Youfoodz Pty Ltd

ABN 72 160 909 893

Financial Statements
27 June 2019

Contents

The director presents this report together with the financial statements of Youfoodz Pty Ltd (the Company), for the financial year ended 27 June 2019 and the auditor's report thereon.

1. The Director

The director of the Company at any time during or since the end of the financial year is:

Karl Arthur Giles	Appointed 30 August 2015

2. Principal activities

The principal activities of Youfoodz during the course of the financial year was the preparation, delivery and distribution of fresh ready-made meals, protein-packed snacks & cold-pressed juices to the door and to over 3,000+ stockists Australia-wide.

There were no other significant changes in the nature of the activities of the Company during the year.

3. Principal changes in the state of affairs

In the opinion of the director there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

4. Events subsequent to reporting date

In August 2019, the Holding company (Youfoodz Holdings Pty Ltd) received an equity injection of approximately $24m from a private company that then became the controlling shareholder. The funds were then transferred to the Company and IDK Pty Ltd, a related entity.

In August 2019, payment plans were agreed with the ATO and OSR to cover arrears in payroll related taxes and employee benefits. These were subsequently renegotiated in February 2020.

The Company was also impacted by the bushfire crisis in January 2020 and the COVID 19 pandemic in March 2020. The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by governments, regulators and numerous industry sectors, and the impact on the Company cannot be assessed at this time. The financial impact of these subsequent events has not been brought to account at 27 June 2019.

Other than the matters set out above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

5. Indemnification and insurance of officers and auditors

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company.

Insurance premiums

During the financial year the Company has paid premiums in respect of director's and officers' liability and legal expenses insurance contracts for the year ended 27 June 2019 and since the financial year, the Company has paid premiums in respect of such insurance contracts for the year ending 25 June 2020. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Company.

The director has not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

7. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 32 and forms part of the director's report for the financial year ended 27 June 2019.

This report is made out in accordance with a resolution of the Director:

Karl Arthur Giles

Dated at 2pm this 18 day of June 2020

Youfoodz Pty Ltd

Statement of financial position

At 27 June 2019

In dollars	*Note*	27 June 2019	30 June 2018
Assets			
Cash and cash equivalents	*12*	326,374	1,180,439
Trade and other receivables	*11*	5,614,104	5,744,913
Inventories	*10*	2,187,841	3,870,637
Current tax assets		305,017	174,737
Prepayments		16,129	-
Total current assets		**8,449,465**	**10,970,726**
Property, plant and equipment	*13*	5,283,269	5,788,435
Intangible assets	*14*	3,221,351	1,660,515
Total non-current assets		**8,504,620**	**7,448,950**
Total assets		**16,954,085**	**18,419,676**
Liabilities			
Trade and other payables	*17*	62,285,544	35,724,985
Loans and borrowings	*16*	2,907,214	471,995
Provisions	*18*	132,076	8,502
Contract liabilities	*5*	1,441,754	590,562
Total current liabilities		**66,766,588**	**36,796,044**
Total liabilities		**66,766,588**	**36,796,044**
Net liabilities		**(49,812,503)**	**(18,376,368)**
Equity			
Share capital	*15*	10,000	10,000
Accumulated losses		(49,822,503)	(18,386,368)
Total equity deficiency to equity holders of the Company		**(49,812,503)**	**(18,376,368)**

The Notes on pages 9 to 30 are an integral part of these financial statements.

