commercially acceptable terms, or becomes insolvent (among other things). This is particularly the case if Youfoodz does not have alternative suitable providers to choose from.

5.2.3 Proposed new purpose-built manufacturing facility

Part of the proceeds from the Offer are intended to fund a new purpose-built manufacturing facility at a new location that is intended to consolidate all existing facilities into one location. Although Youfoodz has researched and identified potential sites for the new purpose-built manufacturing facility, a site has not been secured and no binding term sheet or lease agreement has been executed. There is a risk that Youfoodz is not able to secure the desired site for construction of the new purpose-built manufacturing facility. In addition, there is a risk that regulatory approvals or required applications could be refused, delayed, or approved with conditions that adversely affect operations at the relevant site. To the extent that any construction works are required for the proposed new purpose-built facility, these works may be subject to delays or to cost overruns for a number of reasons outside of the control of Youfoodz, including industrial disputes, inclement weather, variations to the works, changes to legislative requirements, delays in authority inspections or regulatory approvals or solvency or other issues with contractors. These risks have the potential to adversely affect the Company's business, operational and financial performance.

5.2.4 Compliance with laws and regulations

Youfoodz is subject to multiple laws and regulations including, without limitation, those relating to food and safety, employment, occupational health and safety, intellectual property, data protection, IT/privacy, competition and taxation laws. Any failure by Youfoodz to adhere to relevant legal or regulatory requirements could adversely affect its business. As the Company operates in the food market there is a regulatory landscape that must be navigated and complied with. For example, to be compliant with the relevant laws and regulations, Youfoodz requires food licences, such as the 'Food Business Licence', which is issued by Brisbane City Council in accordance with the Food Act 2006 (QLD). While Youfoodz remains aware of the regulatory landscape, and has up-to-date licences, there is a risk that an unintentional action or in-action by Youfoodz could lead to a lack of compliance with the relevant laws and regulations. Any past or future violations of applicable laws and regulations may have a material adverse effect on Youfoodz' business, reputation, assets, financial performance and operations. Any non-compliance with laws and regulations, including taxation laws, could result in the Company being liable to fines or penalties and may result in investigations, audits or other enforcement action being taken by regulators, which may have an adverse effect on the Company's business, reputation, financial performance and operations.

5.2.5 Employment and Occupational Health and Safety Risks

5.2.5.1. Reliance on key employees

Youfoodz' Management team has extensive experience, including, but not limited to, its founder and Chief Executive Officer, Lance Giles, who has over 10 years' experience in the ready-made meal market. Youfoodz relies on the capabilities of a number of these key employees, who have experience in, and knowledge of, the procurement processes, marketing, and manufacturing techniques involved in the preparation of the ready-made meals. The loss of one or more of its key employees and any delay in their replacement may adversely impact the ability of Youfoodz to implement its business and growth strategies as intended. In addition, there is risk associated with sourcing and retaining appropriately qualified workers or other full time or casual labour for its manufacturing facilities. There can be no assurance that Youfoodz will be able to hire, integrate and retain key employees or, in the event that their employment is terminated, be able to replace them with appropriately qualified individuals in a timely manner.

5.2.5.2. Employment law and cost of labour

There are a number of employment and labour laws and regulations that govern Youfoodz' relationships with its employees and that impact Youfoodz' operating costs. Increases in labour costs, whether generated by statutory and regulatory developments, including, but not limited to, annual minimum rate increases under awards that apply to Group employees, as well as increased unionisation activities on the part of Youfoodz' employees, may have an adverse effect on Youfoodz' costs and financial performance. There are various risks associated with employment law matters including disputes that surface in relation to employment related matters, the misclassification of casual employees or independent contractors, changes to the terms of engagement of employees, underpayments, and amendments that are necessary to bring the employment contracts in line with required positions. Any non-compliance with employment and labour laws and regulations could result in the Company being liable for back-payments, fines or additional taxes and may also result in investigations or other enforcement action being taken by regulators, which may have an adverse effect on the Company's

5. KEY RISKS

business, reputation, financial performance and operations. Further, wages that employees are entitled to be paid, or a requirement to compensate employees for non-compliance with respect to these laws and regulations in the past, or an increase of wages and conditions going forward can also adversely impact operating costs.

5.2.5.3. Occupational health and safety

Youfoodz is exposed to risks associated with the occupational health and safety of its employees. These risks include hazardous material exposure for staff, injuries associated with the servicing and operation of machinery in the facilities, accidents around the facility and trucks and other hazards. Further, where Youfoodz' employees or third party distributors deliver Youfoodz' ready-made meals to the customer's residence, these persons may also be exposed to similar risks. Injuries to employees, or third party distributors and contractors, may result in costs and impacts on the Youfoodz business beyond what is covered under workers compensation schemes. Risks associated with occupational health and safety issues could lead to civil or criminal liability and sanctions, and Youfoodz could be subject to significant costs which may have an adverse effect on the Company's business, reputation financial performance and operations.

5.2.6 Brand value and intellectual property

5.2.6.1. Brand reputation and value

Youfoodz' success is, in part, due to the strength of its branding and its reputation. Youfoodz' branding and reputation could be adversely impacted by a number of factors, including, but not limited to following factors;

- inability to protect Youfoodz' intellectual property;
- negative media (including social media) and/or research findings, in relation to Youfoodz and/or Lance Giles (including persons associated with Lance Giles) as well as its competitors and the market more broadly;
- disputes or litigation with third parties, such as employees, suppliers and/or customers;
- failure to provide customers with the quality of service they expect; and
- failure to comply with legal and regulatory frameworks.

The deterioration of Youfoodz' reputation and the value associated with its brand could have an adverse impact on consumer loyalty and retention, the rate of new customer acquisitions, relationships with suppliers, and employee retention rates, all of which may adversely affect Youfoodz' business, financial performance and operations.

5.2.6.2. Protection of intellectual property

Although Youfoodz owns the material intellectual property that it uses, including its trademarks, various designs, its proprietary manufacturing application, the domains; youfoodz.com.au and youfoodz.com, among other things, Youfoodz relies on laws relating to intellectual property, including copyright and trademark laws, to assist in protecting its proprietary rights. However, there is a risk that unauthorised use or copying of Youfoodz' intellectual property (including in its data or software) will occur.

In addition, there is a risk that the validity, ownership, or authorised use of intellectual property relevant to Youfoodz' business may be successfully challenged by third parties. This could involve significant expense and potentially the inability to use the intellectual property in question, and if an alternative cost-effective solution were not available, it may materially adversely impact Youfoodz' financial position and performance. There is also a risk that Youfoodz will be unable to register intellectual property or otherwise protect or stop competitors using new intellectual property it develops in the future. This may materially adversely impact Youfoodz' business, financial performance and operations.

5.2.7 IT system risk

Youfoodz' website, databases, IT, and logistics/warehouse systems are critically important to its success in attracting and retaining customers, and maximising sales conversion from those customers. There is a risk that if one or more of Youfoodz' critical systems do not function properly or if there is an IT breach that occurs, there could be disruptions, loss of data, corruption of databases, delays in transaction processing, delays in receiving or processing orders through the warehouse, website slowdown or unavailability, and the inability to accept and fulfil customer orders. Such disruption, especially if sustained or regular, could adversely affect Youfoodz' financial performance and operations.

5.2.7.1. Website performance and reliability

Youfoodz is dependent on its website to ensure that the orders it receives from its customers are correctly recorded, efficiently placed, and appropriately actioned. A disruption to Youfoodz' website that results in a customer orders not being processed could lead to a decrease in orders, damage to Youfoodz' reputation and brand, and a decrease in future visitors to the website. Further, Youfoodz' website is hosted on third party platforms provided by third party providers and the websites rely on functionality provided by third-party providers, such as payment processing by buy-now-pay-later providers. Youfoodz is subject to the competencies, efficiencies, and disaster planning contingencies of these third party providers to deal with events, including telecommunication and network failures, power grid issues, computer viruses, and other similar events. A failure in the systems of these third party providers, which adversely affects Youfoodz' website and its ability to sell online, is likely to have a material impact on Youfoodz' financial performance and operations.

5.2.7.2. Protections against system failure and hacking

Protections against system failures and hacking may not be able to prevent software and IT system malfunctions, and data breaches. While Youfoodz seeks to implement various practices and policies to protect and strengthen its software, IT systems, and databases, there is a risk these practices and policies may not provide sufficient protection from cyber-attacks, electronic theft, computer viruses, third party providers failures, and other disruptions. Any failure of, or disruption to, Youfoodz' software, IT systems, or databases may lead to a breach of its customer and third party supplier data or the downtime of its apps and operations. If a disruption like this was to occur, Youfoodz may fail to restore or recover processes and information, lose data, be unable to deliver orders on time, be unable to provide functioning apps, or operate in an efficient manner more generally. These factors may cause economic loss and have a negative impact on Youfoodz' business, reputation, financial performance and operations.

5.2.7.3. Reliance on IT systems

Youfoodz relies on data and technology, with the help of its in-house manufacturing application, to predict demand, determine the amount of ingredients and other supplies to purchase and arrange logistics. If Youfoodz' technology platforms fail or generate inaccurate results, Youfoodz could experience inefficiencies throughout its supply chain and manufacturing processes. In addition, predictions based on historical data are inherently uncertain and unforeseen changes in consumer tastes or external events could result in material divergences from predictions, causing disruptions, increased costs and other adverse impacts on Youfoodz' business. There is a risk that Youfoodz' proprietary systems, (for example, its menu and recipe management system) or developments to these systems and integrations with other IT solutions used in its business, fail, do not function as expected, require redevelopment (or further development) or replacement in the future, including to accommodate further growth in the business. There is also a risk that software and services provided by third party providers fail, prove less effective than expected, require replacement, become too expensive or otherwise cause loss of business to Youfoodz. There is a risk that Youfoodz may not be able to anticipate or address any of these events if they arise in a cost-effective manner, which may have an adverse effect on its ability to conduct its business and ultimately to its financial performance.

5.2.7.4. New technology

There is a risk that Youfoodz' competitive position may be threatened if it does not continually anticipate, and adapt to, technological developments. Youfoodz may fail to improve its current apps and technological platforms and user interfaces (including, for example, home automation technologies) which may have an adverse impact on its competitiveness and ultimately its financial performance.

5.2.8 Food safety and contamination

5.2.8.1. Spoiled products

Perishable and fresh products constitute a significant proportion of the ingredients in Youfoodz' ready-made meals. If Youfoodz does not accurately anticipate the time it will take to obtain supplies or if it miscalculates customer demand, it may be unable to pack and ship inventory in a timely manner and perishable products may spoil. In addition, if Youfoodz fails to put in place adequate temperature control mechanisms, miscalculates delivery times, or accurately notify customers of anticipated delivery times (or even if customers do not pick up delivered goods and promptly refrigerate them), there is a risk that products may overheat and be rendered unsafe to consume. If spoiled products are delivered to customers, customers may contract foodborne illnesses or suffer other adverse side effects, injury or death. If any such event occurs (or is alleged), there is a risk that Youfoodz may suffer reputational damage, a decrease in demand for Youfoodz' products, operational disruptions, civil or criminal liability and sanctions and be subject to significant costs which may have an adverse effect on the Company's business, reputation, financial performance and operations.

5.2.8.2. Supply chain contamination

Although Youfoodz uses fresh ingredients (many of which are sourced directly from farmers and the provider themselves) and has stringent food safety policies and procedures in place, Youfoodz cannot guarantee that food safety training and controls along the supply chain will be fully effective in preventing all food safety issues associated with its food products. Contamination can be physical, chemical or biological and could potentially happen at any point of the supply chain. Potential physical contamination includes but is not limited to metal, glass, wood, hard plastic, rocks and parasites and may also be non-hazardous but undesirable foreign materials such as hair or dirt. Chemical contaminants can be present in foods mainly as a result of the use of agrochemicals, such as residues of pesticides and veterinary drugs, contamination from environmental sources (water, air or soil pollution), cross-contamination or formation during food processing, migration from food packaging materials, presence or contamination by natural toxins or use of unapproved food additives. Biological hazards include microorganisms such as bacteria, viruses, yeasts and moulds. Some of these are pathogens or may produce toxins.

In the case of a contamination or alleged contamination of an ingredient, Youfoodz would potentially be required to recall certain products or ready-made meals. This may lead to reputational damage, a decrease in demand for Youfoodz' products, operational disruptions, civil or criminal liability and sanctions and significant costs which may have an adverse effect on the Company's business, reputation, financial performance and operations.

5. KEY RISKS

5.2.8.3. Ingredient packaging and labelling

Any packaging errors or mislabelling of ingredients could cause customers to suffer allergic reactions and other health concerns and lead to associated claims against Youfoodz. Inadvertent errors or errors from suppliers, about the nature or quality of products supplied to customers could also expose Youfoodz to disputes, litigation or other proceedings which could be costly or adversely affect Youfoodz' reputation as well as its financial performance and operations.

5.2.9 Food cost volatility and changes in availability

There is a risk that the cost of Youfoodz' inputs and operations may increase as a result of factors beyond Youfoodz' control, such as general economic conditions, market movements, increased competition, inflation, seasonal fluctuations, shortages or interruptions, weather conditions, climate change, consumer demand, food safety concerns, changes in the regulatory environment and products recalls. Prices of produce fluctuates depending on general conditions, season and demand, and there is a risk that certain produce will become scarce. While Youfoodz is able to adapt its menus each week, there is risk that Youfoodz may not respond and adapt in a timely and cost-efficient manner. Any increases in costs that Youfoodz were unable to pass on to customers could adversely affect its margins and financial performance.

5.2.10 Litigation, and disputes and claims

Youfoodz may, from time to time, be involved in legal proceedings, litigation, claims, regulatory investigations or disputes (Claims) with a variety of parties, including, but not limited to, employees, former employees, shareholders, former shareholders, members of the communities around its facilities, Government agencies or regulators, end-consumers, contractors, customers, vendors or suppliers arising in the ordinary course of business or otherwise. The outcome of such Claims cannot be predicted with certainty and Youfoodz may also incur costs in pursuing, defending or settling Claims, including, but not limited to, settlement sums, compensation, cost orders, fines and legal and other professional fees. Youfoodz also could face civil penalty proceedings, other legal or regulatory sanctions or reputational damage as a result of any failure to comply with applicable laws, regulations or codes of conduct. This could adversely affect Youfoodz' business, reputation, financial condition and results of operations. Refer to Section 9.8 for information about current proceedings involving the Group.

5.2.11 Existing Shareholders retain a significant stake in the Company post-IPO

At Completion of the Offer, Existing Shareholders will hold approximately 72.6% of the total shares on issue in Youfoodz and will continue to be able to exert significant influence over Youfoodz, including in relation to the election of directors, the appointment of new management, and the potential outcome of matters submitted to the vote of shareholders. There is a risk that the interests of the Existing Shareholders may be different from the interests of investors who acquire Shares under the Offer. Further, a holding of this percentage of Shares by the Existing Shareholders will mean that they can block a control transaction (including a takeover bid, a scheme of arrangement, a new issue by the Company of a controlling number of Shares or a sale by the Company of its main undertaking), even if such a transaction is supported or recommended by the independent Directors. This may adversely affect the prospect of Shareholders or the Company receiving a control proposal, which may in turn may have an adverse effect on the price of Shares.

There is also a risk that the continued shareholding of the Existing Shareholders, in particular until the end of the voluntarily imposed Escrow Period, may cause or contribute to a limited liquidity in the market for Shares, which could affect the market price at which other shareholders are able to sell. There is also a risk that a significant sale of shares by Existing Shareholders after the end of the voluntarily-imposed Escrow Period or the perception that such a sale might occur, could adversely impact the price of shares. The continued shareholding of Existing Shareholders may also negatively impact the timing and effectiveness of any capital raising activities of Youfoodz, which could adversely impact Youfoodz' cost of capital and financial position.

5.2.12 Loss making operation and sufficiency of funding

As at the Prospectus Date, Youfoodz is loss making and is not cash flow positive, meaning it is reliant on raising funds from investors to continue to fund its operations and product development. As a result of the Strategic Reset outlined in Section 4.7.9, the Company is forecasting to have positive EBITDA in FY2021 but not cash flow positive. Although the Directors consider that Youfoodz will, on Completion of the Offer, have enough working capital to carry out its stated objectives as detailed in Section 3.6, there can be no assurance that such objectives can continue to be met in the future without securing further funding. Youfoodz may need to raise additional funds from time to time to finance the ongoing development and commercialisation of its technology and meet its other longer term objectives. Youfoodz' ability to raise additional funds will be subject to, among other things, factors beyond the control of Youfoodz and its Directors, including cyclical factors affecting the economy and the share markets generally. The Directors can give no assurance that future funds can be raised by Youfoodz on favourable terms, if at all. If further funds are required but cannot be raised, this may force curtailment of product development initiatives, operations, or both to remain solvent.

5.2.13 Impact of COVID-19

The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of individuals, businesses, and governments to operate. Across the globe, travel, trade, business, working arrangements and consumption have been materially impacted by the COVID-19 pandemic. There continues to be considerable uncertainty as to the duration of and further impact of COVID-19 including in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantines and supply restrictions. The impact of some or all of these factors could cause an adverse impact to Youfoodz' business, financial performance and operations.

5.2.13.1. COVID-19 State and Federal Government restrictions

The spread of COVID-19 has already resulted in governmental authorities in Australia imposing a variety of measures restricting day to day life, including quarantines and social-distancing restrictions. These Government restrictions may disrupt, and may continue to disrupt, Youfoodz' manufacturing operations. Government restrictions could impact Youfoodz' manufacturing operations and its ability to fulfil orders in a timely manner or at all. This may directly impact Youfoodz' customer service (including order delivery timeframes), sales levels, and may indirectly impact other initiatives designed to support Youfoodz' growth. Such restrictions may, directly or indirectly, have an adverse impact on Youfoodz' financial performance and operations.

5.2.13.2. COVID-19 supply chain impact

There remains a risk that the spread of COVID-19 has an adverse impact on our supply chain. Youfoodz' financial position may be adversely impacted if certain suppliers (including its counterparties, service providers, and other suppliers of products and services) are unable to successfully implement business continuity plans in the current environment or if any such suppliers are unable to continue as going concerns as a result of the economic impact of coronavirus. In the event that Youfoodz' supply chain is disrupted, this may have a material adverse effect on Youfoodz' financial performance and operations.

5.3 INVESTMENT AND GENERAL RISKS

5.3.1 Economic conditions

General economic conditions, changes in government policy, amendments to legislation, movements in interest rates, inflation and currency exchange rates may have an adverse impact on Youfoodz' operations as well as its ability to finance its business model.

The future viability of Youfoodz is dependent on a number of other factors affecting performance of all industries and listed entities, which may result in fluctuations in the Share price that are not explained by the fundamental operations and activities of Youfoodz. These include, but are not limited to:

- the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the meal kit delivery sector;
- general economic conditions in jurisdictions in which Youfoodz operates, including unemployment rates, commodity and oil prices, and changes to government fiscal, monetary or regulatory policies, taxation, legislation or regulation;
- movement in, or outlook on, interest rates and inflation rates in jurisdictions in which Youfoodz operates;
- recommendations by brokers or analysts;
- inclusion in, or removal from, market indices;
- global hostilities, tensions, and acts of terrorism;
- natural disasters, social upheaval or war in jurisdictions in which Youfoodz operates; and
- general operational and business risks.

Other factors that may negatively affect the investor sentiment and impact the Company's operations and financial performance specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities, fires, flood, earthquakes, labour strikes, civil wars, natural disasters, pandemics, outbreaks of disease or other man made or natural events.

While the ready-made meal market has been growing, there is no guarantee this will continue into the future or as currently forecast. Youfoodz is subject to factors outside of its control including economic contributing factors, such as Australia's economic outlook, movements in the cash rate and unemployment rate, levels of building activity, instability in real estate and housing markets, consumer sentiment, global economic outlook, foreign economic shocks and adverse exchange rate instability.