Youfoodz Pty Ltd

Statement of profit or loss and other comprehensive income

For the year ended 27 June 2019

In dollars	*Note*	2019	2018
Revenue	5	154,992,430	122,663,239
Cost of sales		(128,128,663)	(91,671,465)
Gross profit		**26,863,767**	**30,991,774**
Other income	6	304,121	364,500
Selling and marketing expenses		(19,923,130)	(19,426,819)
Administration expenses		(4,852,777)	(3,141,779)
Employee expenses		(19,704,863)	(11,680,073)
Occupancy expenses		(9,643,524)	(8,060,142)
Depreciation and amortisation		(2,014,001)	(1,629,794)
Impairment expense	11	(461,045)	(2,426,268)
Other expenses		(930,702)	(534,577)
Operating expenses		(57,530,042)	(46,899,452)
Operating loss		**(30,362,154)**	**(15,543,178)**
Finance income		128,407	463
Finance costs		(1,202,388)	(103,224)
Net finance costs	7	**(1,073,981)**	**(102,761)**
Loss before tax		**(31,436,135)**	**(15,645,939)**
Income tax expense	9	-	-
Loss		**(31,436,135)**	**(15,645,939)**
Other comprehensive income		-	-
Total comprehensive income (loss)		**(31,436,135)**	**(15,645,939)**

The Notes on pages 9 to 30 are an integral part of these financial statements.

In dollars	Share capital	Accumulated losses	Total equity
Balance at 30 June 2018	**10,000**	**(18,386,368)**	**(18,376,368)**
Total comprehensive income			
Profit or loss	-	(31,436,135)	(31,436,135)
Other comprehensive income	-	-	-
Total comprehensive income (loss)	-	(31,436,135)	(31,436,135)
Balance at 27 June 2019	**10,000**	**(49,822,503)**	**(49,812,503)**

In dollars	Share capital	Accumulated losses	Total equity
Balance at 30 June 2017	**10,000**	**(2,740,429)**	**(2,730,429)**
Total comprehensive income			
Profit or loss	-	(15,645,939)	(15,645,939)
Other comprehensive income	-	-	-
Total comprehensive income (loss)	-	(15,645,939)	(15,645,939)
Balance at 30 June 2018	**10,000**	**(18,386,368)**	**(18,376,368)**

The Notes on pages 9 to 30 are an integral part of these financial statements.

In dollars	*Note*	2019	2018
Cash flows from operating activities			
Cash receipts from customers		169,231,644	130,009,977
Cash paid to suppliers and employees		(169,102,964)	(122,587,076)
Cash generated from operating activities		128,680	7,422,901
Interest received		128,407	463
Interest paid		(1,202,388)	(103,224)
Income taxes received / (paid)		(130,280)	(118,857)
Net cash from / (used in) operating activities		**(1,075,581)**	**7,201,283**
Cash flows from investing activities			
Collections from advances / (advances) to shareholder		815,246	(2,467,095)
Proceeds from sale of property, plant and equipment		101,044	-
Acquisition of property, plant and equipment		(982,323)	(2,730,518)
Acquisition of intangible assets		(2,147,670)	(1,431,034)
Net cash used in investing activities		**(2,213,703)**	**(6,628,647)**
Cash flows from financing activities			
Transaction costs related to loans and borrowings			
Proceeds from / (repayment of) borrowings		2,435,219	(133,643)
Net cash from / (used in) financial activities		**2,435,219**	**(133,643)**
Net increase / (decrease) in cash and cash equivalents		**(854,065)**	**438,993**
Cash and cash equivalents at 1 July		1,180,439	741,446
Cash and cash equivalents at 27 June 2019 (30 June 2018)	*12*	**326,374**	**1,180,439**

The Notes on pages 9 to 30 are an integral part of these financial statements.

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1. Reporting entity

These financial statements comprise Youfoodz Pty Ltd and are as at and for the year ended 27 June 2019.

The Company is a for-profit entity.

2. Basis of accounting and preparation

In the opinion of the directors, the Company is not publicly accountable. These financial statements are Tier 2 general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board and the Corporations Act 2001.

This is the first set of the Company's annual financial statements in which AASB15 *Revenue from Contracts with Customers* and AASB9 *Financial Instruments* have been applied. Changes to significant accounting policies are described in Note 25.

They were authorised for issue by the Director on 17 June 2020. Details of the Company's significant accounting policies are included in Note 26.