Any of the factors described above could have a material adverse impact on Youfoodz' business, financial performance and operations, and may cause the Shares to trade at prices below the price at which the Shares are being offered under this Prospectus. There is no assurance that the price of the Shares will increase following quotation on the ASX, even if Youfoodz earnings increase.

5.3.2 Ability to access debt and equity markets

In the future, if Youfoodz needs to raise capital through public or private financing, or other arrangements, such financing may not be available on acceptable terms, or at all, and a failure to raise capital when needed could harm Youfoodz' business and prospects. If Youfoodz cannot raise funds on acceptable terms, it may not be able to sustain its operations or grow its business or respond to competitive pressures. Youfoodz may rely on debt funding to help fund its business operations in the future. If debt financing is used in the future, Youfoodz will face refinancing risk if it is unable to refinance its debt when it falls due. If this occurs, the terms available to Youfoodz (including in relation to pricing) on refinancing with a new debt facility may not be as favourable as those under its existing debt facilities at the time and, if there is a deterioration in the level of debt market liquidity, this may prevent Youfoodz from being able to refinance some or all of its debt.

5. KEY RISKS

5.3.3 Share trading liquidity

Once the Shares are quoted on the ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

5.3.4 Taxation changes

There is the potential for changes to tax laws and changes in the way tax laws are interpreted. Any change to the current tax rates imposed on the Company (including in foreign jurisdictions that Youfoodz may operate) is likely to affect returns to Shareholders.

An investment in the Shares involves tax considerations which differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in the Company.

5.3.5 Shareholder dilution

In the future, the Company may elect to issue Shares or engage in capital raisings to fund investments or acquisitions that the Company may decide to undertake. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and capital raisings.

5.3.6 Accounting standards may change

The Australian Accounting Standards to which Youfoodz adheres are set by the AASB and are consequently outside the control of Youfoodz and the Directors. Changes in accounting standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in Youfoodz' financial statements.

5.3.7 Speculative investment

The above list of risk factors is not to be taken as an exhaustive list of risks that the Company or its Shareholders are exposed to. The above risks, and other not specifically referred to, may in the future materially impact the financial performance of the Company and the value of the Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisors before deciding whether to apply for Shares under this Prospectus.

5.3.8 Force majeure events

Events may occur within or outside Australia that negatively impacts Youfoodz' financial performance and operations. These events include, but are not limited to, acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that may have a material adverse effect on Youfoodz' suppliers, the demand for Youfoodz' products, and its ability to conduct business.

5.3.9 No guarantee in respect of investment

The above list of risk factors is not an exhaustive list of the risks faced by Youfoodz or by the investors in Youfoodz. The above factors, and others not specifically referred to above, may materially affect the business, operations and financial performance of Youfoodz, and the value of the Shares under the Offer. The Shares issued under the Offer carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX. In addition, past performance and the Forecast Financial Information provides no indication or guarantee of Youfoodz' performance in the future. Furthermore, there is no guarantee that the Shares will remain continuously quoted on the ASX, which could impact the ability of Shareholders to sell their Shares. Prospective investors should consult professional advisors before deciding whether to apply for Shares under the Offer.

6.

KEY PEOPLE, INTERESTS AND BENEFITS








6. KEY PEOPLE, INTERESTS AND BENEFITS

6.1 BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Directors bring to the Board relevant experience and skills, including sector and business knowledge, financial management and corporate governance experience. Profiles of each member of the Board are set out below.

Table 6.1: Directors' Expertise, Experience and Qualifications

Director	Expertise, Experience and Qualifications
	<p>NEIL KEARNEY Non-Executive Chair</p> <p><i>Bachelor of Economics Monash University</i> <i>Advanced Management Program INSEAD</i> <i>Graduate of the Australian Institute of Company Directors</i></p> <p>EXPERIENCE</p> <p>Neil has significant leadership experience in major Australian and international food companies with senior roles at Goodman Fielder Limited and National Foods Limited. His most recent role was Chief Strategy Officer of ASX-listed company Goodman Fielder Limited from 2011 – 2014 and before that he was CEO and Managing Director of Warrnambool Cheese & Butter Factory Co. Holdings Limited from 2007 – 2009.</p> <p>OTHER CURRENT POSITIONS</p> <p>Neil currently holds the following board positions:</p> <ul style="list-style-type: none"> • Chairman: Huon Aquaculture Group Limited • Chairman: Felton Grimwade & Bosisto's Pty Ltd • Non-Executive Director: Simonds Group Limited • Non-Executive Director: Craig Mostyn Holdings Pty Ltd
	<p>LANCE GILES Founder, Managing Director and Chief Executive Officer</p> <p>EXPERIENCE</p> <p>With over 10 years' experience in ready-made meals specifically, Lance has grown the category through vision, drive and determination.</p> <p>Lance has experience and extensive knowledge in manufacturing, marketing, sales, logistics and product development, having grown and led all aspects of Youfoodz' business model since inception. Lance works closely with his strong senior leadership team to ensure the Youfoodz model challenges the status quo to become the future of food.</p>
	<p>STUART NASH Non-Executive Director</p> <p><i>Bachelor of Arts (Honours) Cambridge University</i> <i>Graduate of the Australian Institute of Company Directors</i></p> <p>EXPERIENCE</p> <p>Stuart is a qualified accountant and has executive experience including CEO and CFO roles in a large, privately owned consumer foods business. Stuart has over 20 years' experience in finance with global firms including Macquarie Capital and Barclay's Capital, specialising in mergers and acquisitions, debt and equity capital markets and strategy.</p> <p>OTHER CURRENT POSITIONS</p> <p>Stuart currently holds the following board positions:</p> <ul style="list-style-type: none"> • Chairman: Opteon Group Holdings <p>Previously Chairman: Affordable Housing Securities Limited Previously Non-Executive Director: Salmat Limited</p>

Director	Expertise, Experience and Qualifications
	<p>JULIE MCPHERSON Non-Executive Director <i>Master of Laws; Diploma of Law Sydney University</i> <i>Master of Applied Finance Macquarie University</i></p> <p>EXPERIENCE</p> <p>Julie has extensive legal and financial experience across a wide range of roles. Julie was previously Group General Counsel and Company Secretary for Amcor Limited where she had global responsibility for the group's legal function and company secretary's duties. Julie also has experience in corporate transactions including advising multi-national companies on corporate restructures, mergers and acquisitions, structured finance, corporate governance, material contracts, trade practices, food law and litigation.</p>
	<p>ANDREW DUFF Non-Executive Director <i>Institute of Chartered Accountants Australia and New Zealand CAANZ</i> <i>Australia Institute of Company Directors MAICD</i></p> <p>EXPERIENCE</p> <p>Andrew has extensive experience in the finance industry across a range of roles. Andrew was previously CFO and Finance Director of Primary Health Care. Prior to joining Primary Health Care, Andrew was Chief Accountant of Medical Defence of Australia and an Insolvency Manager and Senior Audit Manager at Deloitte Touche Tohmatsu.</p> <p>OTHER CURRENT POSITIONS</p> <p>Andrew currently holds the following board positions:</p> <ul style="list-style-type: none"> • Chairman: 4Cyt Pathology • Non-Executive Director: Healthcare Wholesale Property Fund <p>Previously Chairman: Elixinol Global Limited</p>

6.1.1 Directors' disclosure

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director or which is relevant to an investor's decision as to whether to subscribe for New Shares.

Lance Giles was formerly a director of My Fit Fridge Pty Ltd (ACN 148 210 137) and Fit Fridge Pty Ltd (ACN 155 346 204). In November 2011, while Lance was a director of each company, each of these companies were placed into a debtor-initiated creditors' voluntary liquidation and subsequently wound up. Recovery actions were not brought by the liquidators against any director of either company.

The other Directors have considered the circumstances surrounding Lance Giles' involvement in My Fit Fridge Pty Ltd and Fit Fridge Pty Ltd and are of the view that his involvement in these companies prior to the two companies being placed into a creditors' voluntary liquidation in no way impacts on his appointment and contribution as a Director of the Company.

Other than as disclosed above, no Director has been an officer of a company that entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.





Each Director has confirmed that he or she anticipates being available to perform their duties as a Non-Executive or Executive Director, as the case may be, without constraint from other commitments.

6. KEY PEOPLE, INTERESTS AND BENEFITS

6.1.2 Senior Management

Table 6.2 below provides information regarding the senior management team of Youfoodz, including their positions and expertise.

Table 6.2: Senior Management Expertise, Experience and Qualifications

Senior Management	Expertise, Experience and Qualifications
	<p>LANCE GILES Founder, Managing Director and Chief Executive Officer See Section 6.1</p>
	<p>JOHN O'CONNOR Chief Financial Officer <i>B Comm, Chartered Management Accountant</i> <i>Graduate of Australian Institute of Company Directors</i></p> <p>EXPERIENCE John possesses over 30 years' experience in the finance discipline including recent roles as CFO for Stuart Alexander & Co, Avanti Fitness Group/Workout World and Rathbone Wine Group. He is a highly experienced leader with strong strategic, commercial and financial analytical skills across a range of industries with a particular focus on FMCG. His key areas of expertise include leading teams through periods of significant change, identifying trends in business performance and embedding rigorous financial controls into companies. John is responsible for the Finance and Technology teams at Youfoodz.</p>
	<p>JONATHAN SALT Chief Operating Officer <i>Bachelor of Technology (Food Technology)</i> <i>Post Graduate Diploma in Dairy Science and Technology</i></p> <p>EXPERIENCE Jonathan is a senior operations professional, experienced in leading multi-site supply chain and operations teams within fast paced FMCG environments. A results driven leader with a passion for people, products and the customer. Jonathan possesses extensive leadership experience within manufacturing and supply chain organisations in Australia and New Zealand, utilising skill sets across remits such as project management, continuous improvement and automation.</p> <p>With 25 years of experience in leadership roles, Jonathan has a strong track record of building high performing teams, and driving value at both revenue and profit levels through commercial strategies, innovation and stakeholder management. The remit of Jonathan's role includes oversight of supply chain (production, engineering, procurement, demand planning and distribution), growth (capex, food technology, NPD delivery), risk and compliance (quality & food safety, health, safety and environment) and cost (COGS and overhead spend).</p>
	<p>CHRISTINA KING Chief People Officer <i>Masters Human Resources Management</i> <i>Certified Practitioner with Australian Human Resources Institute</i></p> <p>EXPERIENCE Christina is an energetic and results driven professional with over 20 years of experience in Human Resources. Christina has worked across a range of industries at both operational and strategic levels. Primarily having worked to either establish or rebuild HR functions for organisations, Christina has also led teams of up to 25 in capability and culture projects both domestically and internationally and has a particular interest in culture engagement and workforce development within organisations.</p>

Senior Management

Expertise, Experience and Qualifications



SIMON JARVIS
Chief Marketing Officer

B Business Marketing (Marketing), B Arts (Film & TV and Media Studies)

EXPERIENCE

Simon has worked in marketing for more than 20 years, working across agency and internal marketing teams, both in Australia and internationally. In recent years, Simon has held been CMO for Ladbroke's, Head of Strategic Marketing for the New Zealand Racing Board/TAB and most recently held the position of Vice President of Marketing for the New York based sports wagering company, theScore.



AARON MIGLIORANZA
Head of Retail

Monash University – Certificate Diploma – HR Consulting & Industrial Relations

EXPERIENCE

Aaron is a highly regarded, experienced and hands on senior sales management executive with experience across a broad range of FMCG suppliers: dairy, produce, impulse, fresh, long-life, household & general merchandise. He has management experience in sales, category partnering, commercial business planning, revenue management, and project management providing him the ability to deliver results in alignment with the complete business perspective.

Aaron leads a team of sales professionals across grocery, petrol & convenience and specialty retail channels that are focused on making Youfoodz the most visible and available fresh food brand in the country.

6.2 INTERESTS AND BENEFITS

This Section 6.2 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of Youfoodz; or manager to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

held at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.2.1 Executive remuneration

6.2.1.1. Overview

Youfoodz' philosophy on remuneration is that executive and key employee remuneration should be aligned with Shareholder interests by providing levels of fixed remuneration and "at risk" pay sufficient to attract and retain individuals with the skills and experience required to build on and execute the Company's business strategy. Youfoodz' executive remuneration comprises of fixed remuneration, short term incentives in the form of bonuses and long term incentives through equity-based compensation.

A summary of each of the employment arrangements of each KMP (being Lance Giles, CEO, John O'Connor, CFO and Jonathan Salt, COO) is set out below in Sections 6.2.1.2 to 6.2.1.4.

6. KEY PEOPLE, INTERESTS AND BENEFITS

6.2.1.2. Chief Executive Officer

Details regarding the terms of employment of the Chief Executive Officer, Lance Giles, are set out in Table 6.3 below.

Table 6.3: Terms of employment of the Chief Executive Officer, Lance Giles

Term	Description
Employer	Fresh Four Pty Ltd (Fresh Four), a wholly owned subsidiary of YouFoodz.
Total fixed remuneration	Mr Giles will be entitled to receive total fixed remuneration of \$340,000 per annum (inclusive of base salary and exclusive of 9.5% superannuation).
Short term incentives	Youfoodz may, at its absolute and sole discretion, determine that Mr Giles is eligible to participate in the STI program, which is described below in Section 6.2.1.5. Achievement of a bonus under the STI program in any one year does not guarantee payment of or entitlement to a bonus in any other year.
Long term incentives	Youfoodz may, at its absolute and sole discretion, invite Mr Giles to participate in the Equity Incentive Plan, which is described below in Section 6.2.1.6.
Other benefits	Mr Giles is entitled to a laptop computer, iPad, mobile phone and a company vehicle.
Termination	<p>Under Mr Giles' employment contract, either Mr Giles or Fresh Four can terminate his employment by giving the other party 6 months' notice (or by Fresh Four making payment in lieu of notice of part or all of the notice period). Fresh Four may summarily terminate Lance's employment contract in certain circumstances, including where he:</p> <ul style="list-style-type: none"> • commits any serious or persistent breach of any of the provisions in his employment contracts; • is guilty of gross misconduct or wilful neglect in the discharge of his duties; • commits any act which in the reasonable opinion of Fresh Four is likely to cause significant damage to the Group's reputation; • whilst performing his duties, engages in theft, fraud, or dishonest conduct; • is charged with or convicted of any criminal offence that affects his position as an employee; or • engages in 'serious misconduct' as defined under the <i>Fair Work Act 2009</i> (Cth) and the <i>Fair Work Regulations 2009</i> (Cth).
Restraints	<p>Mr Giles' employment contract contains post-employment restraints, including:</p> <ul style="list-style-type: none"> • non-competition restraints, which purport to operate in the states and territories of Australia and any other jurisdiction in which the Group operates • restrictions against soliciting any business that competes with or is likely to compete with, or is the same as, Youfoodz' business; • restrictions against enticing a customer or supplier away from Youfoodz; and • restrictions against attempting to entice away from Youfoodz any director or officer of Youfoodz. <p>The restrictions above purport to operate for up to 12 months post-employment and the enforceability of these restraints is subject to all usual legal restrictions.</p>

6.2.1.3. Chief Financial Officer

Details regarding the terms of employment of the Chief Financial Officer, John O'Connor, are set out in Table 6.4 below. The details set out in Table 6.4 below will apply to John O'Connor after the Company's admission to the ASX.

Table 6.4: Terms of employment of the Chief Financial Officer, John O'Connor

Term	Description
Employer	Fresh Four
Total fixed remuneration	Mr O'Connor will be entitled to receive total fixed remuneration of \$275,000 per annum (inclusive of base salary and exclusive of 9.5% superannuation).
Short term incentives	Youfoodz may, at its absolute and sole discretion, determine that Mr O'Connor is eligible to participate in the STI program, which is described below in Section 6.2.1.5. Achievement of a bonus under the STI program in any one year does not guarantee payment of or entitlement to a bonus in any other year.
Long term incentives	Youfoodz may, at its absolute and sole discretion, invite Mr O'Connor to participate in the Equity Incentive Plan, which is described below in Section 6.2.1.6.
Other benefits	Mr O'Connor is entitled to a laptop computer, iPad and mobile phone.
Termination	<p>Under Mr O'Connor's employment contract, either Mr O'Connor or Fresh Four can terminate his employment by giving the other party 6 months' notice (or by Fresh Four making payment in lieu of notice of part or all of the notice period). Fresh Four may summarily terminate John's employment contract in certain circumstances, including where he:</p> <ul style="list-style-type: none"> • commits any serious or persistent breach of any of the provisions in his employment contracts; • is guilty of gross misconduct or wilful neglect in the discharge of his duties; • commits any act which in the reasonable opinion of Fresh Four is likely to cause significant damage to the Group's reputation; • whilst performing his duties, engages in theft, fraud, or dishonest conduct; • is charged with or convicted of any criminal offence that affects his position as an employee; or • engages in 'serious misconduct' as defined under the <i>Fair Work Act 2009</i> (Cth) and the <i>Fair Work Regulations 2009</i> (Cth).
Restraints	<p>Mr O'Connor's employment contract contains post-employment restraints, including:</p> <ul style="list-style-type: none"> • non-competition restraints, which purport to operate in the states and territories of Australia and any other jurisdiction in which the Group operates; • restrictions against soliciting any business that competes with or is likely to compete with, or is the same as, Youfoodz' business; • restrictions against enticing a customer or supplier away from Youfoodz; and • restrictions against attempting to entice away from Youfoodz any director or officer of Youfoodz. <p>The restrictions above purport to operate for up to 12 months post-employment and the enforceability of these restraints is subject to all usual legal restrictions.</p>

6. KEY PEOPLE, INTERESTS AND BENEFITS

6.2.1.4. Chief Operating Officer

Details regarding the terms of employment of the Chief Operating Officer, Jonathan Salt, are set out in Table 6.5 below. The details in Table 6.5 below will apply to Jonathan Salt after the Company's admission to the ASX.

Table 6.5: Terms of employment of the Chief Operating Officer, Jonathan Salt

Term	Description
Employer	Fresh Four
Remuneration	Mr Salt will be entitled to receive annual fixed remuneration of \$275,000 (inclusive of base salary and exclusive of 9.5% superannuation).
Incentives	Youfoodz may, at its absolute and sole discretion, determine that Mr Salt is eligible to participate in the STI program, which is described below in Section 6.2.1.5. Achievement of a bonus under the STI program in any one year does not guarantee payment of or entitlement to a bonus in any other year.
Long term incentives	Youfoodz may, at its absolute and sole discretion, invite Mr Salt to participate in the Equity Incentive Plan, which is described below in Section 6.2.1.6.
Other benefits	Mr Salt is entitled to a laptop computer, iPad and mobile phone.
Termination	<p>Under Mr Salt's employment contract, either Mr Salt's or Fresh Four can terminate his employment by giving the other party 6 months' notice (or by Fresh Four making payment in lieu of notice of part or all of the notice period). Fresh Four may summarily terminate Mr Salt's employment contract in certain circumstances, including where he;</p> <ul style="list-style-type: none"> • commits any serious or persistent breach of any of the provisions in his employment contracts; • is guilty of gross misconduct or wilful neglect in the discharge of his duties; • commits any act which in the reasonable opinion of Fresh Four is likely to cause significant damage to the Group's reputation; • whilst performing his duties, engages in theft, fraud, or dishonest conduct; • is charged with or convicted of any criminal offence that affects his position as an employee; or • engages in 'serious misconduct' as defined under the <i>Fair Work Act 2009</i> (Cth) and the <i>Fair Work Regulations 2009</i> (Cth).
Restraints	<p>Mr Salt's employment contract contains post-employment restraints, including:</p> <ul style="list-style-type: none"> • non-competition restraints, which purport to operate in the states and territories of Australia and any other jurisdiction in which the Group operates. • restrictions against soliciting any business that competes with or is likely to compete with, or is the same as, Youfoodz' business; • restrictions against enticing a customer or supplier away from Youfoodz; and • restrictions against attempting to entice away from Youfoodz any director or officer of Youfoodz. <p>The restrictions above purport to operate for up to 12 months post-employment and the enforceability of these restraints is subject to all usual legal restrictions.</p>

6.2.1.5. Short-term incentives

The Company has established a short-term incentive (**STI**) program under which cash awards may be payable to participants, subject to the satisfaction of specified performance criteria. The Company's executive employment contracts recognise the potential for the award of STIs in future year.