Going concern
The financial statements of the Company for the year ended 27 June 2019 have been prepared on a going concern basis which contemplates the continuation of normal operations and the realisation of assets and settlement of liabilities in the normal course.

As at 27 June 2019, the Company has a deficiency in net assets of $49,812,503 and for the year ended 27 June 2019 incurred a loss before tax of $31,436,135.

Subsequent to year end, the following have occurred:

- The Holding company (Youfoodz Holdings Pty Ltd) received an equity injection in August 2019 of approximately $24m from a private company (RGT Capital Fund Number 6 (YF) Pty Limited) that then became the controlling shareholder. The funds were then transferred to the Company and IDK Pty Ltd, a related party.
- A review of the Company's production processes and costs was undertaken subsequent to the equity injection by RGT Capital Fund Number 6 (YF) Pty Limited in August 2019, which has resulted in a reduction in the monthly operating losses being incurred.
- The Company received a letter of support from the controlling shareholder undertaking to provide ongoing financial support to the Company, and its related party IDK Pty Ltd, to a maximum cumulative amount of $30m (in addition to the $24m equity injection referred to above) for a period of at least 15 months from the date the directors declaration is signed; and
- The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by governments, regulators and numerous industry sectors. The measures implemented on the economy to control and slow the outbreak and the dynamic nature of these circumstances result in a significant increase in economic uncertainty.

The Company has prepared cash flow projections which support the ability of the Company to continue as a going concern. These cash flow projections assume that the Company will be able to increase sales revenue, reduce costs of production, manage existing creditor obligations and obtain additional capital funding or be supported by the controlling shareholder. The ability to achieve these assumptions is inherently uncertain.

In the event that the Company cannot achieve the assumptions outlined above, there will be a material uncertainty as to whether the Company can continue as a going concern and realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial statements.

3. Functional and presentation currency

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

4. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

(a) Judgements
Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 2 – going concern basis of preparation.
- Notes 19 and 26 – lease classification.

(b) Assumptions and estimation uncertainties
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 25 June 2020 is included in the following notes:

- Note 9 – treatment of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used
- Note 11 – impairment of trade and other receivables; and
- Note 14 – impairment testing of intangible assets.

5. Revenue

The effect of initially applying AASB 15 on the Company's revenue from contracts with customers is described in Note 25

See accounting policies in Note 26.

In dollars	2019	2018
Sales		
Home deliveries income	95,394,409	82,765,427
Wholesale / Retail income	59,598,021	39,897,812
	154,992,430	122,663,239

For the year ended 27 June 2019, the Company has deferred revenue of $1,441,754 (2018: $590,562 relating to paid customer orders yet to be delivered.

6. Income and expenses

See accounting policy in Note 26.

(a) Other income

In dollars	2019	2018
Rental income	111,682	214,500
Management income	151,717	150,000
Net gain on sale of plant and equipment	40,722	-
	304,121	364,500

7. Net finance costs

In dollars	2019	2018
Interest income on:		
- Cash equivalents	128,407	463
Finance income	**128,407**	**463**
Financial liabilities measured at amortised cost - interest expense	(1,202,388)	(103,224)
Finance costs - other	**(1,202,388)**	**(103,224)**
Net finance costs recognised in profit or loss	**(1,073,981)**	**(102,761)**

8. Other employee benefits

See accounting policies in Note 26.

Contribution for superannuation
The Company has incurred $41,635 for superannuation expense on behalf of employees for the year ended 27 June 2019 (2018: $30,452).

9. Income taxes

See accounting policy in Note 26.