Under the STI program, the Board may, in its absolute and sole discretion, determine the participation in, the amount of and performance criteria for the STI program for any given year. Performance criteria may include:

- individual performance criteria tailored to each respective role; and/or
- the Company's financial performance against criteria set by the Board for the relevant financial year.

In the event of the termination of the employment of a member of the senior Management team due to the retirement, genuine redundancy, death or disability (or any other circumstances determined by the Board), STIs will, subject to the satisfaction of the relevant performance criteria, be paid on a pro-rata basis. STIs will otherwise not be payable in the event of termination of employment. For FY2021, the Board intends to provide a short-term incentive to each member of the Management team (as identified in Section 6.1.2) in the form of a cash bonus equal to 20% of their individual total fixed remuneration.

6.2.1.6. Long -Term Incentives

The Company has established an equity incentive plan (**Equity Incentive Plan**) to assist in the motivation, retention and reward of eligible employees and Directors. The Equity Incentive Plan is designed to align the interests of employees and Directors with the interests of Shareholders by providing an opportunity for employees and Directors to receive an equity interest in the Company.

The Equity Incentive Plan provides flexibility for the Company to grant Options, rights to acquire Shares and/or Shares as incentives, as well as other equity-based awards as referred to in Table 6.6 below (collectively, **Awards**), subject to the term of individual offers made to eligible employees and Directors.

A summary of the key terms of the Equity Incentive Plan is set out in Table 6.6 below.

Table 6.6: Summary of Equity Incentive Plan

Feature	Description
Eligibility	At the discretion of the Board, Awards under the Equity Incentive Plan may be offered to employees, officers, directors or consultants of the Company.
Types of Awards	<p>The Awards that may be offered under the Equity Incentive Plan consist of:</p> <ul style="list-style-type: none"> • Options (i.e. rights to be issued a Share upon payment of any applicable exercise price); • performance rights (i.e. rights to be issued a Share for nil exercise price); • Shares; • cash rights (i.e. rights to be issued a cash payment for nil exercise price); and • stock appreciation rights (i.e. rights to receive shares, cash, or a combination of both, based on any increase in the market price of Shares over a specified period).
Terms of Awards	<p>The Board has discretion to decide on the terms of Awards, ensuring that there is flexibility under the Equity Incentive Plan to achieve a range of different remuneration and incentive outcomes.</p> <p>Typically, the detailed terms of an Award – including vesting conditions, exercise price (if any) exercise period, and the treatment of Awards upon cessation of employment – will be contained in the specific offer made to eligible individuals under the Equity Incentive Plan.</p>
Vesting conditions/ restrictions on transfer	<p>Awards may be subject to performance-based and/or time-based vesting conditions and restrictions on transfer, and any Shares issued upon vesting and exercise of Awards may also be subject to transfer restrictions.</p> <p>As noted above, vesting conditions will normally be contained in the specific offers made under the Equity Incentive Plan. However, in the case of Options and performance rights, the Equity Incentive Plan also contains default vesting conditions in the event that no such conditions are set out in (or expressly excluded by) the relevant offer. Under the default vesting conditions, such Awards vest in equal one-third tranches on the first, second, and third anniversaries of the grant date, but only if the Award-holder either remains employed or engaged with the Group on the vesting date, or ceased to be so employed or engaged before the applicable vesting date in circumstances where the person was a good leaver.</p> <p>Broadly, a 'good leaver' for the purposes of the Equity Incentive Plan is a person who ceases to be employed or engaged with the Group due to permanent disability, death or genuine redundancy.</p>

6. KEY PEOPLE, INTERESTS AND BENEFITS

Feature	Description
Cessation of employment	<p>Awards may be pro-rated, cancelled or otherwise adjusted upon cessation of the Award-holder's employment or engagement.</p> <p>The treatment of awards upon cessation of employment may also vary according to whether or not the Award-holder is a good leaver.</p>
Hedging of unvested awards	<p>The Equity Incentive Plan prohibits Award-holders from entering into any transactions which limit the economic risk of holding unvested Awards.</p>
Adjustments, clawback and lapse	<p>The Equity Incentive Plan provides that Awards will be adjusted to reflect certain corporate actions, such as bonus issues and reorganisations of capital. There is also provision for Youfoodz to claw back Awards, or the cash value of Awards, in circumstances where they have been paid to an employee in error (for example, if an error is made regarding satisfaction of any applicable vesting conditions).</p> <p>In the case of Options, if there is a takeover bid for Youfoodz, or another transaction having a similar effect to a takeover, any vested Options lapse automatically if they are not exercised within a specified period after the takeover bid or other transaction becomes unconditional or is approved by shareholders (as the case may be).</p>
Board powers and discretions under the Equity Incentive Plan	<p>In addition to setting any relevant vesting periods and performance hurdles, the Board has a range of other discretionary powers under the Equity Incentive Plan, including:</p> <ul style="list-style-type: none"> • a discretion to pay out share-settled Awards in cash; • a discretion to waive any vesting conditions and/or lift any transfer restrictions; • a discretion to determine when a person is a good leaver; and • a discretion as to how to deal with unvested, unexercised or restricted Awards if there is a change of control of Youfoodz.

6.2.2 Non-Executive Director Remuneration and benefits

6.2.2.1 Director appointment letters

Prior to the Prospectus Date, each of the Non-Executive Directors has entered into appointment letters with the Company, confirming the terms of their appointments, their roles and responsibilities and the Company's expectations of them as Directors.

6.2.2.2 Remuneration

Under the Constitution, the Board may decide the total amount paid to each Director as remuneration for their services as a Director, subject to the cap in the Constitution on the aggregate fees which may be paid to Non-Executive Directors (as changed by shareholder approval from time to time). The current cap on the aggregate fees is \$800,000. As at the Prospectus Date, each Non-Executive Director will be paid \$75,000 per annum for their services as a Director. Neil Kearney will receive an additional \$50,000 per annum for acting as Chair. Andrew Duff and Stuart Nash will each receive an additional \$10,000 per annum for acting as Chair of the Audit Committee and Remuneration Committee respectively. All amounts are inclusive of any applicable superannuation. Non-Executive Directors may also be paid special and additional remuneration for special exertions and additional services (including serving on special Board committees). Non-Executive Directors are not entitled to additional fees for serving as a director of any subsidiaries of Youfoodz (although other directors of the subsidiaries, who are not Directors of Youfoodz, may be paid fees for those services). On Completion of the Offer, each Non-Executive Director will be granted 13,333 Options. The details and terms of each grant of Options are set out in Table 6.7 below.

Table 6.7: Non-Executive Director Terms of Options

Term	Description
Offer	The offer of Options will be made to all four Non-Executive Directors, being: <ul style="list-style-type: none"> • Neil Kearney; • Stuart Nash; • Julie McPherson; and • Andrew Duff
Quantum of grant	Each Non-Executive Director will be granted 13,333 Options.
Grant date	On Completion of the Offer.
Grant price	Nil. The Non-Executive Directors pay no monetary consideration to receive their Options.
Exercise Price	Each Option confers on the holder the right to acquire one Share at an exercise price of A\$1.50 each.
Vesting	Options are subject to a three-year vesting period, meaning that they only vest if the holder remains in office as a Non-Executive Director for the three-year period following their grant. Options granted to Non-Executive Directors are not subject to any performance-based vesting conditions.
Restrictions on transfer	Options are non-transferrable and the holder may not dispose or agree to dispose of them.
Exercise	Options may be exercised at any time during the two years after they vest. Upon exercise, the holder will be issued with the corresponding number of Shares as soon as practicable. Shares issued upon exercise of any Options will be credited as fully-paid, and will generally rank equally with other Shares on issue. Youfoodz will apply for official quotation of those Shares in accordance with the Listing Rules.
Lapse	Options lapse immediately if the vesting condition is not satisfied, and otherwise at the end of the two-year exercise period following vesting if they have not been validly exercised by then. If there is a takeover bid for Youfoodz, or another transaction having a similar effect to a takeover, any vested Options lapse automatically if they are not exercised within a specified period after the takeover bid or other transaction becomes unconditional or is approved by shareholders (as the case may be).
Voting and dividend rights	A person is not a shareholder in Youfoodz merely by reason of holding Options, and Options do not confer on their holder any right to dividends or to attend or vote at shareholder meetings of Youfoodz. However, any Shares received upon exercise of Options will carry the same rights as other Shares.
Other terms and conditions	The Options are also subject to the general terms and conditions contained in the Equity Incentive Plan. For example, Options may be adjusted to reflect a reorganisation of capital, and the Board has an overriding discretion: <ul style="list-style-type: none"> • to pay cash rather than Shares upon exercise of Options; and • as to how to deal with unvested, unexercised or restricted awards if there is a change of control of Youfoodz. The Equity Incentive Plan is described in Section 6.2.1.6 above.

Given that the Equity Incentive Plan has been newly established, this is the first grant of Options under the Equity Incentive Plan to the Non-Executive Directors.

Options have been selected as an appropriate form of equity award since they represent an opportunity for the Non-Executive Directors to share in the growth of the Company, further aligning their interests with the interests of the Company's shareholders.

The Company has attributed a value of \$1.23 to each Option, based on Black Scholes option valuation methodology.

6. KEY PEOPLE, INTERESTS AND BENEFITS

6.2.2.3. Other interests in the offer

Other than set out elsewhere in this Prospectus, the Directors do not have any other interests in the Offer or in securities of the Company.

6.2.2.4. Deeds of access, indemnity and insurance of Directors

The Company has entered into deeds of access, indemnity and insurance with each Director. Under the deeds, the Company:

- grants right of access to certain books and records of the Company and its related bodies corporate for a period of seven years after the Director ceases to hold office with the Company (which can be extended in certain circumstances);
- indemnifies each Director against all liabilities that may arise from their position as a Director or officer of the Company or its related bodies corporate (except a liability for legal costs), including, but not limited to, legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the officer becomes involved because of that capacity and legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties as an officer, if that expenditure has been approved by the Company. Under the deeds, the Company must also indemnify each Director to the fullest extent permitted by law, against all liabilities incurred by the Director (including legal costs reasonably incurred) in their capacity as an officer of the Company or of a related body corporate; and
- must maintain such insurance for the period from the date of the deed until seven years after the Director ceases to hold office of the Company. This seven-year period can be extended where certain proceedings or investigations commence before the seven-year period expires.

6.2.3 Directors' and key management personnel's interests in shares and other securities

6.2.3.1. Directors

Each Non-Executive Director intends to subscribe for 20,000 Shares as part of the Offer. Lance Giles does not intend to participate in the Offer.

The Directors interests in Shares prior to and on Completion of the Offer are summarised in Table 6.8 below.

Table 6.8: Directors' Shares

Director	Shares held at the Prospectus Date		Shares held on Completion of the Offer	
	Number of Shares	% of total Shares	Number of Shares	% of total Shares
Lance Giles (and associates) ¹	19,020,531	21.7%	19,020,531	14.1%
Neil Kearney	–	–	20,000	0.01%
Andrew Duff	–	–	20,000	0.01%
Julie McPherson	–	–	20,000	0.01%
Stuart Nash	–	–	20,000	0.01%
Total	19,020,531	21.7%	19,100,531	14.2%

¹ Shares held by Lance Giles, Karl Arthur Giles as trustee for the LStiles Trust, Arthur John Giles as trustee for the A & MG Trust, Jennifer Dowery as trustee for the JStiles Trust, Jermaine Leonard Karaitiana Chambers as trustee for the Chambers Trust and Jennifer Dowery as Trustee for the Dowery Family Trust.

In addition to Shares held by Directors as set out in Table 6.8 above, Table 6.9 below sets out the direct and indirect interests of the Non-Executive Directors (and their associated entities) in Options on Completion of the Offer. The terms of the Options are summarised above in Section 6.2.2.2.

Table 6.9: Non-Executive Directors' Options

Director	Number of Options	Exercise Price	Expiry Date
Neil Kearney	13,333	\$1.50	Five years from Completion of the Offer, subject to vesting
Andrew Duff	13,333	\$1.50	Five years from Completion of the Offer, subject to vesting
Julie McPherson	13,333	\$1.50	Five years from Completion of the Offer, subject to vesting
Stuart Nash	13,333	\$1.50	Five years from Completion of the Offer, subject to vesting
Total	53,332		

6.2.3.2. Key Management Personnel

The interests of the KMPs (and their associates) in Shares both at the Prospectus Date and following Completion of the Offer are set out in Table 6.10 below.

Table 6.10: Key Management Personnel Shares

KMP	Shares held at the Prospectus Date		Shares held on Completion of the Offer	
	Number of Shares	% of total Shares	Number of Shares	% of total Shares
Lance Giles and associates ¹	19.0 million	21.7%	19.0 million	14.1%
John O'Connor	1.2 million	1.3%	1.2 million	0.9%
Jonathan Salt	0.2 million	0.2%	0.2 million	0.2%
Total	20.4 million	23.3%	20.4 million	15.2%

Notes:

1. Shares held by Lance Giles, Karl Arthur Giles as trustee for the LStiles Trust, Arthur John Giles as trustee for the A & MG Trust, Jennifer Dowery as trustee for the JStiles Trust, Jermaine Leonard Karaitiana Chambers as trustee for the Chambers Trust and Jennifer Dowery as trustee for the Dowery Family Trust.

6.3 INTERESTS OF ADVISORS

The Company has engaged the following professional advisors named in this Prospectus in relation to the Offer:

- Bell Potter and Morgans have acted as Underwriters and Joint Lead Managers of the Offer. The fees payable to the Joint Lead Managers pursuant to the Underwriting Agreement are described in Section 9.5.1.
- Greenhill & Co. Australia Pty Limited has acted as financial advisor to the Company in relation to the Offer. The Company has paid, or agreed to pay, Greenhill & Co. Australia Pty Limited approximately \$900,000 (excluding GST and disbursements) for these services.
- Baker & McKenzie has acted as Australian legal advisor to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$900,000 (excluding GST and disbursements) for these services up to the Prospectus Date. Further amounts may be paid to Baker & McKenzie for other work in accordance with its normal time-based charges.
- Sovereign Private Pty Ltd has acted as tax advisor to the Company in relation to the Offer. The Company has paid, or agreed to pay, Sovereign Private Pty Ltd approximately \$180,000 (excluding GST and disbursements) for these services up to the Prospectus Date. Further amounts may be paid to Sovereign Private Pty Ltd for other work in accordance with its normal time-based charges.
- KPMG Financial Advisory Services (Australia) Pty Ltd has acted as the Investigating Accountant, and performed work in relation to the financial information included in Section 4. The Company has paid, or agreed to pay, fees of approximately \$300,000 (excluding GST and disbursements) to KPMG Financial Advisory Services (Australia) Pty Ltd for these services up to the Prospectus Date. Further amounts may be paid to KPMG Financial Advisory Services (Australia) Pty Ltd for other work in accordance with its normal time-based charges.
- Frost & Sullivan have prepared the market research report included in Section 2 of the Prospectus. The Company has paid, or agreed to pay, fees of approximately \$20,000 for the preparation of the report.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. In addition, the Company has agreed to pay further amounts to advisors and third parties for advice or services in relation to the Company and its subsidiaries, and certain preparatory matters carried out prior to the Offer which will be paid out of funds raised under the Offer available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.4.

6.4 CORPORATE GOVERNANCE

This section summarises the key corporate governance policies and practices adopted by the Company and its subsidiaries and outlines how the Board will oversee the management of Youfoodz' business. The Board committees are summarised in Section 6.4.3 and the Company's key policies and practices and the charters for the Board are summarised in Section 6.4.4.

6.4.1 ASX Corporate Governance Principles

The ASX Corporate Governance Council has developed the ASX Corporate Governance Principles and Recommendations (**ASX Recommendations**) for ASX listed entities to promote investor confidence and assist companies in meeting stakeholder expectations. The ASX Recommendations are guidelines and are not prescriptive, however, under the ASX Listing Rules, the Company will be required to disclose the extent of their compliance with the ASX Recommendations for each reporting period. Where the Company has not followed an ASX Recommendation, it will be required to identify the recommendation that has not been followed and give reasons for not following it.

The Board has adopted the corporate governance policies summarised in Section 6.4.4, each having been prepared having regard to the ASX Recommendations. The corporate governance policies are available on YouFoodz' website at www.youfoodz.com.

6. KEY PEOPLE, INTERESTS AND BENEFITS

Except as set out below in Section 6.4.4, YouFoodz intends to comply with all of the ASX Recommendations from the time of Completion of the Offer. YouFoodz will also disclose in its annual report the extent of its compliance with the ASX Recommendations.

6.4.2 Board composition and independence

6.4.2.1. Board composition

The Board comprises the following persons:

- Neil Kearney, Non-Executive Chairman;
- Lance Giles, Managing Director and CEO;
- Andrew Duff, Non-Executive Director;
- Stuart Nash, Non-Executive Director; and
- Julie McPherson, Non-Executive Director.

The names and biographical details of the Directors are set out above in Section 6.1.

The Board considers an independent Director to be a Non-Executive Director who is free from any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgment to bear on issue before the board and to act in the best interests of the Company as a whole rather than in the interests of an individual Shareholder or other party. The Board will consider the materiality of any given relationship on a case-by-case basis in accordance with the criteria for independence set out in the Board Charter (see Section 6.4.2.2 below).

As at the Prospectus Date, the Board considers that all Directors other than Lance Giles to be independent Directors.

6.4.2.2. Board Charter

The Board has adopted Board Charter to provide framework for the effective operation of the Board. The Board Charter sets out the Board composition, the Board's roles and responsibilities, the Board's power to delegate authority and the Board's relationship with senior Management of the Company.

The Board Charter also establishes the Remuneration and Nomination Committee and Audit and Risk Committee.

The Board's role is to, among other things:

- provide leadership, define the Company's purpose and approve the strategic objectives of the Company;
- approve the Company's statement of values and Code of Conduct to underpin the desired culture within the Company;
- appoint the Chair, the Chief Executive Officer, Company Secretary and other senior executives of the Company;
- oversee Management's implementation of the Company's strategic objectives, instilling of the Company's values and its performance generally;
- oversee the integrity of the Company's accounting and corporate reporting systems;
- oversee the Company's process for making timely and balanced disclosure to the market;
- satisfy itself that the Company has in place an appropriate risk management framework (for both financial and nonfinancial risks);
- satisfy itself that the Company's remuneration policies are aligned with the Company's purpose, values, strategic objectives and risk appetite;
- approve the Company's remuneration framework;
- review the performance and effectiveness of the Company's governance practices, policies and procedures;
- determine the Company's dividend policy;
- evaluate, approve and monitor operating budgets, major capital expenditure, capital management and all major acquisitions, divestitures and other corporate and financing transactions, including the issue of securities of the Company;
- ensure that the Company maintains a commitment to promoting diversity in the workplace; and
- perform such other functions as are prescribed by law or nominated by the Board from time to time.

The role of Management is conducted by, or under the supervision of, the Chief Executive Officer as directed by the Board. Management must provide the Board with accurate and timely information on the Company's operations to enable the Board to perform its responsibilities. Each Director of the Company may individually seek independent professional advice at the Company's expense on any matter connected with the discharge of their responsibilities in accordance with the terms set out in the Board Charter.

While the Board retains ultimate responsibility for the strategy and performance of the Company, the day to day operation of YouFoodz is conducted by, or under the supervision of, the senior executives as directed by the Board. The Board approves corporate objectives for the Chief Executive Officer to implement strategic objectives, plans and budgets approved by the Board.

The Board Charter also sets out the criteria for how the Board will determine if a Director is independent. These criteria include (without limitation) whether the relevant Director:

- is a substantial Shareholder of the Company (that is, holds 5% or more of the issued voting shares of the Company) or represents, or is or has been within the last three years an officer or employee of, or professional advisor to, a substantial Shareholder of the Company;
- is employed, or has previously been employed, in an executive capacity by the Company or another Group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the Company;
- is, or has been within the last three years, in a material business relationship (for example, as a supplier, professional advisor, consultant or customer) with the Company or another Group member, or is an officer of, or otherwise associated directly or indirectly with, someone in such a relationship;
- has any close personal ties (including family, friendship or other social or business connections) with any person who falls within any of the categories described above; or
- has been a director of the Company for such a period that his or her independence from Management and substantial shareholders may have been compromised.

6.4.3 Board committees

The Board may from time to time, establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Audit and Risk Committee and a Remuneration and Nomination Committee. Membership of Board committees will be based on the requirements of Youfoodz, relevant legislation, regulatory and other requirements, and the skills and experience of the Board members.

Committee	Overview	Membership
Audit and Risk Committee	<p>The Audit and Risk Committee will assist the Board to carry out its accounting, auditing and financial reporting responsibilities, including with respect to the oversight of, among other things:</p> <ul style="list-style-type: none"> • the reliability and integrity of the Company's financial management, application of accounting policies, financial reporting systems and processes; • the appropriateness of the accounting judgements exercised by Management in preparing the Company's financial statements; • the implementation and effectiveness of the Company's risk management and internal control policies and practices; • Management's performance against the Company's risk management framework; • the implementation and effectiveness of the Company's internal audit systems and processes; • the appointment of the Company's external auditors and the work of, and relationship with, the external auditors; • the implementation and effectiveness of the Company's systems and processes for ensuring compliance with all applicable laws, regulations and Company policies; and • the Company's taxation risk management, financial risk management and business policies and practices, and risks associated with transactions of a strategic or routine nature. 	<p>Andrew Duff (Chair)</p> <p>Neil Kearney</p> <p>Stuart Nash</p> <p>Julie McPherson</p>
Remuneration and Nomination Committee	<p>The role of the Remuneration and Nomination Committee in relation to remuneration includes, among other things:</p> <ul style="list-style-type: none"> • the appropriateness of the Company's remuneration policies; • reviewing the composition and performance of the Board and its committees; • making recommendations to the Board in relation to the remuneration of executives including awards made under any employee equity plan; • the process for recruiting new members of the Board, including conducting appropriate background checks, evaluating the balance of skills, knowledge, experience, independence and diversity on the Board; • establishing a skills matrix setting out the mix of skills and diversity the Board has and regularly reviewing the skills matrix to ensure that it adequately covers the skills needed to address existing and emerging business and governance issues relevant to the Company; • ensuring there are plans in place to manage the succession of Board members and senior executives; and • ensuring that programs are in place for the continued professional development of the Board. 	<p>Stuart Nash (Chair)</p> <p>Neil Kearney</p> <p>Andrew Duff</p> <p>Julie McPherson</p>

6. KEY PEOPLE, INTERESTS AND BENEFITS

6.4.4 Corporate governance policies

The Board has adopted the following corporate governance policies, each having been prepared with regard to the ASX Recommendations. These corporate governance policies are available on Youfoodz' website: at www.youfoodz.com/.

6.4.4.1. Code of Conduct

Youfoodz recognises the need to observe the highest standards of corporate practice and business conduct, and The Company has adopted a formal Code of Conduct that applies to all Directors, officers, employees, consultants, advisors and contractors of Youfoodz. The Code of Conduct is designed to assist with the practical implementation of the Company's stated values and addresses various matters including conflicts of interests, confidentiality, trading in securities, responsibilities to key stakeholders, protection and proper use of the Company's assets and property, anti-bribery and gifts, dealings with politicians and government officials, privacy, safe working environment and compliance with laws (including anti-trust and competition laws) and regulations.

6.4.4.2. Securities Trading Policy

The Company has adopted a Securities Trading Policy which is intended to explain the prohibited type of conduct in relation to dealings in securities under the Corporations Act and other laws applicable to Youfoodz. The Securities Trading Policy seeks to establish a best practice procedure in relation to certain restricted persons dealing in the Company's securities by Directors, officers, employees and their families and associates. The Securities Trading Policy sets out the restrictions that apply to such dealings including the 'prohibited periods', during which certain persons are generally prohibited to deal in the Company's securities.

6.4.4.3. Continuous Disclosure Policy

Once listed on ASX, Youfoodz will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company will be required to disclose to ASX any information concerning Youfoodz which is not generally available and which a reasonable person would expect to have a material effect on the price or value of Shares. The Company has adopted the Continuous Disclosure Policy to establish procedures which are aimed at ensuring Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

6.4.4.4. Shareholder communications policy

The Company has adopted a Shareholder Communication Policy which aims to ensure effective communication with Shareholders. Information affecting the Company will be communicated to Shareholders and to encourage and facilitate participation at the Company's general meetings and deal promptly with the enquiries of Shareholders.

Information affecting Youfoodz will be communicated to Shareholders through the lodgement of all relevant financial and other information with ASX, by publishing information on the Youfoodz website at www.youfoodz.com, and at the Company's general meeting.

6.4.4.5. Diversity Policy

The Company has adopted a Diversity Policy which sets out Youfoodz' commitment to diversity and inclusion in the composition of the Board, senior executives and workplace generally. The Diversity Policy involves a framework to achieve the Company's diversity goals and commitment to creating a diverse work environment where everyone is treated fairly and with respect. The Board has the role of implementing the Diversity Policy and assessing progress in achieving its objectives, annually.

At the time of the Offer, the composition of the Board will not reflect gender diversity in compliance with ASX Recommendation 1.5. However, the Board proposes to give consideration to diversity (among other factors) in future appointments to the Board.

6.4.4.6. Whistleblower Policy

The Company has adopted a Whistleblower Policy, which encourages the reporting of suspected unethical, illegal, fraudulent, corrupt or dishonest conduct and shall ensure that those who promptly report may do so with confidence and without fear of intimidation, ramifications or adverse consequences.

Examples of reportable conduct under the Whistleblower Policy include (but is not limited to):

- dishonest, corrupt, fraudulent or unlawful conduct or practices, including bribery;
- financial irregularities;
- unfair, dishonest or unethical dealings with a customer or third party; and
- unethical or serious improper conduct including breaches of any legal or regulatory obligations.

The Whistleblower Policy ensures the protection of those 'speaking up' about misconduct and how Youfoodz will respond to reports of misconduct.

6.4.4.7. Anti-Bribery and Corruption Policy

The Company has adopted an Anti-Bribery and Corruption Policy to demonstrate its commitment to maintaining a high standard of integrity, investor confidence, and good corporate governance. Youfoodz does not tolerate bribery and corruption and is committed to conducting its business with honesty and integrity and the highest standards of personal and professional ethical behaviour in Australia. The Anti-Bribery and Corruption Policy applies to all Directors, officers, employees, and consultants of Youfoodz when, during the course of their work, dealing with potential customers, suppliers, distributors, licensees, business partners, other business contacts, agents, representatives, sponsors, professional advisors, government or public bodies, government or public representatives or officials, politicians, and political parties. Under the Anti-Bribery and Corruption Policy, these persons must not, among other things:

- give, promise to give, offer, solicit or accept any bribe;
- engage in any form of corrupt behaviour or activity;
- carry out any dishonest accounting or concealment of complete and accurate financial activity;
- make political contributions or charitable donations on behalf of Youfoodz; or
- threaten or retaliate against another employee who has refused to commit a bribery or corruption offence or who has raised concerns under the Anti-Bribery and Corruption Policy.

6.5 RELATED PARTY INTERESTS


Other than as disclosed elsewhere in this Prospectus, YouFoodz is not a party to any material related party arrangements.


7.

DETAILS OF THE OFFER



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7.1 DESCRIPTION OF THE OFFER

This Prospectus relates to an offer of up to 46.9 million New Shares by Youfoodz at the Offer Price to raise \$70.0 million (before costs and expenses). 97.7 million of the 134.6 million Shares (or approximately 73% of the total Shares) on issue following Completion of the Offer will be held by Existing Shareholders and subject to voluntary escrow arrangements described in Section 7.6. On issue, all New Shares will be fully paid and will rank equally with all other Shares then on issue.

The Offer has been fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 9.5.1.

Youfoodz's largest Shareholder, RGT Capital, will subscribe for 10 million New Shares at the Offer Price under the Institutional Offer. RGT Capital will not receive any fees in connection with its participation in the Offer.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.2 STRUCTURE OF THE OFFER

The Offer comprises:

- the Retail Offer, consisting of the:
 - Broker Firm Offer – which is open to Australian resident retail clients of participating Brokers, who have a registered address in Australia and who receive an invitation from a Broker to acquire New Shares under this Prospectus and are not in the United States;
 - Priority Offer – which is open to selected investors nominated by Youfoodz in eligible jurisdictions, who have received a Priority Offer invitation to acquire Shares under this Prospectus; and
 - Employee Gift Offer – whereby some Eligible Employees received a guaranteed allocation of New Shares; and
- the Institutional Offer – which consists of an offer to Institutional Investors in Australia, New Zealand and certain other jurisdictions around the world, made under this Prospectus.

No general public offer of New Shares will be made under the Offer.

The allocation of New Shares between the Institutional Offer, Broker Firm Offer and Priority Offer was determined by agreement between the Joint Lead Managers and the Company. For further information regarding the allocation of New Shares within each of the Broker Firm Offer, Priority Offer, Employee Gift Offer, and the Institutional Offer, see Sections 7.8.5, 7.9.5, 7.10.5 and 7.13.2.

7.3 PURPOSE OF THE OFFER

The Offer is being conducted to:

- provide the Company access to capital markets which it expects will provide additional financial flexibility to pursue further growth opportunities, including, but not limited to, marketing, product development, operations and other growth opportunities;
- repayment of the Shareholder Loan;
- achieve a listing on ASX to broaden the Company's shareholder base and provide a liquid market for its Shares; and
- assist the Company in attracting and retaining staff.

7.4 SOURCE AND USES OF FUNDS

The Offer is expected to raise \$70.0 million.

Table 7.1 sets out in detail the sources and uses of funds.

Table 7.1: Sources and Uses of Funds

Sources of funds	\$m	%	Uses of funds	\$m	%
Offer Proceeds	70.0	100%	New purpose-built manufacturing facility	15.0	21%
			Repayment of Shareholder Loan	25.0	36%
			General corporate purposes, including marketing and working capital to fund the Company's growth strategy	24.4	35%
			Costs of the Offer	5.6	8%
Total sources of funds	70.0	100%	Total uses of funds	70.0	100%

7. DETAILS OF THE OFFER

7.4.1 Potential effect of the fundraising on the future of Youfoodz

The Board believe that on Completion of the Offer, the Company will have sufficient funds available from the proceeds of the Offer and its operations to fulfil the purposes of the Offer and carry out its stated business objectives.

7.5 SHAREHOLDER STRUCTURE

The ownership structure of Youfoodz immediately prior to and following the Completion of the Offer is shown in Table 7.2 below.

Table 7.2: Ownership Structure

Holder	Shares held at the Prospectus Date		Shares held following Completion of the Offer	
	Shares (m)	Shares (%)	Shares (m)	Shares (%)
RGT Capital ¹	67.3 million	76.7%	77.3 million	57.4%
Lance Giles and associates ²	19.0 million	21.7%	19.0 million	14.1%
Other Management	1.4 million	1.6%	1.4 million	1.0%
Employee Gift Offer	–	–	0.2 million	0.2%
New Shareholders ³	–	–	36.7 million	27.2%
Total	87.7 million	100.0%	134.6 million	100.0%

Notes:

1. RGT Capital will subscribe for 10 million New Shares at the Offer Price under the Institutional Offer.
2. Shares held by Lance Giles, Karl Arthur Giles as trustee for the LStiles Trust, Arthur John Giles as trustee for the A & MG Trust, Jennifer Dowery as trustee for the JStiles Trust, Jermaine Leonard Karaitiana Chambers as trustee for the Chambers Trust and Jennifer Dowery as trustee for the Dowery Family Trust.
3. Includes Shares held by Non-Executive Directors shown in Table 6.3.

On Completion of the Offer, the Company will also have Options on issue as described in Section 6.2.3.

7.6 ESCROW ARRANGEMENTS

The Existing Shareholders have agreed to enter into voluntary escrow arrangements in relation to certain Shares they will hold on Completion of the Offer. An 'escrow' is a restriction on sale, disposal, or encumbering of, or certain other dealings in respect of, the Shares concerned for the period of the escrow, subject to certain exceptions set out in the escrow arrangement. See Section 9.6 for details on the escrow arrangements.

7.7 TERMS AND CONDITIONS OF THE OFFER

Table 7.3: Terms and Conditions of the Offer

Topic	Summary
What is the type of security being offered?	New Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to the New Shares being offered?	A description of the New Shares, including the rights and liabilities attaching to them, is set out in Section 7.18.
What is the consideration payable for each Share being offered?	The Offer Price is \$1.50 per New Share.

Topic	Summary
What is the Offer period?	<p>The key dates, including details of the Offer Period, are set out in the key dates on page 3 of this Prospectus.</p> <p>This key dates are indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time.</p> <p>The Company and the Joint Lead Managers reserve the right to amend any or all of the times and dates of the Offer without notice subject to the ASX Listing Rules, the Corporations Act and other applicable laws, including closing the Offer early, extending the Offer, deferring the date of Completion of the Offer, accepting late Applications either generally or in particular cases, allotting New Shares at different times to investors, or to cancel or withdraw the Offer without prior notice.</p> <p>If the Offer is cancelled or withdrawn before the allocation and issue of New Shares to successful Applicants, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>No New Shares will be issued on the basis of this Prospectus later than the Expiry Date.</p> <p>The quotation and commencement of trading of the Shares is subject to confirmation from ASX.</p>
How much is to be raised under the Offer?	\$70.0 million is expected to be raised under the Offer.
Is the Offer underwritten?	Yes, the Offer is fully underwritten by the Joint Lead Managers.
Who is lead managing the Offer?	The Joint Lead Managers are Bell Potter Securities Limited and Morgans Corporate Limited.
What is the minimum and maximum Application size under the Broker Firm Offer?	<p>The minimum Application under the:</p> <ul style="list-style-type: none"> • Broker Firm Offer is \$2,100 of New Shares in aggregate. There is no maximum Application size under the Broker Firm Offer, however the Company and the Joint Lead Managers reserve the right to reject any Application or to allocate to an Applicant a lesser number of Shares than that applied for; and • Priority Offer is \$2,100 of New Shares in aggregate. Priority Offer Applicants may apply for up to the value of Shares indicated in their Priority Offer invitation. <p>For more information, see Sections 7.8.3 and 7.10.3.</p> <p>Under the Employee Gift Offer, Eligible Employees will be offered the opportunity to apply for between \$750 and \$4,000 worth of Shares at no cost, based on the eligibility criteria described in Section 7.9.5.</p>
What is the allocation policy?	<p>The allocation of New Shares between the Institutional Offer and Broker Firm Offer and the Priority Offer will be determined by agreement between the Joint Lead Managers and the Company, having regard to the allocation policies outlined in Sections 7.8.5 and 7.13.2.</p> <p>The final allocation of New Shares under the Institutional Offer was determined by the Joint Lead Managers in agreement with the Company.</p> <p>The Company will determine the allocation of Shares to eligible participants within the Employee Gift Offer in accordance with the criteria set out in Section 7.9.5.</p> <p>The final allocation of New Shares under the Priority Offer will be determined by the Company, in consultation with the Joint Lead Managers, subject to the minimum allocation for Applicants under the Priority Offer.</p>
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about Tuesday, 1 December 2020.

7. DETAILS OF THE OFFER

Topic	Summary
Will the New Shares be quoted?	<p>The Company will apply to ASX within seven days of the Prospectus Date for its admission to the Official List, and quotation of Shares by, ASX under the code 'YFZ'.</p> <p>Completion of the Offer is conditional on the ASX approving this application. If permission is not granted for the official quotation of the New Shares on ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer may be withdrawn and all Application Monies received by the Company will be refunded (without interest), as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>For more information, see Section 7.17.</p>
When are the New Shares expected to commence trading?	<p>It is expected that trading of the New Shares on ASX will commence on or about Tuesday, 8 December 2020.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.</p> <p>The Company and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Youfoodz IPO Offer Information Line, by a Broker or otherwise.</p>
Are there any escrow arrangements?	Yes. Details are provided in Section 9.6.
Has an ASIC relief or ASX waiver been obtained or been relied on?	Yes. Details are provided in Section 9.7.
Are there any tax considerations?	Refer to Section 9.10.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 6.3 for details of various fees payable by the Company to the Joint Lead Managers.
What should you do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to Youfoodz IPO Information Line on 1300 737 760 within Australia and +61 2 9290 9600 (outside Australia) from 8:30am to 5:00pm (Sydney time) Monday to Friday (excluding public holidays).</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should consult with your stockbroker, solicitor, accountant, financial advisor or other independent professional advisor before deciding whether to invest.</p>

7.8 BROKER FIRM OFFER

7.8.1 Who may apply

The Broker Firm Offer is open to clients of participating Brokers who have a registered address in Australia and who received an invitation from a Broker to acquire Shares under this Prospectus and are not in the United States. You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Firm Offer.

7.8.2 How to apply

If you have received an invitation to apply for Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Broker Firm Offer Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker to request a copy of this Prospectus and Broker Firm Offer Application Form, or download a copy at www.youfoodz.com/pages/prospectus. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Broker Firm Offer Application Form and Application Monies are received before 5:00pm (Sydney time) on the Closing Date or any earlier closing date as determined by your Broker.

Broker clients should complete and lodge their Broker Firm Offer Application Form with the Broker from whom they received their invitation to participate in the Broker Firm Offer. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Broker Firm Offer Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with a Broker Firm Offer Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Company, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9:00am (Sydney time) on Monday, 9 November 2020 and is expected to close at 5:00pm (Sydney time) on Tuesday, 24 November 2020. The Company and the Joint Lead Managers may elect to close the Broker Firm Offer or any part of it early, extend the Broker Firm Offer or any part of it, or accept late Applications either generally or in particular cases. The Broker Firm Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible after the Offer opens. Please contact your Broker for instructions.

7.8.3 Is there a minimum or maximum Application size?

The minimum Application size under the Broker Firm Offer is \$2,100 of Shares in aggregate. There is no maximum Application size under the Broker Firm Offer, however the Company and the Joint Lead Managers reserve the right not to accept Applications in the Broker Firm Offer that are from persons they believe may be Institutional Investors or reject or scale back any Applications (or aggregation of Applications) in the Broker Firm Offer which are for more than \$250,000 of Shares. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

7.8.4 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by your Broker.

7.8.5 Broker Firm Offer allocation policy

The allocation of Shares to Brokers was determined by the Joint Lead Managers, in agreement with the Company. Shares which are allocated to Brokers for allocation to their Australian retail resident clients will be issued to the Applicants nominated by those Brokers (subject to the right of the Company and the Joint Lead Managers to reject, aggregate or scale back Applications). It will be a matter for each Broker as to how they allocate Shares among their clients, and they (and not the Company or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Shares.

7.8.6 Application acceptance and Application Monies

Applicants in the Broker Firm Offer will be able to call the Youfoodz IPO Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) from 8:30am to 5:00pm (Sydney time), Monday to Friday (excluding public holidays) to confirm their allocation. Applicants under the Broker Firm Offer will also be able to confirm their allocation through the Broker from whom they received their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Youfoodz IPO Offer Information Line or confirmed your allocation through the Broker from whom you received your allocation.

7. DETAILS OF THE OFFER

7.9 EMPLOYEE GIFT OFFER

7.9.1 Who can apply

All Eligible Employees will be able to apply for Shares under the Employee Gift Offer. Eligible Employees are all permanent full-time, permanent part time and casual employees of the Group resident in Australia who have been employed by the Group for at least 24 months as at 5:00pm (Sydney time) on the Prospectus Date and have not given or received notice at this date their employment will cease (**Eligible Employees**). In addition, unless on an approved leave of absence, employees must have worked a shift in the 3 months immediately preceding the date of the Employee Gift Offer in order to be eligible. Employees under a probation period, who are resident overseas, Directors of the Company and employees (who do not otherwise meet the above eligibility criteria) are not eligible to participate in the Employee Gift Offer.