(a) Amounts recognised in profit and loss

In dollars	2019	2018
Current tax expense		
Current year tax expense	-	-
	-	-

(b) Reconciliation of effective tax

	2018	2017
Profit/(loss) before tax from continuing operations	(31,436,135)	(15,645,939)
Tax using the Company's tax rate (30%)	(9,430,840)	(4,693,782)
Tax effect of:		
- Current year losses for which no deferred tax asset is recognised	9,063,849	3,204,735
- Temporary differences for which no deferred tax asset is recognised	364,177	1,025,391
- Others	2,814	463,656
Tax expense	-	-

The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use to the benefits therefrom:

In dollars	2019	2018
Carryforward tax losses	40,895,285	10,682,451
Deductible temporary differences	6,762,837	5,548,915

The Company has not recognised deferred tax assets on carry forward tax losses and deductible temporary differences as the Company has a history of losses and there was a lack of evidence that the deferred tax assets would be utilised in the foreseeable future.

The tax losses do not have an expiry date, but the Company must comply with rules around continuity of ownership or continuity of business to be able to utilise the losses against future taxable income.

10. Inventories

See accounting policy in Note 26.

In dollars	2019	2018
Stock on hand		
- Consumables	110,068	94,289
- Distribution	68,043	41,755
- Marketing	49,390	77,216
- Packaging	470,602	261,806
- Produce	598,094	898,864
Finished goods	891,644	2,496,707
Inventories	**2,187,841**	**3,870,637**

In 2019, inventories of $62,361,744 were recognised as an expense during the period and included in 'cost of sales' (2018: $45,506,290).

11. Trade and other receivables

See accounting policy in Note 26.

In dollars	*Note*	2019	2018
Trade receivables due from customers		5,269,436	3,857,212
Trade receivables due from related entities	*22*	1,499,691	1,843,509
Provision for impairment	*22*	(1,490,761)	(1,065,196)
		8,930	778,313
Other receivables due from shareholders	*22*	3,250,133	4,065,380
Provision for impairment	*22*	(3,053,868)	(3,053,868)
		196,265	1,011,512
Other		139,473	97,876
		5,614,104	5,744,913
Non-current		-	-
Current		5,614,104	5,744,913
		5,614,104	5,744,913

(a) Transfer of trade receivables

The Company transferred receivables to cash flow financing companies for cash proceeds. The trade receivables have not been derecognised from the statement of financial position because the Company retains substantially all of the risks and rewards, primarily credit risk. The amount received on transfer has been recognised as a secured loan (see Note 16).

(b) Impairment losses

Impairment losses on trade receivables and contract assets arising from the write off of contracts with customers recognised in profit or loss were $35,480 (2018: $25,959). Impairment losses on receivables with related entities and shareholders recognised in profit and loss amounted to $425,565 (2018: $2,400,309).

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows. Comparative amounts for 2018 represent the allowance account for individual impairment under AASB 139.

In dollars	2019	2018
Balance at 1 July under AASB 139	-	1,718,755
Adjustment on initial application of AASB 9	-	-
Balance at 1 June under AASB 9	4,119,064	1,718,755
Impairment loss recognised	425,565	2,400,309
Balance at 27 June 2019 (30 June 2018)	**4,544,629**	**4,119,064**

12. Cash and cash equivalents

See accounting policy in Note 26.

(a) Reconciliation of cash

In dollars	2019	2018
Cash on hand	269	847
Cash at bank	326,105	1,179,592
Cash and cash equivalents in the statement of financial position	**326,374**	**1,180,439**
Cash and cash equivalents in the statement of cash flows	**326,374**	**1,180,439**

(b) Reconciliation of operating cashflows

In dollars	*Note*	2019	2018
Loss after tax		**(31,436,135)**	**(15,645,939)**
Non-cash flows in loss from ordinary activities			
Amortisation		586,834	252,540
Depreciation		1,426,365	1,376,110
Impairment expense		461,045	2,426,268
Net (gain) on disposal of property, plant and equipment		(39,921)	-
Changes in assets and liabilities			
(Increase) / decrease in receivables		(1,145,481)	(4,472,351)
(Increase) / decrease in inventories		1,682,796	(2,224,600)
Increase / (decrease) in payables		27,395,622	25,613,547
Increase / (decrease) in income tax payable		(130,280)	(118,857)
Increase / (decrease) in provisions		123,574	(5,435)
Net cash from / (used in) operating activities		**(1,075,581)**	**7,201,283**

13. Property, plant and equipment

See accounting policies in Notes 26.