7.9.2 How to apply

If you are an Eligible Employee, you should have received a separate invitation email detailing the terms of the Employee Gift Offer. A copy of this Prospectus is available in your invitation email.

Eligible Employees should read the separate invitation email and this Prospectus carefully and in their entirety before deciding whether to apply under the Employee Gift Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest.

To apply under the Employee Gift Offer, you must complete the online Employee Gift Offer Application Form in accordance with the instructions provided to you by the Company and on the website containing the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an online Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by the complete and unaltered electronic version of this Prospectus.

When applying to participate in the Employee Gift Offer, you must do so by no later than 5.00pm (Sydney time) on Tuesday, 24 November 2020 and it is your responsibility to ensure that this occurs.

7.9.3 Is there a minimum or maximum Application size?

See Section 7.9.5 for more information.

7.9.4 How to pay

No payment for Shares is required for the Employee Gift Offer.

7.9.5 What is the Employee Gift Offer allocation policy?

Employee Gift Offer Applicants who have been employed by the Group for between 2 years and 3 years will receive a guaranteed allocation of \$1,000 of Shares (rounded down to the nearest whole Share based on the Offer Price) if they are a part time or full time employee and \$500 of Shares (rounded down to the nearest whole Share based on the Offer Price) if they are a casual employee.

Employee Gift Offer Applicants who have been employed by the Group for between 3 years and 5 years will receive a guaranteed allocation of \$1,000 of Shares (rounded down to the nearest whole Share based on the Offer Price) if they are a part time or full time employee and \$750 of Shares (rounded down to the nearest whole Share based on the Offer Price) if they are a casual employee.

Employee Gift Offer Applicants who have been employed by the Group for between 5 years and 7 years will receive a guaranteed allocation of \$2,000 of Shares (rounded down to the nearest whole Share based on the Offer Price) if they are a part time or full time employee and \$1,500 of Shares (rounded down to the nearest whole Share based on the Offer Price) if they are a casual employee. However, only the first \$1,000 of those Shares (the **Initial Shares**) will be guaranteed and issued on Completion of the Offer. Shares over and above the Initial Shares (the **Additional Shares**) will only be issued to those offerees who remain in employment with the Group for at least 12 months after the date of the Employee Gift Offer (and only if they have not given or received notice as at that date that their employment will cease). Offerees who satisfy this condition will then be issued the Additional Shares. The number of Initial Shares to be issued will be based on the Offer Price. The number of Additional Shares (if any) to be issued will be based on the market price of Shares on or around the date of issue.

Employee Gift Offer Applicants who have been employed by the Group for 7 or more years will receive an allocation of \$4,000 of Shares (rounded down to the nearest whole Share) if they are a part time or full time employee and \$3,000 of Shares (rounded down to the nearest whole Share based) if they are a casual employee. The Initial Shares and Additional Shares will be subject to the same terms as are described above).

For the avoidance of doubt, all Shares described above - including both Initial Shares and Additional Shares - form part of the Employee Gift Offer, and as such are being offered under this Prospectus.

Eligible Employees who have been employed by the Group for less than 24 months, or who are resident overseas will not receive a gift allocation of Shares.

7.9.6 How do I confirm my allocation?

Applicants in the Employee Gift Offer will be able to call the Youfoodz IPO Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) from 8:30am to 5:30pm (Sydney time), Monday to Friday (excluding public holidays) to confirm their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Youfoodz IPO Offer Information Line. See also Section 7.7.

7.10 PRIORITY OFFER

7.10.1 Who can apply

The Priority Offer is open to selected investors nominated by the Company in eligible jurisdictions who have received a Priority Offer invitation to acquire Shares under the Prospectus. If you are a Priority Offer Applicant, you will receive a personalised invitation to apply for Shares in the Priority Offer. The Priority Offer is not open to persons who are in the United States.

Your personalised invitation will indicate an amount of Shares that you may apply for.

7.10.2 How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for all or some of those Shares, you must apply in accordance with the instructions provided in your personalised invitation to apply.

Recipients of the Priority Offer invitation should read the separate offer letter and this Prospectus carefully and in their entirety before deciding whether to apply under the Priority Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest.

To apply under the Priority Offer, you must follow the instructions provided in your Priority Offer invitation and on the website containing the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applications must be received by no later than 5.00pm (Sydney time) on Tuesday, 24 November 2020 and it is your responsibility to ensure that this occurs.

7.10.3 Is there a minimum or maximum Application size?

Applications under the Priority Offer must be for a minimum of \$2,100 worth of Shares in aggregate. Your personalised invitation will indicate the maximum amount of Shares that you may apply for.

7.10.4 How to pay

Applicants under the Priority Offer must pay their Application Monies in accordance with the instructions on the personalised Priority Offer Application Form.

7.10.5 What is the Priority Offer allocation policy?

The allocation of Shares among Applicants in the Priority Offer will be determined by the Company, in consultation with the Joint Lead Managers. There is no assurance that any Applicant will be allocated any Shares, or the number of Shares for which the Applicant applied.

7.10.6 How do I confirm my allocation?

Applicants in the Priority Offer will be able to call the Youfoodz IPO Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) from 8.30am to 5.00pm (Sydney time), Monday to Friday (excluding public holidays) to confirm their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Youfoodz IPO Offer Information Line.

7. DETAILS OF THE OFFER

7.11 ACCEPTANCE OF APPLICATIONS UNDER THE RETAIL OFFER

An Application in the Broker Firm Offer, Priority Offer, Employee Gift Offer is an offer by you to the Company to apply for Shares in the dollar amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. No amount is payable in respect of the Employee Gift Offer. To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable.

An Application may be accepted by the Company in respect of the full number of Shares specified in the Application Form (or the dollar value equivalent) without further notice to the Applicant. The Company reserves the right to decline any Application if it believes any provisions or procedures in this Prospectus, the Application Form or other laws or regulations may not be complied with in relation to the Application.

The Company and the Joint Lead Managers reserve the right to reject any Application which is not correctly completed or which is submitted by a person whom they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by the Applicant in completing their Application.

Successful Applicants in the Retail Offer will be issued Shares at the Offer Price. Acceptance of an Application will give rise to a binding contract, conditional on settlement and quotation of Shares on ASX on an unconditional basis.

7.12 APPLICATION MONIES

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Application Monies received under the Broker Firm Offer or the Priority Offer will be held in a special purpose account until Shares are issued to successful Applicants. Applicants under the Broker Firm Offer and Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. No refunds pursuant solely to rounding will be provided.

Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your cheque(s), bank draft(s) or BPAY® payment. If the amount of your cheque(s), bank draft(s) or BPAY® payment for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares or your Application may be rejected.

7.13 INSTITUTIONAL OFFER

7.13.1 Invitations to Bid

Under the Institutional Offer, Institutional Investors in Australia, New Zealand and certain other eligible jurisdictions outside the United States were invited to bid for an allocation of Shares under this Prospectus. The Joint Lead Managers separately advised Institutional Investors of the Application procedures for the Institutional Offer. Offers and acceptances in the Institutional Offer are made under this Prospectus and are at the Offer Price per Share.

7.13.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by the Joint Lead Managers by agreement with the Company.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy was influenced, but not constrained, by the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Completion of the Offer;
- the Company's desire to establish a wide spread of institutional Shareholders;
- overall anticipated level of demand under the Broker Firm Offer, Employee Gift Offer, Priority Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- other factors that the Company and the Joint Lead Managers considered appropriate.

Youfoodz's largest Shareholder, RGT Capital, will subscribe for 10 million New Shares at the Offer Price under the Institutional Offer. RGT Capital will not receive any fees in connection with its participation in the Offer.

7.14 ACKNOWLEDGEMENTS

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the AUD amount shown on the front of the Application Form;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company and the Joint Lead Managers and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and taxation issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer and Priority Offer), or otherwise satisfies the requirements in Section 9.11;
- acknowledged and agreed that the Offer may be withdrawn by the Company and or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant in the Broker Firm Offer, Priority Offer and Employee Gift Offer, and each person to whom the Institutional Offer has been made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws in accordance with the US Securities Act registration requirements or of any state of the United States and may not be offered, sold or resold, pledged or transferred in the United States, except in accordance with the US Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable state securities laws;
- it is not in the United States;
- it has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States;
- it is purchasing the Shares in an offshore transaction meeting the requirements of Regulation S of the US Securities Act; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

7.15 RESTRICTIONS ON DISTRIBUTION

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside of Australia.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States, and may only be distributed to persons outside the United States to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities law of any state of the United States and may not be offered, sold, re-sold, pledged or transferred in the United States except in accordance with US Securities Act registration requirements or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable state securities law.

7. DETAILS OF THE OFFER

Each Applicant under the Offer will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and applicable US state securities laws;
- it is not in the United States;
- it has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

See Section 9.11 for further details regarding foreign selling restrictions.

7.16 DISCRETION REGARDING THE OFFER

The Company may withdraw the Offer at any time before the issue of Shares to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest). The Company and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.17 ASX LISTING, REGISTERS AND HOLDING STATEMENTS

7.17.1 Application to the ASX for listing of the Company and quotation of Shares

The Company will apply within seven days of the Prospectus Date for admission to the Official List and quotation of the Shares on the ASX. The Company's expected ASX code will be 'YFZ'.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by the Company will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by the Company from time to time), the Company will be required to comply with the ASX Listing Rules.

7.17.2 CHESS and issuer sponsored holdings

The Company has applied, or will apply prior to Listing, to participate in the ASX's Clearing House Electronic Sub-register System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are affected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders.

Shareholders will subsequently receive statements showing any changes to their shareholding. Share certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.18 SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO SHARES AND OTHER MATERIAL PROVISIONS OF THE CONSTITUTION

7.18.1 Introduction

The rights and liabilities attaching to ownership of Shares are detailed in a combination of the Constitution, statute, the ASX Listing Rules, the ASX Settlement Operating Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not intended to be exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List on the ASX.

7.18.2 Voting at a general meeting

At a general meeting of the Company, every Shareholder and Shareholder present in person (or virtually) or by proxy, attorney or representative has one vote, for each Share held.

7.18.3 Meetings of Shareholders

Each Shareholder is entitled to receive notice of, attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

7.18.4 Dividends

Subject to any special terms and conditions of issue, the amount which the Directors from time to time determine to distribute by way of dividend are divisible among Shareholders in proportion to the amounts paid up on the Shares held by them.

7.18.5 Transfer of Shares

Subject to the Constitution, the ASX Listing Rules, the Corporations Act and the ASX Settlement Operating Rules holders of Shares may transfer them by a proper transfer effected in accordance with the ASX Settlement Operating Rules or an instrument in writing in any usual form or in any other form that the Directors approve.

Except otherwise provided for in the ASX Listing Rules and ASX Settlement Operating Rules, the Directors may decline to register a transfer of Shares or apply a holding lock to prevent the transfer.

7.18.6 Issue of Shares

Subject to the Constitution, the Corporations Act and the ASX Listing Rules, the Board may issue Shares or grant options over unissued Shares and they may do so at such times as they think fit and on the conditions and the issue price they think fit. Such Shares may have preferred, deferred or special rights, privileges, or conditions or any restrictions (whether in regard to dividends, voting, return of capital or otherwise), as the Directors determine.

7.18.7 Winding up

Subject to any special terms and conditions attaching to any class or classes of Shares, the Constitution, the Corporations Act and the ASX Listing Rules, Shareholders will be entitled in a winding up to security in any surplus assets of Youfoodz in proportion to the Shares held by them, less any amounts which remain unpaid on these Shares at the time of distribution.

7.18.8 Unmarketable parcels

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Board may sell the Shares of a Shareholder who holds less than a marketable parcel by following the procedures set out in the Constitution.

7.18.9 Share buy-backs

Subject to the Corporations Act and the ASX Listing Rules, the Company may buy back Shares on any terms and conditions determined by the Directors.

7.18.10 Variation of class rights

Subject to the Corporations Act and the ASX Listing Rules, the rights attached to any class of Shares, may unless their terms of issue state otherwise, be varied:

- with the written consent of the holders of 75% of the Shares issued in that class; or
- by special resolution passed at a separate meeting of the holders of Shares of that class.

7. DETAILS OF THE OFFER

7.18.11 Dividend and distributions

Subject to the Constitution, ASX Listing Rules and the Corporations Act, the Directors, may fix the amount and timing of payment and the method of payment of any dividend.

7.18.12 Directors – appointment and removal

The minimum number of Directors that may comprise the Board is three and the maximum is ten. Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that any Director who has held office for three or more years or three or more annual general meetings (excluding the managing director) retires at each annual general meeting of the Company. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

7.18.13 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of a tied vote, the Chairperson of the meeting has a second or casting vote unless there are only two Directors present or entitled to vote, in which case the proposed resolution is taken as lost.

The Directors may pass an ordinary resolution or special resolution by following the process set out in the Constitution.

7.18.14 Directors – remuneration

The Directors, other than the executive Directors, are entitled to be paid by such Directors' fee for their services as the Directors decide, provided that the total fees do not exceed \$800,000 (or such sum as may be approved from time to time by Shareholders at a general meeting). The fees payable may be in cash and/or in the form of non-cash benefits (to the extent determined by the Directors).

Under the Constitution, Directors may also be reimbursed for all other out-of-pocket travelling, accommodation and other expenses they incur in attending and returning from Directors meetings, any committee of Directors or any Company general meetings or otherwise in connection with Youfoodz.

Directors' remuneration is discussed further at Section 6.2.

7.18.15 Alteration of share capital

Subject to the Constitution, the Corporations Act and the ASX Listing Rules, the Company may alter its share capital.

7.18.16 Variation to Constitution

The Constitution can only be amended by special resolution passed by at least 75% of the votes cast by Shareholders entitled to vote on the special resolution at a general meeting of the Company.

8.

INVESTIGATING ACCOUNTANT'S INDEPENDENT LIMITED ASSURANCE REPORT



8. INVESTIGATING ACCOUNTANT'S INDEPENDENT LIMITED ASSURANCE REPORT



KPMG Transaction Services

A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
Riparian Plaza
71 Eagle Street
Brisbane Qld 4000

GPO Box 223
Brisbane Qld 4001
Australia

ABN: 43 007 363 215
Telephone +61 7 3233 3111
Facsimile: +61 7 3233 31000
www.kpmg.com.au

Private and confidential

The Directors
Youfoodz Holdings Limited
Shop 4, 52 Pritchard Road
Virginia QLD 4014

30 October 2020

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Youfoodz Holdings Limited ("Youfoodz") to prepare this report for inclusion in the Prospectus to be dated on or about 30 October 2020 ("Prospectus"), and to be issued by Youfoodz, in respect of the proposed Initial Public Offering ("IPO" or the "Transaction").

Expressions defined in the Prospectus have the same meaning in this report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Prospectus.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma historical and forecast financial information described below and disclosed in the Prospectus.

The pro forma historical and forecast financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

KPMG Financial Advisory Services (Australia) Pty Ltd, an affiliate of KPMG. KPMG is an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.

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Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the pro forma historical financial information of Youfoodz (the responsible party) included in Section 4 of the Prospectus.

The pro forma historical financial information of Youfoodz consists of the:

- pro forma historical consolidated income statements for the year ended 30 June 2018, the year ended 30 June 2019 and the year ended 30 June 2020, as set out in Table 4.2 of Section 4.3.1 of the Prospectus;
- pro forma historical consolidated cash flows for the year ended 30 June 2018, the year ended 30 June 2019 and the year ended 30 June 2020, as set out in Table 4.7 of Section 4.4.1 of the Prospectus; and
- pro forma historical consolidated statement of financial position as at 30 June 2020, as set out in Table 4.10 of Section 4.5 of the Prospectus,

(collectively, the "Pro Forma Historical Financial Information").

The Pro Forma Historical Financial Information has been derived from the audited financial statements of Youfoodz, after adjusting for the effects of pro forma adjustments described in Section 4.2.2 of the Prospectus.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the Transaction to which the pro forma adjustments relate, as described in Section 4.2 of the Prospectus. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position, financial performance, or cash flows.

The Pro Forma Historical Financial Information has been compiled by Youfoodz to illustrate the impact of the Transaction described in Section 4.2.2 of the Prospectus on Youfoodz' financial position as at 30 June 2020 and Youfoodz' financial performance and cash flows for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

The financial statements of Youfoodz Pty Ltd for the years ended 30 June 2018 and 27 June 2019 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinions issued to the members of Youfoodz Pty Ltd relating to those financial statements were modified 'in respect of the balance of inventory in the statement of financial position, and the 'changes in inventories' in the statement of profit and loss and other comprehensive income and the net cash flows from operating activities reported in the statement of cash flows'. The financial statements of IDK Pty Ltd for the years ended 30 June 2018 and 27 June 2019 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinions issued to the members of IDK Pty Ltd relating to those financial statements were unmodified. The financial statements of Youfoodz Holdings Pty Ltd for the year ended 25 June 2020 were audited by KPMG in accordance with Australian Auditing Standards. The audit

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opinion issued to the members of Youfoodz relating to those financial statements was modified 'in respect of the balance of inventory in the consolidated statement of financial position, and the cost of sales in the consolidated statement of profit and loss and other comprehensive income and the net cash flows from operating activities reported in the consolidated statement of cash flows'.

For the purposes of preparing this report we have performed limited assurance procedures in relation to the Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, by the directors of Youfoodz in accordance with the stated basis of preparation as set out in Section 4.2 of the Prospectus.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Forecast Financial Information and directors' best-estimate assumptions

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the forecast financial information of Youfoodz (the responsible party), as described in Section 4 of the Prospectus.

The forecast financial information of Youfoodz consists of the:

- pro forma forecast consolidated income statement for the year ending 30 June 2021, as set out in Table 4.2 of Section 4.3.1 of the Prospectus;
- statutory forecast consolidated income statement for the year ending 30 June 2021, as set out in Table 4.2 of Section 4.3.1 of the Prospectus;
- pro forma forecast consolidated cash flows for the year ending 30 June 2021, as set out in Table 4.7 of Section 4.4.1 of the Prospectus; and
- statutory forecast consolidated cash flows for the year ending 30 June 2021, as set out in Table 4.7 of Section 4.4.1,

(collectively, the "Forecast Financial Information").

Youfoodz Holdings Limited
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The directors' best-estimate assumptions underlying the Forecast Financial Information are described in Section 4.6 of the Prospectus. As stated in Section 4.2.3 of the Prospectus, the basis of preparation of the Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and Youfoodz' accounting policies.

We have performed limited assurance procedures in relation to the Forecast Financial Information, set out in Section 4.6 of the Prospectus, and the directors' best-estimate assumptions underlying it in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions do not provide reasonable grounds for the Forecast Financial Information;
- in all material respects the Forecast Financial Information is not:
 - prepared on the basis of the directors' best-estimate assumptions as described in the Prospectus; and
 - presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards and Youfoodz' accounting policies;
- the Forecast Financial Information itself is unreasonable.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The directors of Youfoodz are responsible for the preparation of:

- the Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the historical financial information and included in the Pro Forma Historical Information;
- the Forecast Financial Information, including the directors' best-estimate assumptions on which the Forecast Financial Information is based and the sensitivity of the Forecast Financial Information to changes in key assumptions.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

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Conclusions

Review statement on the Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in Section 4 of the Prospectus, comprising:

- the pro forma historical consolidated income statements of Youfoodz for the years ended 30 June 2018, 30 June 2019 and 30 June 2020, as set out in Table 4.2 of Section 4.3.1 of the Prospectus;
- the pro forma historical consolidated cash flows of Youfoodz for the years ended 30 June 2018, 30 June 2019 and 30 June 2020, as set out in Table 4.7 of Section 4.4.1 of the Prospectus; and
- the pro forma historical consolidated statement of financial position of Youfoodz as at 30 June 2020, as set out in Table 4.10 of Section 4.5 of the Prospectus,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in Section 4.2.2 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and Youfoodz' accounting policies.

Forecast Financial Information and the directors' best-estimate assumptions

Based on our procedures, which are not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Forecast Financial Information do not provide reasonable grounds for the Forecast Financial Information; and
- in all material respects, the Forecast Financial Information:
 - is not prepared on the basis of the directors' best-estimate assumptions as described in Section 4.6 of the Prospectus; and
 - is not presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards, and Youfoodz' accounting policies; and
- the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by Youfoodz' management and adopted and disclosed by the directors in order to provide prospective investors with a guide to the potential financial performance of Youfoodz for the year ending 30 June 2021.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not

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occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Youfoodz. Evidence may be available to support the directors' best-estimate assumptions on which the Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in Youfoodz, which are detailed in the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Sections 5 and 4.9 of the Prospectus. The sensitivity analysis described in Section 4.9 of the Prospectus demonstrates the impact on the Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of Youfoodz, that all material information concerning the prospects and proposed operations of Youfoodz has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed IPO, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of Youfoodz and from time to time, KPMG also provides Youfoodz with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Youfoodz Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

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Restriction on use

Without modifying our conclusions, we draw attention to Section 4.2 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

Consent

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully



Anne-Maree Keane
Authorised Representative



KPMG Financial Advisory Services (Australia) Pty Ltd

ABN 43 007 363 215

Australian Financial Services Licence No. 246901

Financial Services Guide

Dated October 2019

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) ('**KPMG Transaction Services**'), and Anne-Maree Keane as an authorised representative of KPMG Transaction Services, authorised representative number 1236095 (**Authorised Representative**).

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted;
- The services KPMG Transaction Services and its Authorised Representative are authorised to provide;
- How KPMG Transaction Services and its Authorised Representative are paid;
- Any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- The compensation arrangements that KPMG Transaction Services have in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services.

This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- Deposit and non-cash payment products;
- Derivatives;
- Foreign exchange contracts;
- Government debentures, stocks or bonds;
- Interests in managed investments schemes including investor directed portfolio services;
- Securities;
- Superannuation;

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- Carbon units;
- Australian carbon credit units; and
- Eligible international emissions units, to retail and wholesale clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Youfoodz Holdings Limited Client) to provide general financial product advice in the form of a Report to be included in Prospectus (Document) prepared by the Client in relation to the initial public offering (Transaction).

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Client.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General advice

As KPMG Transaction Services has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Transaction Services \$0.3 million for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on



overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The AFSL Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than **45 days** after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent

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company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 56 55 62

Facsimile: (03) 9613 6399

Email: info@afca.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1800 931 678 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover in accordance with section 912B of the *Corporations Act 2001 (Cth)*.

Contact details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory
Services (Australia) Pty Ltd
Level 38, Tower Three
300 Barangaroo Avenue
Sydney NSW 2000
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Anne-Maree Keane

C/O KPMG
PO Box H67
Australia Square
NSW 1213

Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

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9.

ADDITIONAL INFORMATION



9. ADDITIONAL INFORMATION

9.1 INCORPORATION

The Company was incorporated in Australia on 9 August 2019 with Australian Company Number 635 434 801.

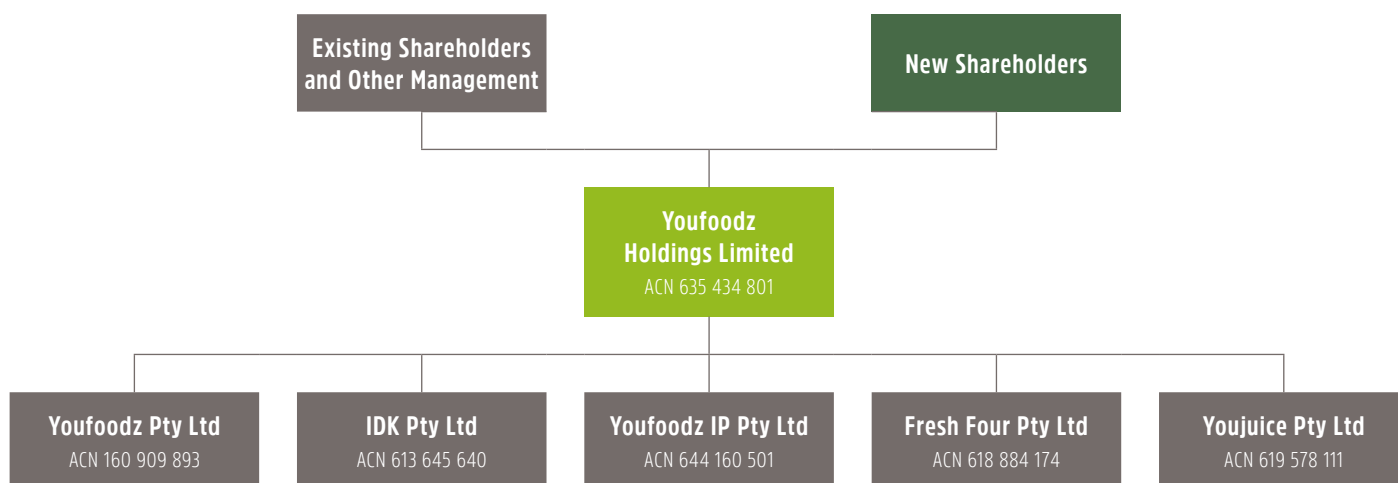
9.2 COMPANY TAX STATUS AND FINANCIAL YEAR

The Company has a balance date of 30 June. The Company is tax resident in Australia and subject to Australian income tax at a rate of 30%.

9.3 CORPORATE STRUCTURE

The following diagram shows a high level corporate structure of Youfoodz on Completion of the Offer.

Figure 9.1: Corporate Structure



The nature and location of the activities of each of the Company's subsidiaries (being those entities described above) are as follows:

- Youfoodz Pty Ltd is a wholly-owned subsidiary of Youfoodz that carries on the business of preparing and distributing ready-made meals. It is the primary operating entity of the Group.
- Youjuice Pty Ltd is a wholly-owned subsidiary of Youfoodz that carries on the business of preparing and distributing cold-pressed juices and smoothies. Consumers can buy these products at retailers or Youfoodz Pty Ltd's website (among other places).
- IDK Pty Ltd is a wholly-owned subsidiary of Youfoodz that serves as the corporate entity that enters into employment contracts with the Group's employees who are not executives or in Management.
- Fresh Four Pty Ltd is a wholly-owned subsidiary of Youfoodz that serves as the corporate entity that enters into employment contracts with the Group's executive employees and Management. Fresh Four does not carry out business in its own right.
- Youfoodz IP Pty Ltd is a wholly-owned subsidiary of Youfoodz that holds the Groups intellectual property and licences it to the other Group Companies.

9.4 CAPITAL STRUCTURE

9.4.1 Issued capital in Youfoodz Holdings.

The Company's issued capital is as set out in Section 7.5. The Company owns 100% of the issued ordinary or common shares in each of its subsidiaries.

9.4.2 Restructure of Youfoodz Holding

In September 2019, Youfoodz Pty Ltd was restructured as part of an equity investment into the Group by RGT Capital (**Restructuring**). This Restructuring resulted in Youfoodz Holdings acquiring shares in Youfoodz Pty Ltd (along with other companies in the Youfoodz Group) and RGT Capital becoming the majority shareholder of Youfoodz Holdings.

9.5 MATERIAL CONTRACTS

Descriptions of contracts set out in this Prospectus are included for the information of potential investors, but do not purport to be complete or exhaustive summaries and are guided by the text of the contracts themselves.

9.5.1 Underwriting Agreement

The Offer (excluding the Employee Gift Offer) is fully underwritten by the Joint Lead Managers pursuant to an underwriting agreement dated on or about the date of this Prospectus between the Joint Lead Managers and the Company (**Underwriting Agreement**). Under the Underwriting Agreement, the Joint Lead Managers have agreed to arrange, manage and underwrite the Offer.

Fees and expenses

The Company must pay the Joint Lead Managers in their respective proportions a management fee equal to 2.0% (excluding GST) of the total Offer proceeds excluding the proceeds from the issue of New Shares to RGT Capital (**Net Proceeds**) and an underwriting fee equal to 2.5% (excluding GST) of the Net Proceeds.

In addition to the fees described above, the Company has agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

The Joint Lead Managers may appoint sub-underwriters and other syndicate members, including co-lead managers, co-managers or Brokers to the Offer. The Joint Lead Managers are solely responsible for any fees agreed to be paid to sub-underwriters, co-lead managers, co-managers or Brokers to the Offer.

Termination events not subject to materiality

A Joint Lead Manager may at any time by notice given to the Company and the other Joint Lead Manager without cost or liability immediately terminate the Underwriting Agreement if one or more of the following events occurs or has occurred at any time before Completion of the Offer:

- The Company fails to lodge this Prospectus with ASIC in a form approved by the Joint Lead Managers.
- A statement contained in this Prospectus or other Offer documents is misleading or deceptive (including by omission) or likely to mislead or deceive or becomes misleading or deceptive or a material matter is omitted from the Offer documents.
- This Prospectus or other Offer documents do not comply with the Corporations Act (including sections 710, 711 and 716), the ASX Listing Rules, or any other applicable law.
- Any forecast or forward looking statement in this Prospectus or other Offer document becomes incapable of being met or unlikely to be met in the projected time, in each case in any material respect.
- Unconditional approval (or conditional approval subject only to customary conditions) is refused or not granted by ASX to:
 - the Company's admission to the Official List of ASX in accordance with the timetable; or
 - the Official Quotation of all of the Shares on ASX in accordance with the timetable,

on or before the ASX approval date, or if granted, the ASX approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld or the ASX notifies the Company in writing that approval will be withdrawn, qualified (other than by customary conditions) or withheld.

- The Company withdraws the Prospectus or other Offer documents or the Offer.
- a Joint Lead Manager reasonably forms the view that a supplementary prospectus must be lodged with ASIC under section 719 of the Corporations Act and the Company does not lodge a supplementary prospectus with ASIC in the form and with the content, and within the time, reasonably required by the Joint Lead Manager.
- ASIC or any other government agency commences or threatens to commence any hearing, inquiry, investigation, proceedings or prosecution, or takes any regulatory action or seeks any remedy, in connection with the Company, the Offer or the Offer documents.
- Any of the following occurs:
 - ASIC applies for an order under section 1324B or 1325 of the Corporations Act in relation to the Offer, this Prospectus or other Offer documents, and the application is not dismissed or withdrawn before the date the New Shares are allotted;
 - ASIC gives notice of intention to hold a hearing in relation to the Offer or this Prospectus or other Offer documents under section 739(2) of the Corporations Act or makes an order under section 731 of the Corporations Act or an interim order under section 739(3) of the Corporations Act; or
 - an application is made by ASIC for an order under Part 9.5 in relation to the Offer or this Prospectus or other Offer documents or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer, this Prospectus or other Offer documents.
- Any person (other than either of the Joint Lead Managers seeking to rely on this provision) gives a notice under section 733(3) of the Corporations Act or any person who has previously consented to the inclusion of its name in this Prospectus (or any replacement or supplementary prospectus) withdraws that consent.

9. ADDITIONAL INFORMATION

- Any person gives a notice under section 730 of the Corporations Act in relation to this Prospectus.
- The S&P/ASX 200 Index closes at a level that is 12.5% or more below the level of that index at 5.00pm (Sydney time) on the trading day immediately prior to the date of the Underwriting Agreement on three consecutive trading days before the settlement date or on the trading day immediately prior to the settlement date.
- Any event set out in the timetable in this Prospectus is delayed for more than three Business Days, unless the Joint Lead Managers consent to a variation (which consent must not be unreasonably withheld or delayed).
- Any circumstance arises after lodgement of this Prospectus that results in the Company either repaying the Application Moneys received from applicants or offering applicants an opportunity to withdraw their Applications and be repaid their Application Moneys.
- The Company does not provide a certificate required to be given under the Underwriting Agreement as and when required by the Underwriting Agreement.
- An insolvency event occurs with respect to the Company or any other member of the Group.
- The Company is or becomes unable, for any reason, to issue the New Shares on Completion of the Offer.
- Any of the following occur:
 - a director or senior executive of the Company is charged with an indictable offence relating to a financial or corporate matter;
 - any governmental agency or regulatory body commences any public action against a Group member, a member of management of the Company or any of its directors or announces that it intends to take such action;
 - any director of the Company is disqualified from managing a corporation under Part 2D.6 of the Corporations Act; or
 - a member of management or a director of the Company engages in any fraudulent conduct or activity.
- Any of the Escrow Deeds are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with, in each case without the consent of the Joint Lead Managers.

Termination events subject to materiality

- If one or more of the following events occurs or has occurred at any time before Completion of the Offer and a Joint Lead Manager has reasonable grounds to believe, and actually believes, that such event:
 - has had or is likely to have a material adverse effect on the marketing, outcome or settlement of the Offer, the willingness of investors to subscribe for New Shares, or the subsequent market for the New Shares; or
 - has given rise to, or is likely to give rise to:
 - a contravention by the Joint Lead Manager of, or the Joint Lead Manager being involved in a contravention of, the Corporations Act or any other applicable law; or
 - a liability for the Joint Lead Manager under any applicable law or regulation or rule of any stock exchange or regulatory body,
 - a Joint Lead Manager may at any time by notice given to the Company and the other Joint Lead Manager without cost or liability immediately terminate the Underwriting Agreement;
- The due diligence report or any other information supplied by or on behalf of the Company to the Joint Lead Managers in relation to the due diligence process, the New Shares, the Group, the Offer, or the Offer documents is or becomes untrue, incorrect, misleading or deceptive (including by omission).
- Any material adverse change occurs, or an event occurs which is likely to give rise to a material adverse change in or affecting the general affairs, management, assets, liabilities, financial position or performance, profits, losses, prospects or condition, financial or otherwise of the Group, including:
 - any change in the revenue or forecasts of the Group from those disclosed in this Prospectus;
 - any change in the nature of the business conducted by the Group or proposed to be conducted by the Group; and
 - any change in the assets, liabilities or financial position of the Company from those respectively disclosed in this Prospectus.
- A person other than ASIC or any other government agency commences any inquiry, investigation or proceedings, or takes any regulatory action or seeks any remedy, in connection with the Company, the Offer or the Offer documents, other than in connection with material legal proceedings disclosed in this Prospectus.
- A material contract:
 - is, without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld), amended or varied;
 - is breached;
 - is terminated (whether by breach or otherwise);
 - ceases to have effect, otherwise than in accordance with its terms; or
 - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and affect, or its performance is or becomes illegal.

- A new circumstance occurs in relation to the Company (other than a new circumstance arising in relation to material legal proceedings disclosed in this Prospectus) that has arisen since this Prospectus was lodged with ASIC that would have been required to be included in this Prospectus if it had arisen before this Prospectus was lodged with ASIC and which is materially adverse from the point of view of an investor within the meaning of section 719 of the Corporations Act.
- Any of the following occurs which does or is likely to prohibit, restrict or regulate the Offer or materially reduce the level or likely level of valid applications for New Shares:
 - the introduction of legislation into the parliament of the Commonwealth of Australia, any State or Territory of Australia, New Zealand, the United Kingdom, the United States of America, Singapore or the Peoples Republic of China;
 - the public announcement of prospective legislation or policy by the Australian Federal Government or the Government of any Australian State or Territory; or
 - the adoption by ASIC, the ATO or any of their respective delegates, or the Reserve Bank of Australia, of any regulations or policy.
- The Company or any member of the Group contravenes the Corporations Act, its constitution, any of the ASX Listing Rules or any other applicable law.
- Any of the warranties or representations by the Company in the Underwriting Agreement or the mandate is or becomes materially untrue or incorrect.
- The Company is in default of any of the material terms and conditions of the Underwriting Agreement or breaches any undertaking or covenant given or made by it under the Underwriting Agreement.
- Without the prior written consent of the Joint Lead Managers, the Company or the Group:
 - disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than as contemplated in this Prospectus;
 - ceases or threatens to cease to carry on business;
 - alters its capital structure (debt or equity), other than as contemplated in this Prospectus;
 - amends the Constitution or any other constituent document of the Company; or
 - amends the terms of issue of the New Shares.
- Any of the following occurs:
 - a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
 - trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for at least one day on which that exchange is open for trading; or
 - any adverse change or disruption to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in, Australia, the United States of America, the European Union or the United Kingdom, or the international financial markets or any adverse change in national or international political, financial or economic conditions.
- There is an outbreak of hostilities (whether or not war or a national emergency has been declared) not presently existing, or a major escalation in existing hostilities occurs, or a major act of terrorism occurs in or involving any one or more of Australia, New Zealand, the European Union, the United Kingdom, the United States of America, Singapore or the People's Republic of China, or involving any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world.
- Either:
 - a majority of the board of directors; or
 - the CEO (Lance Giles), CFO (John O'Connor) or COO (Jonathan Salt), resign(s) or is or are terminated or cease to hold the relevant positions (as applicable).
- A statement in any certificate is false, misleading, inaccurate or untrue or incorrect.

Representations, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Joint Lead Managers.

The representations and warranties given by the Company relate to matters such as power and authorisations, accuracy of information, the conduct of the Offer, compliance with laws, the ASX Listing Rules and other legally binding requirements.

The Company also provides additional representations and warranties in connection with matters including, but not limited to, its assets, material contracts and Escrow Deeds, litigation and eligibility for Listing.

The Company's undertakings include, among other things, that it will not, within a period of 120 days from Completion of the Offer, issue any Shares or any other securities (including convertible securities) without the prior written consent of the Joint Lead Managers, such consent not to be unreasonably withheld or delayed, subject to certain exceptions.

The Underwriting Agreement contains certain standard representations and warranties by each of the Joint Lead Managers severally to the Company.

9. ADDITIONAL INFORMATION

Indemnity

Subject to certain customary exclusions (including fraud, gross negligence, recklessness or wilful misconduct), the Company agrees to keep the Joint Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer.

9.5.2 Relationship Deed

Following Completion of the Offer, RGT Capital will hold 57.4% of the issued Shares in Youfoodz. Youfoodz has entered into a relationship deed with RGT Capital to govern certain aspects of the relationship between Youfoodz and RGT Capital (**Relationship Deed**).

The Relationship Deed includes the following key terms:

- the commencement date of the Relationship Deed is the date of Completion of the Offer;
- includes obligations in relation to managing conflicts and the appropriate use of confidential information between Youfoodz and RGT Capital;
- RGT Capital has the right to nominate one Director to the Board while it holds at least 20% of the issued Shares in Youfoodz;
- RGT Capital is granted access rights in respect of certain information of Youfoodz, including certain financial and operating information. Again, RGT Capital's right to such information applies for so long as it holds a direct or indirect interest of at least 20% of the issued Shares in Youfoodz. RGT Capital may also be given such other information as the board may from time to time approve; and
- RGT Capital's rights to information are subject to certain limitations. In particular:
 - RGT Capital can only use confidential information it receives for a permitted purpose (i.e. for the management of its investment, the preparation of its own accounts or in defence of any claim);
 - any confidential information that RGT Capital receives must be protected from unauthorised use or disclosure; and
 - Youfoodz can decline to give RGT Capital certain excluded information (i.e. information that is legally privileged, which concerns a transaction between Youfoodz and RGT Capital or which could result in a breach of directors' duties or any other law).

Youfoodz and RGT Capital agree a conflict of interest protocol, which is designed to ensure that any Director RGT Capital nominates to the Board complies with relevant statutory and fiduciary obligations.

9.5.3 Shareholder Loan

Youfoodz has entered into a loan agreement with its major shareholder RGT Capital for the provision of debt financing of \$25 million (**Shareholder Loan**). The Shareholder Loan is unsecured. The purpose of the Shareholder Loan was to repay primary tax debt owed by the Group to the ATO. As at the Prospectus Date, Youfoodz has drawn down the full amount of the Shareholder Loan. The full amount of the Shareholder Loan is immediately repayable on Completion of the Offer. No interest is payable on the Shareholder Loan if the loan is repaid on or prior to Completion of the Offer.

9.6 ESCROW ARRANGEMENTS

The Existing Shareholders will be subject to voluntary escrow arrangements in relation to the Shares held by those Shareholders on Completion of the Offer. The number of Shares that will be subject to voluntary escrow (**Escrowed Shares**) and the relevant Escrow Period applicable to the Escrowed Shares are summarised in Table 9.1 below.

Table 9.1: Voluntary Escrow

Shareholder	Number of Shares subject to escrow on Completion of the Offer	Escrowed Shares (as a % of Shares on issue on Completion of the Offer)	Escrowed Period
RGT Capital ¹	77.3 million	57.4%	From Completion of the Offer until the FY2021 Results Date
Founding Shareholders and Other Management	20.4 million	15.2%	From Completion of the Offer until the FY2022 Results Date
Total	97.7 million	72.6%	

1. Includes the New Shares to be issued to RGT Capital under the Offer.

Note: Actual registered holding of Shares may be held in the name of an entity controlled by, or associated with, each of the persons to be escrowed. The registered holder of the Shares will be the party escrowed.

Each Existing Shareholder has entered into a voluntary escrow deed (**Escrow Deed**) in respect of their Escrowed Shares, which prevents them from dealing in their Escrowed Shares for the applicable Escrow Period. Under the Escrow Deed, the Existing Shareholder is restricted from disposing of their Escrowed Shares or any legal, beneficial or economic interest in their Escrowed Shares, granting or allowing the grant of any security interest over their Escrowed Shares or agreeing to do any of the foregoing.

Under the Escrow Deeds, an Existing Shareholder will be released from their escrow obligations in the following situations:

- in order for the Existing Shareholder to accept an offer under a bona fide takeover bid made under the Corporations Act in respect of the Escrowed Shares, provided that Shareholders (excluding the Existing Shareholders) to whom the offer has been made and holding at least half of the Shares (excluding the Escrowed Shares) have accepted the offer under the takeover bid;

- the Escrowed Shares held by the Existing Shareholders are to be transferred or cancelled as part of a scheme of arrangement under Part 5.1 of the Corporations Act;
- to allow the Existing Shareholder to participate in an equal-access share buy-back, equal access capital return or equal access capital reduction in each case undertaken under the Corporations Act (but only to the extent that the Existing Shareholder does actually participate);
- in the event of death, serious disability or incapacity of an Existing Shareholder, provided that the transfer is to the estate or guardian of the relevant Existing Shareholder and provided that the relevant Escrowed Shares will remain subject to the original escrow conditions for the remainder of the Escrow Period;
- if required by law.

During the Escrow Period, the Escrowed Shares will be held on the issuer-sponsored subregister of the Company and a holding lock will be applied by the Share Registry.

9.7 ASX WAIVERS

The Company has received confirmation from ASX by way of in-principle advice that the mandatory escrow restrictions in clauses 1, 2, 3, 4, 6, 7, 8 and 9 of Appendix 9B of the Listing Rules will not apply to the Company as it has a track record of revenue acceptable to ASX.

9.8 LEGAL PROCEEDINGS

Youfoodz is from time to time party to various disputes and legal proceedings incidental to the conduct of its business.

My Life Pty Ltd (ACN 143 793 239) as trustee for The Butterfly Trust (**My Life**) has brought a claim against Youfoodz Pty Ltd (as first defendant) and Arthur John Giles (as second defendant) in the Supreme Court of Queensland with respect to ownership of 1,200 ordinary shares in Youfoodz Pty Ltd (**Relevant Shares**). These proceedings were commenced on or around 15 January 2019. Youfoodz Pty Ltd is a wholly-owned subsidiary of Youfoodz. My Life alleges that it was allotted the Relevant Shares in 2012, and that a subsequent transfer of the Relevant Shares to Arthur John Giles (Mr Giles) (**Transfer**) was invalid. My Life seeks a declaration that the Transfer was invalid and seeks rectification of Youfoodz Pty Ltd's share registry to reflect either: (i) ownership by My Life of 1,200 ordinary shares in Youfoodz Pty Ltd, or (ii) alternatively, an amount reflecting a 12% shareholding in Youfoodz Pty Ltd (**Ownership Position**). Alternatively, My Life seeks compensation reflecting this Ownership Position, or a declaration that Mr Giles holds the Relevant Shares on trust for My Life, or damages for conversion. In its defence, Youfoodz Pty Ltd denies My Life's claims, and says that My Life never validly held the Relevant Shares and, in the alternative, that the Transfer was valid, and further in the alternative that if any amount is due (which is denied) it is limited to the amount of \$1,200. My Life has recently filed an application for leave to amend its claim and join Youfoodz as a defendant to the proceedings. The proposed amended claim seeks similar compensation and rectification orders against Youfoodz in addition to, or in the alternative to, that claimed against Mr Giles.

There are also other legal proceedings to which Youfoodz is a party, but which are not regarded as material by the Company.

9.9 CONSENTS TO BE NAMED AND DISCLAIMERS OF RESPONSIBILITY

Each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given, and has not, before the lodgement of this Prospectus with ASIC, withdrawn their written consent to being named in the Prospectus in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below:

- Bell Potter has given and has not withdrawn, before the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Joint Lead Manager and Underwriter in the form and context in which it is named. Bell Potter has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in this Prospectus.
- Morgans has given and has not withdrawn, before the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Joint Lead Manager and Underwriter in the form and context in which it is named. Morgans has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in this Prospectus.
- Baker McKenzie has given and has not withdrawn, before the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal advisor to the Company in relation to the Offer in the form and context in which it is named. Baker McKenzie has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in this Prospectus.
- Sovereign Private Pty Ltd has given and has not withdrawn, before the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as tax advisor to the Company in relation to the Offer in the form and context in which it is named. Sovereign Private Pty Ltd has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in this Prospectus.
- Greenhill & Co. Australia Pty Limited has given and has not withdrawn, before the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Financial Advisor to the Company in relation to the Offer in the form and context in which it is named. Greenhill & Co. Australia Pty Limited has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in this Prospectus.

9. ADDITIONAL INFORMATION

- KPMG Financial Advisory Services (Australia) Pty Ltd has given and has not withdrawn, before the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Offer in the form and context in which it is named. KPMG Financial Advisory Services (Australia) Pty Ltd has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in this Prospectus.
- KPMG has given and has not withdrawn, before the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor to the Company in relation to the Offer in the form and context in which it is named. KPMG has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in this Prospectus.
- Boardroom Pty Ltd has given and has not withdrawn, before the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Offer in the form and context in which it is named. Boardroom Pty Ltd has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in this Prospectus.
- Frost & Sullivan has given and has not withdrawn, before the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in the form and context in which it is named. Frost & Sullivan has not authorised or caused the issue of this Prospectus.
- Instinct and Reason Pty Limited has given and has not withdrawn, before the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in the form and context in which it is named. Instinct and Reason Pty Limited has not authorised or caused the issue of this Prospectus.

No entity or person referred to above has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to in this Section 9.9 has not authorised or caused the issue of this Prospectus and does not make any offer of Shares.

9.10 AUSTRALIA TAXATION CONSIDERATIONS

The following comments provide a general summary of the Australian income tax, capital gains tax (CGT), goods and services tax (GST) and stamp duty issues for Shareholders who acquire Shares under this Prospectus.

The categories of Shareholders considered in this summary are limited to individuals, complying superannuation entities and certain companies, trusts or partnerships, each of whom holds their Shares on capital account.

This summary does not consider the consequences for Shareholders who are insurance companies, banks, Shareholders that hold their Shares on revenue account for or carry on a business of trading in Shares or Shareholders who are exempt from Australian tax. This summary does not cover the consequences for Shareholders who are subject to Division 230 of the Income Tax Assessment Act 1997 (Cth) (the Taxation of Financial Arrangements or TOFA regime).

This summary is based on the tax laws in Australia in force as at the Prospectus Date (together with established interpretations of those laws), which may change. This summary does not take into account the tax law of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law.

Given that the precise implications of ownership or disposal of Shares will depend upon each Shareholders' specific circumstances, Shareholders should obtain independent advice on the taxation implications of holding or disposing of Shares, taking into account their specific circumstances (including whether they are an Australian tax resident).

9.10.1 Dividends paid on Shares – Australian tax residents

9.10.1.1 Australian resident individuals and complying superannuation entities

Where dividends on a Share are distributed, those dividends should constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year they derive the dividend. If the Shareholder satisfies the 'qualified person' rules (refer to further comments below), the Shareholder should also include any franking credit attached to the dividend in their assessable income. However such a Shareholder should be entitled to a tax offset equal to the franking credit. The tax offset can be applied to reduce the income tax payable on the Shareholder's taxable income. Where the tax offset exceeds the income tax payable on the Shareholder's taxable income in an income year, the Shareholder should be entitled to a tax refund equal to the amount of the excess.

Where a dividend is unfranked, the Shareholder should generally be taxed at their prevailing tax rate on the dividend received with no tax offset.

9.10.1.2 Corporate Shareholders

Corporate Shareholders are also required to include both the dividend and associated franking credit in their assessable income, subject to satisfaction of the qualified person rules. A tax offset should then be allowed up to the amount of the franking credit on the dividend.

An Australian tax resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit attached to the distribution received. This allows the corporate Shareholder to pass on the benefit of the franking credits to its own Shareholder(s) on the payment of dividends.

Where franking credits received by a corporate Shareholder exceeds the income tax payable by that Shareholder, the excess cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

9.10.1.3. Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include dividend in their assessable income in determining the net income of the trust or partnership. Subject to satisfaction of the qualified person rules, such Shareholders should also include any franking credit attached to the dividend in their net income. As a result, a relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the Shareholder.

Notably, as the qualified person rules can be complex in the context of distributions received indirectly via a trust or partnership, it is recommended that Shareholders seek independent advice on the tax consequences arising in these circumstances.

9.10.1.4. Qualified person rules

The benefit of franking credits can be denied where a Shareholder does not satisfy the qualified person rules, in which case the Shareholder should not be required to include an amount for the franking credits in their assessable income and should also not be entitled to a tax offset.

Broadly, to satisfy the qualified person rules, a Shareholder must satisfy the holding period rule or, if necessary, the related payment rule.

The holding period rule requires a Shareholder to hold the Shares continuously 'at risk' for not less than 45 days in the period beginning the day after the day on which the Shareholder acquires the Shares, and ending on the 45th day after the Shares become ex-dividend. In the ordinary case, this means that the holding period rule should be satisfied provided that the Shares have been held 'at risk' for a continuous period of 45 days (not including the date of acquisition or disposal) at some time during the period of ownership of the Shares. Very broadly, Shares should be held 'at risk' to the extent that no material 'positions' are adopted in relation to the Shares which may have the effect of diminishing the economic exposure associated with holding the Shares (for example, certain option and derivative arrangements, or agreements to sell the Shares). Under the related payment rule, a different testing period applies where the Shareholder or an associate of the Shareholder has made, or is under an obligation to make, a related payment in relation to the dividend. A related payment is one where a Shareholder or their associate effectively passes on the benefit of the dividend to another person.

The related payment rule requires the Shareholder to have held the Shares at risk for the continuous period of 45 days not including the date of acquisition or disposal during a window which commences on the 45th day before, and ends on the 45th day after the day the Shares become ex-dividend. Practically, the related payment rule should not impact Shareholders who do not pass the benefit of the dividend to another person. Shareholders should obtain their own tax advice to determine if the related payment rule applies in the context of their particular circumstances.

In the event that no related payments are made with respect to a particular dividend, an individual Shareholder may satisfy the qualified person rules on an alternative basis, provided that the Shareholder satisfies the small holding exemption. This exemption should generally be satisfied where the Shareholder is entitled to total franking credits (from all sources) of no more than \$5,000 in the relevant year of income.

As indicated above, the qualified person rules can be particularly complex for distributions received by a Shareholder directly or indirectly (for example, via an interposed trust). It is recommended that Shareholders in such situations seek independent taxation advice.

9.10.1.5. Dividend washing rules

Dividend washing rules can apply in certain cases, such that no tax offset is available (nor is an amount required to be included in assessable income in relation to an attached franking credit) for a dividend received on Shares. Broadly, the rules can apply where Shareholders seek to obtain additional franking benefits by disposing of Shares ex-dividend and re-purchasing a substantially equivalent parcel of Shares cum-dividend on a special market.

Shareholders should seek independent tax advice regarding the dividend washing rules, and consider the impact of these rules, having regard to their own personal circumstances.

9.10.2 Dividends paid on Shares – non-Australian tax residents

Shareholders who are not tax residents in Australia should generally be subject to Australian dividend withholding tax with respect to any unfranked dividends received. Australian dividend withholding tax should be imposed at a flat rate of 30% on the amount of the dividend that is unfranked unless the Shareholder is tax resident in a country that has concluded a double tax treaty with Australia. If that is the case, and the Shareholder is otherwise able to rely on the double tax treaty, the rate of Australian dividend withholding tax may be reduced (typically to 15%), depending on the terms of the double tax treaty.

Dividends received which are fully franked should not be subject to Australian dividend withholding tax.

9. ADDITIONAL INFORMATION

9.10.3 Disposal of Shares – Australian tax residents

The disposal of a Share by a Shareholder should constitute a CGT event. A capital gain should arise to the extent that the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus certain non-deductible transaction costs). In the case of an arm's length on-market sale, the capital proceeds should generally equal the cash proceeds from the sale. Where the Shareholder is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising any capital gain arising from the disposal (in their proportionate Shares).

A CGT discount may be applied against any capital gain (after reduction of the capital gain by applicable capital losses) where the entity which realises the capital gain is an individual, complying superannuation entity or trustee. The CGT discount may be applied in these circumstances, provided that the Shares have been held for at least 12 months (not including the date of acquisition or disposal for CGT purposes) and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than trustees of a complying superannuation entity) may be reduced by 50%, after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

If the Shareholder who realises the capital gain and is entitled to the CGT discount is the trustee of a trust (other than the trustee of a complying superannuation entity), the CGT discount may flow through to the beneficiaries of the trust, provided those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss should be realised to the extent that the reduced cost base of a Share (which should generally be calculated in a similar manner to the cost base) exceeds the capital proceeds from its disposal. Capital losses may only be offset against capital gains realised in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income. As with capital gains, where the Shareholder realising the capital loss is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising the capital loss (in their proportionate Shares).

9.10.4 Disposal of Shares – Non-Australian tax residents

The disposal of a Share by a Shareholder who is not tax resident in Australia should constitute a CGT event. A capital gain may initially arise to the extent that the capital proceeds on disposal exceed the cost base of the Share.

However, any capital gain initially arising as a result of the CGT event should be disregarded unless the Share constitutes 'taxable Australian property'. Broadly, a Share should constitute taxable Australian property if both of the following requirements are satisfied:

- the Shareholder (together with any associates of the Shareholder) holds an interest of at least 10% in the Company at the time of the disposal, or has held such an interest throughout a 12 month period in the 24 months preceding the disposal; and
- the Company is land rich for Australian income tax purposes (broadly, because more than 50% of the value of the Company's assets, including those of certain downstream subsidiaries, is comprised by Australian real property interests and/or certain interests in respect of Australian minerals).

A Share should also constitute taxable Australian property if it is used by a Shareholder in carrying on a business in Australia through a permanent establishment (for example, a fixed place of business, such as an office, which is located in Australia).

In the event that a Shareholder who is not tax resident in Australia realises a capital gain in connection with the disposal of a Share that constitutes taxable Australian property, the Shareholder should ordinarily be required to lodge an Australian income tax return including the capital gain. In such circumstances, the Shareholder should generally not be entitled to claim the benefit of the CGT discount to reduce the amount of the capital gain included, but may be able to offset the capital gain with any available capital losses, subject to certain loss recoupment tests being satisfied. The amount of the capital gain, after application of any available capital losses, should be subject to Australian income tax at the Shareholder's marginal tax rate.

A capital loss should initially be realised by a Shareholder who is not tax resident in Australia to the extent that the reduced cost base of a Share exceeds the capital proceeds from its disposal. However, as with capital gains, a capital loss should be disregarded by the Shareholder unless the Share being disposed of constitutes taxable Australian property. Capital losses which are not disregarded may only be offset against capital gains from the disposal of taxable Australian property in the same income year or future income years, subject to certain loss recoupment tests being satisfied.

9.10.4.1 Non-resident CGT withholding

New rules have recently been introduced which can apply to the purchaser of certain taxable Australian property, indirect real property interests or options or rights to acquire such property or interest where such property or interest is acquired from a non-Australian resident vendor under contracts entered into on or after 1 July 2017. Pursuant to the new rules, a non-final withholding tax of 12.5% of the purchase price may be applied to such transactions at settlement.

However, the new rules should not apply to the disposal of a Share on ASX (in accordance with a specific exemption).

9.10.5 GST

Shareholders should not be liable for GST from acquiring or disposing of any Shares. Shareholders may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition or disposal of Shares. Separate GST advice should be sought by Shareholders in this respect.

9.10.6 Stamp duty

No stamp duty should be payable by Shareholders on the acquisition of Shares. Under current stamp duty legislation, no stamp duty should ordinarily be payable by Shareholders on any subsequent transfer of Shares whilst the Company remains listed.

Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.10.7 Tax file number (TFN)

Australian tax resident Shareholders may, if they choose, notify the Company of their tax file number (TFN), Australian Business Number (ABN) or a relevant exemption from withholding tax with respect to dividends. In the event that the Company is not so notified, pursuant to the TFN withholding rules, tax should be automatically deducted at the highest marginal rate, including where relevant, the Medicare levy, from unfranked dividends and/or other applicable distributions. However, Australian tax resident Shareholders may be able to claim a tax credit/rebate (as applicable) in respect of the tax deducted in their income tax returns.

Shareholders who are not tax residents in Australia should generally be entitled to an exemption from the TFN withholding rules. This means that mandatory withholding may not be required by the Company with respect to unfranked dividends or other relevant distributions paid to such Shareholders, irrespective of whether those Shareholders have notified the Company of their TFN or ABN.

9.11 FOREIGN SELLING JURISDICTIONS

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

9.11.1 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (SFO). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to 'professional investors' (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any of the contents of this document, you should obtain independent professional advice.

9.11.2 New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (FMC Act). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act;
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act; or
- in other circumstances where there is no contravention of the disclosure requirements of the FMC Act.

9.11.3 Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) of Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (SFA), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

9. ADDITIONAL INFORMATION

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an 'institutional investor' (as defined in the SFA) or (iii) an 'accredited investor' (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

9.11.4 United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (FSMA)) has been published or is intended to be published in respect of the New Shares.

This document is issued on a confidential basis to 'qualified investors' (Article 2(e) of the Prospectus Regulation (EU) 2017/1129) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (FPO), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together 'relevant persons'). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

9.12 COSTS OF THE OFFER

The expenses of the Offer (excluding GST) are estimated to be approximately \$5.6 million and are expected to be applied as follows:

Item of expenditure	Cost
Underwriting, selling and management fees	\$2.5 million
Advisory fees (legal, tax accounting and financial) and other costs	\$2.9 million
ASX fees	\$0.2 million
Total	\$5.6 million

These costs have been, or will be, borne by the Company from the proceeds of the Offer.

9.13 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in New South Wales, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

9.14 STATEMENT OF DIRECTORS

The issue of this Prospectus has been authorised by each Director who has consented to its lodgement with ASIC and its issue and has not withdrawn that consent.

A.

SIGNIFICANT ACCOUNTING POLICIES



A. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in this Prospectus unless noted otherwise.

BASIS OF CONSOLIDATION

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expenses as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment award (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

REVENUE

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers including significant payment terms, and the related revenue recognition policies.

Nature and timing of satisfaction of performance obligations including significant payment terms	Revenue recognition policies
<p>Fresh ready-made meals, protein packed snacks and cold pressed juices</p> <p>Customers obtain control of the products when the goods are delivered and have been accepted at their premises. For home deliveries invoices are generated upon placement and payment of orders simultaneously. For wholesale customers, invoices are generated upon delivery and are usually payable within 30 to 90 days.</p> <p>Customers can claim for refund any defective goods. Returned goods are not exchanged for new goods but are refunded with cash equivalent to the purchase price.</p>	<p>Revenue is recognised when the goods are delivered and have been accepted by customers at their premises.</p> <p>For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.</p> <p>Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on historical data. In these circumstances, a refund liability for estimated cash refund is recognised. The refund liability is recognised in Trade and other payables. The Group reviews its estimate of expected returns at each reporting date and updates the liability accordingly.</p>

For each contract with a customer, the Group undertakes the following:

- i. Identifies the contract with a customer
- ii. Identifies the performance obligations in the contract
- iii. Determines the transaction price which takes into account estimates of variable consideration and the time value of money
- iv. Allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct service to be delivered
- v. Recognises revenue when, or as, each performance obligation is satisfied in a manner that depicts the transfer to the customer of the services promised.

EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

FINANCE INCOME AND FINANCE COSTS

The Group's finance income and finance costs include:

- interest income;
- interest expense.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

INCOME TAX

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Youfoodz Holdings Limited.

A. SIGNIFICANT ACCOUNTING POLICIES

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain and loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- | | | |
|--------------------------|--------------|-------------------|
| • Plant and equipment | 4 – 40 years | diminishing value |
| • Leasehold improvements | 3 – 30 years | diminishing value |
| • Fixtures and fittings | 2 – 20 years | diminishing value |
| • Motor vehicles | 8 – 24 years | diminishing value |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

INTANGIBLE ASSETS AND GOODWILL

Research and development

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise it is recognised in profit or loss as incurred.

Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives for current and comparative periods are as follows:

- | | | |
|-----------------------|-------------|---------------|
| • Software costs | 5 years | straight line |
| • Website development | 4 – 5 years | straight line |

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

FINANCIAL INSTRUMENTS

Recognition and initial measurement

Trade and other receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised costs; FVOC – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to Management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. nonrecourse features).

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

A. SIGNIFICANT ACCOUNTING POLICIES

Financial assets

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Loans and receivables are measured at amortised cost using the effective interest rate method.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

SHARE CAPITAL

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with AASB 112.

IMPAIRMENT

Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowance for ECLs on financial assets measured at amortised cost and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs which are measured at 12-month ECLs. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). For trade receivables, a provision matrix is used where the receivables are grouped based on days overdue and loss rates are applied to estimate the ECL.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at both a specific asset and a collective level. All individually significant assets are assessed for specific impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

PROVISIONS

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A. SIGNIFICANT ACCOUNTING POLICIES

LEASES

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and AASB Interpretation 4. The details of accounting policies under AASB 117 and AASB Interpretation 4 are disclosed separately.

Policy applicable from 1 July 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as single lease component.

The Group recognises a right-of-use and a lease liability at the lease commencement date. The right-of-use asset is initially measured at costs, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financial sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an option renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the Group determined whether the arrangement was or contained lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

GOVERNMENT GRANTS

The Group recognises an unconditional government grant related to the Coronavirus wage subsidy that commenced in April 2020.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

B.

GLOSSARY



Term	Meaning
AAS	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board.
AASB	Australian Accounting Standards Board.
ABN	Australian Business Number.
ABS	Australian Bureau of Statistics.
Active Customers	Customers who have ordered through the Company's B2C channel in each reporting period.
Additional Shares	Defined in Section 7.9.5.
AFSL	Australian Financial Services Licence.
Anti-Bribery and Corruption Policy	Defined in Section 6.4.4.7.
ANZ	Australia and New Zealand.
Applicant	A person who submits an Application.
Application	An application to subscribe for Shares offered under this Prospectus.
Application Form	The Broker Firm Offer Application Form, the Priority Offer Application Form or the Employee Gift Offer Application Form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility).
Application Monies	The amount of monies accompanying an Application Form submitted by an Applicant.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or the securities exchange that it operates, as the context requires.
ASX Recommendations	ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (fourth edition, February 2019).
ASX Listing Rules	The listing rules of ASX.
ASX Settlement Operating Rules	The settlement operating rules of ASX Settlement Pty Limited.
ATO	Australian Tax Office.
AUD	Australian Dollars.
Audit and Risk Committee	The Board's audit and risk sub-committee.
Average Order Value	Defined in Section 4.7.1.2.
B2B	The Company's business to business offering.
B2C	The Company's direct to consumer offering.

B. GLOSSARY

Term	Meaning
Bell Potter	Bell Potter Securities Limited (ACN 006 390 772).
Board or Board of Directors	The board of directors of the Company.
BPAY®	The payment mechanism used to pay Application Monies online.
Broker	An ASX participating organisation selected by the Joint Lead Managers and the Company to act as a broker to the Offer.
Broker Firm Offer Applicant	An Australian resident client of a Broker who is offered a firm allocation of Shares under the Broker Firm Offer.
Broker Firm Offer	The offer of Shares under this Prospectus to Australian resident retail clients of participating Brokers who have received a firm allocation from their Broker, as described in Section 7.8.
Broker Firm Offer Application Form	The Application Form made available with a copy of this Prospectus, identified as the Broker Firm Offer Application Form.
CAGR	Compound annual growth rate.
CEO	Chief Executive Officer, being Lance Giles.
CFO	Chief Financial Officer, being John O'Connor.
CGT	Capital Gains Tax.
COO	Chief Operating Officer, being Jonathan Salt.
CHESS	ASX's Clearing House Electronic Sub-register System. See Section 7.17.2.
Closing Date	The date on which the Offer is expected to close, being 24 November 2020 in respect of the Retail Offer.
Company or Youfoodz	Youfoodz Holdings Limited (ACN 635 434 801) and, where the context requires, the businesses conducted by that company and its related bodies corporate.
Completion of the Offer	The allotment and issue of Shares by the Company (other than any Shares under the Employee Gift Offer that are classified as Additional Shares).
Consenting Party	Each of the parties listed in Section 9.9.
Constitution	The constitution of the Company.
Corporations Act	Corporations Act 2001 (Cth).
Director	A member of the Board.
Diversity Policy	The Company's diversity policy adopted by the Board.
EBIT	Earnings before interest and taxation.
EBITDA	Earnings before interest, taxation, depreciation and amortisation.
Eligible Employees	Defined in Section 7.9.1.

Term	Meaning
Employee Gift Offer	Defined in Section 7.9.
Employee Gift Offer Applicant	An Eligible Employee who applies for the Employee Gift Offer in accordance with Section 7.9.
Employee Gift Offer Application Form	An online application form provide to Eligible Employees in relation to the Employee Gift Offer.
Employees	Employees of Youfoodz.
Equity Incentive Plan	The Company's Equity Incentive Plan (as described in Section 6.2.1.6).
Escrow Deed	Defined in Section 9.6.
Enterprise Value	The sum of the market capitalisation of the Company at the Offer Price less the expected net cash at Completion of the Offer.
Escrow Period	The periods defined in Section 9.6.
Escrowed Shareholders	The holders of Shares that are escrowed for a period of time referred to, and described, in Section 9.6.
Escrowed Shares	Defined in Section 9.6.
Existing Shareholders	RGT Capital and the Founding Shareholders.
Existing Shares	Fully paid ordinary Shares in the capital of Youfoodz.
Expiry Date	The date which is 13 months after the Prospectus Date.
Exposure Period	The seven day period after the Prospectus Date, which may be extended by ASIC by a further period of 7 days, during which no Applications may be processed by the Company.
Financial Information	The financial information described as Financial Information in Section 4.
FMC Act	Financial Markets Conduct Act 2013.
FMCG	Fast moving consumer goods.
Forecast Financial Information	The financial information described as Forecast Financial Information in Section 4.
Founding Shareholders	Lance Giles, Karl Arthur Giles as trustee for the LStiles Trust, Arthur John Giles as trustee for the A & MG Trust, Jennifer Dowery as trustee for the JStiles Trust, Jermaine Leonard Karaitiana Chambers as trustee for the Chambers Trust and Jennifer Dowery as trustee for the Dowery Family Trust.
Fresh Four	Fresh Four Pty Ltd, a wholly owned subsidiary of Youfoodz.
FY	Financial Year ending in the relevant year.
FY2021 Results Date	The release to ASX of audited full year results in 2021.
FY2022 Results Date	The release to ASX of audited full year results in 2022.

B. GLOSSARY

Term	Meaning
Group	The Company and each of its subsidiaries (as described in Section 9.3).
GST	Goods and services tax.
HES	Household Expenditure Survey.
HIN	Shareholder's Holder Identification Number.
Historical Financial Information	The financial information described as Historical Financial Information in Section 4.
IAR	The Investigating Accountant's Independent Limited Assurance Report included in Section 8.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards.
Independent Market Report	The report prepared by Frost & Sullivan which is included in Section 2.
Institutional Investor	<p>Investors who are:</p> <ul style="list-style-type: none"> persons who are wholesale clients under Section 761G of the Corporations Act and either 'professional investors' or 'sophisticated investors' under sections 708(11) and 708(8) of the Corporations Act; or institutional investors in certain other jurisdictions, as agreed by the Company and the Joint Lead Managers, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approved by, any government agency (except one with which the Company is willing in its discretion to comply), <p>provided that in each case such investors are not in the United States.</p>
Institutional Offer	The offer of Shares under this Prospectus to Institutional Investors, as described in Section 7.13.
Investigating Accountant	KPMG Financial Advisory Services (Australia) Pty Ltd.
KMP	Key management personnel, being Lance Giles, CEO, John O'Connor, CFO and Jonathan Salt, COO.
KPI	Key performance indicator.
Joint Lead Managers	The Joint Lead Managers to the Offer, being Bell Potter and Morgans.
Listing	The expected admission of the Company to the Official List.
Management	The executive management team of the Company.
Morgans	Morgans Corporate Limited (ACN 010 539 607).
New Shares	The new Shares to be issued by the Company under the Offer.
New Shareholders	Shareholders who were not Existing Shareholders.
Non-Executive Director	A member of the Board who does not form part of Management.

Term	Meaning
NPAT	Net profit after tax.
Offer	The offering of Shares under this Prospectus.
Offer Price	\$1.50 per Share.
Official List	The official list of entities that ASX has admitted to and not removed from listing.
Option	An option over an unissued Share.
Other Management	Shares held by Management which excludes Shares held by the Founding Shareholders.
PCP	Prior corresponding period.
Priority Offer	An offer which is open to selected investors nominated by the Company in eligible jurisdictions, who have received a Priority Offer invitation to acquire Shares under this Prospectus.
Priority Offer Applicant	A Priority Offer recipient who is applying for the acquisition of Shares in accordance with Section 7.10.
Priority Offer Applicant Form	A personalised invitation to apply for Shares in the Priority Offer.
Pro Forma Historical Financial Information	Defined in Section 4.
Pro Forma Historical Income Statements	Defined in Section 4.
Pro Forma Historical Cash Flows	Defined in Section 4.
Pro Forma Historical Statement of Financial Position	Defined in Section 4.
Pro Forma Forecast Income Statement	Defined in Section 4.
Pro Forma Forecast Cash Flows	Defined in Section 4.
Pro Forma Historical Statement of Financial Position	Defined in Section 4.
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document.
Prospectus Date	The date on which a copy of this Prospectus is lodged with ASIC, being 30 October 2020.
Relationship Deed	Defined in Section 9.5.2.

B. GLOSSARY

Term	Meaning
Remuneration and Nomination Committee	The Board's remuneration and nomination sub-committee.
Retail Offer	Comprises the Broker Firm Offer, the Employee Gift Offer and the Priority Offer.
RGT Capital	RGT Capital Fund No. 6 (YF) Pty Ltd (ACN 625 431 307) as trustee for the RGT Capital Fund No. 6 (YF) Trust.
Share	A fully paid ordinary share in the capital of the Company.
Share Registry	Boardroom Pty Ltd.
Shareholder	A registered holder of Shares.
Shareholder Loan	Defined in Section 9.5.3.
SKU	Stock-keeping unit.
SRN	Securityholder Reference Number issued by the Share Registry.
Statutory Historical Income Statements	Defined in Section 4.
Statutory Historical Cash Flows	Defined in Section 4.
Statutory Forecast Income Statement	Defined in Section 4.
Statutory Forecast Cash Flows	Defined in Section 4.
STI	Short-term incentives issues under the Company's short-term incentive program (as described in Section 6.2.1.5).
Strategic Reset	Defined in Section 3.1.2.
TFN	Tax file number.
US Securities Act	The United States Securities Act 1933, as amended.

Broker Firm Offer Application Form

This is an Application Form for Shares in Youfoodz Holdings Limited (**Company**) on the terms set out in the Prospectus issued by the Company dated 30 October 2020 (**Prospectus**). Terms defined in the Prospectus have the same meaning when used in this Application Form. You may apply for a minimum of \$2,100 worth of Shares and multiples of \$150 worth of Shares thereafter. This Application Form and your payment must be received by **5.00pm (Sydney Time) on the Closing Date, being 24 November 2020**.

This Application Form is important. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

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This Application Form must not be distributed to another person unless included in or accompanied by the Prospectus. A person who gives another person access to this Application Form must, at the same time and by the same means, give the other person access to the Prospectus. During the Offer period, the Company will send you a copy of the Prospectus free of charge if you have received an electronic version of the Prospectus and you request a paper copy.

PLEASE FOLLOW THE INSTRUCTIONS TO COMPLETE THIS APPLICATION FORM (SEE REVERSE) AND PRINT CLEARLY IN CAPITAL LETTERS USING BLACK OR BLUE PEN.

A	Number of Shares you are applying for	B	Total amount payable
	<div> <div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div> </div> <div>Minimum of 1,400 to be applied for and multiples of 150 thereafter</div>		<div> <div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div> </div>
	<div> <div></div> </div> <div>x \$1.50 per Share =</div>		<div> <div></div> </div>

C	Write the name(s) you wish to register the Shares in (<i>see reverse for instructions</i>)																								
	Applicant #1																								
	Name of Applicant #2 or <Account Designation>																								
Name of Applicant #3 or <Account Designation>																									

D	Write your postal address here	
Number/Street		
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Suburb/Town		State
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		Postcode
		<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

[illegible]

F	Enter your Tax File Number(s), ABN, or exemption category										
Applicant #1						Applicant #2					
Applicant #3											

G	Cheque payment details – * PIN CHEQUE(S) HERE. Cheque to be made in accordance with the instruction from your broker. If payment is made by cheque, enter cheque details below.				
	Name of drawer of cheque	Cheque no.	BSB no.	Account no.	Cheque Amount A\$

H	Contact telephone number (daytime/work/mobile)	Contact Name
	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/>
	E-mail Address	<input type="text"/>

Declaration

✓

have received a copy of the electronic Prospectus or a print out of it;

✓

have read the Prospectus in full;

✓

have completed this Application Form in accordance with the instructions on the form and in the Prospectus.

✓

Declare that the Application Form and all details and statements made by me/us are complete and accurate;

✓

agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus;

✓

where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company;

✓

acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;

✓

apply for the number of Shares that I/we apply for (or a lower number allocated in a manner as described in the Prospectus);

✓

acknowledge that my/our Application may be rejected by the Company in its absolute discretion;

✓

authorise the Company and their respective officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated to me/us;

✓

am/are over 18 years of age;

✓

agree to be bound by the constitution of the Company;

✓

acknowledge that neither the Company nor any person or entity guarantees any particular rate of return on the Shares, nor do they guarantee the repayment of capital;

✓

represent, warrant and agree that I/we am/are not in the United States or a US Person and am/are not acting for the account or benefit of a US Person;

✓

represent, warrant and agree that I/we have not received this Prospectus outside Australia and am/are not acting on behalf of a person resident outside Australia; and

✓

Declare that I/we give the representations set out in section 7.14 of the Prospectus

By submitting this Application Form with your Application Monies, I/we declare that I/we:

Guide to the Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

A

If applying for Shares insert the **number** of Shares for which you wish to subscribe at Item **A** (not less than 1,400 Shares representing a minimum investment of \$2,100 and thereafter in multiples of 100 Shares (i.e. \$150 worth of Shares)). Multiply by A\$1.50 to calculate the total Application Monies for Shares and enter the **A\$amount** at Item **B**.

C

Write your **full name**. Initials are not acceptable for first names.

D

Enter your **postal address** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E

If you are sponsored in CHESS by a stockbroker or other CHESS participant you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. **NB: your registration details provided must match your CHESS account exactly.**

F

Enter your Australian tax file number ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFNs is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form. However, if no TFN is quoted your dividends and distributions may be taxed at the highest marginal tax rate plus medicare levy.

G

Applicants pay their Application Monies to their Broker in accordance with the relevant Broker's directions. Please contact your broker for further instructions.

H

Enter your **contact details**, including name, phone number and e-mail address, so we may contact you regarding your Application Form or Application Monies.

Correct Form of Registrable Title

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

Lodgment

Mail your completed Application Form with your cheque(s) or bank draft attached to your broker, and complete the broker details below:

Broker Contact Number

Broker Name

The Broker Firm Offer closes at 5:00 p.m. (Sydney Time) on 24 November 2020, unless varied in accordance with the Corporations Act and ASX Listing Rules.

It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact Boardroom Pty Limited on 1300 737 760 within Australia and +61 2 9290 9600 outside Australia.

Privacy Statement

Youfoodz Holdings Limited advises that Chapter 2C of the Corporations Act requires information about its shareholders (including names, addresses and details of shares held) to be included in the Company's share register. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the Company. To obtain access to your personal information or more information on how the Company collects, stores, uses and disclosures your information please contact the Company at the address or telephone number shown in the Prospectus.

Broker Firm Offer Application Form

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	<div style="display: flex; align-items: center;"> <div style="flex-grow: 1; border-bottom: 1px solid black; position: relative;"> <div style="position: absolute; right: -10px; top: 50%; transform: translateY(-50%); font-weight: bold;">x \$1.50 per Share =</div> </div> </div>	\$	

C	Write the name(s) you wish to register the Shares in <i>(see reverse for instructions)</i>																								
	Applicant #1																								
	Name of Applicant #2 or <Account Designation>																								
Name of Applicant #3 or <Account Designation>																									

D		Write your postal address here	
		Number/Street	
		Suburb/Town	
		State	
		Postcode	

E	CHESS participant – Holder Identification Number (HIN)									
X										

***Important please note** if the name and address details above in sections C and D do not match exactly with your registration details held at CHESS, any Shares issued as a result of your Application will be held on the Issuer Sponsored subregister.*

F	Enter your Tax File Number(s), ABN, or exemption category										
Applicant #1						Applicant #2					
Applicant #3											

G	Cheque payment details – * PIN CHEQUE(S) HERE. Cheque to be made in accordance with the instruction from your broker. If payment is made by cheque, enter cheque details below.				
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Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

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Broker Name

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Corporate Directory

Issuer's Registered Office

Youfoodz Holdings Limited

Unit 4, 52 Pritchard Road,
Virginia QLD 4014

Joint Lead Managers and Underwriters

Bell Potter Securities Limited

Level 38, Aurora Place
88 Phillip Street
Sydney NSW 2000

Morgans Corporate Limited

Level 21, Aurora Place
88 Phillip Street
Sydney NSW 2000

Financial Advisor

Greenhill & Co. Australia Pty Limited

Level 43, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Share Registry

Boardroom Pty Ltd

Level 12, 225 George Street
The Rocks NSW 2000

Australian Legal Advisor

Baker McKenzie

Tower One – International Towers Sydney
Level 46–100 Barangaroo Avenue
Barangaroo NSW 2000

Investigating Accountant

KPMG Financial Advisory Services (Australia) Pty Ltd

Riparian Plaza
71 Eagle Street
Brisbane QLD 4000

Auditor

KPMG

Riparian Plaza
71 Eagle Street
Brisbane QLD 4000

Taxation Advisor

Sovereign Private Pty Ltd

Level 26, 6 O'Connell Street
Sydney NSW 2000



youfoodz