(a) Reconciliation of carrying amount

In dollars	Plant and equipment	Leasehold improvements	Furniture And fittings	Motor vehicles	Total
Cost					
Balance at 1 July 2018	5,043,666	1,934,251	680,172	58,221	7,716,310
Additions	568,976	276,944	136,403	-	982,323
Disposals	(1,945)	-	(90,779)	(25,376)	(118,100)
Balance at 27 June 2019	**5,610,697**	**2,211,195**	**725,796**	**32,845**	**8,580,533**
Accumulated depreciation					
Balance at 1 July 2018	967,726	630,070	309,165	20,914	1,927,875
Depreciation	709,916	512,631	197,822	5,996	1,426,365
Disposals	(1,144)	-	(43,606)	(12,226)	(56,976)
Balance at 27 June 2019	**1,676,498**	**1,142,701**	**463,381**	**14,684**	**3,297,264**
Carrying amounts					
At 30 June 2018	4,075,940	1,304,181	371,007	37,307	5,788,435
At 27 June 2019	**3,934,199**	**1,068,494**	**262,415**	**18,161**	**5,283,269**

14. Intangible assets

See accounting policy in Note 26.

(a) Reconciliation of carrying amount

In dollars	*Note*	Software	Website	Total
Cost				
Balance at 1 July 2018		531,311	1,437,200	1,968,511
Additions		646,748	-	646,748
Acquisitions - internally developed		-	1,500,922	1,500,922
Balance at 27 June 2019		**1,178,059**	**2,938,122**	**4,116,181**
Accumulated amortisation				
Balance at 1 July 2018		50,500	257,496	307,996
Amortisation		167,780	419,054	586,834
Balance at 27 June 2019		**218,280**	**676,550**	**894,830**
Carrying amounts				
At 1 July 2018		480,811	1,179,704	1,660,515
At 27 June 2019		**959,779**	**2,261,572**	**3,221,351**

At 27 June 2019, the Director compared the carrying value of intangible assets and other assets and liabilities of the Company to the implied value based on a transaction that occurred soon after balance date and concluded there was no impairment.

In addition, a value in use calculation was completed which included assumptions of a post-tax discount rate of 13.6% and net cash flows in accordance with approved budgets. This impairment test indicated that the value in use of the cash generating unit exceeded its carrying value. No impairment loss was recorded.

15. Capital

See accounting policies in Note 26.

(a) Share capital

	In shares		In dollars	
	2019	2018	2019	2018
On issue at 1 July	10,000	10,000	10,000	10,000
On Issue at 27 June 2019 (30 June 2018)	**10,000**	**10,000**	**10,000**	**10,000**

All shares rank equally with regard to the Company's residual assets.

(i) Ordinary shares

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

The holders of these shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

16. Loans and borrowings

See accounting policies in Notes 26.

Loans and borrowings include short term borrowings with cash flow financing companies amounting to $2,706,395 (2018: $nil). These borrowings are secured by trade receivables. Effective interest rates average at 7.99%. The remaining balance in loans and borrowings represent a short term unsecured borrowing with an online payment company

At 30 June 2018, the Company had unsecured third party loans of $471,995 for purchase of production related equipment. The borrowings had terms ranging from 1 to 5 years and matured in 2019.

17. Trade and other payables

See accounting policy in Note 26.

In dollars	Note	2019	2018
Trade payables due to third parties		23,826,403	16,540,607
Trade payables due to related parties	22	29,253,760	13,272,429
Accrued expenses		5,523,346	3,907,110
Goods and services tax, PAYG and interest		3,682,035	2,004,839
Trade and other payables		62,285,544	35,724,985
Non-current		-	-
Current		62,285,544	35,724,985
		62,285,544	35,724,985

In August 2019, the Company and the Australian Tax Office entered into a payment plan for $5,480,367 for Goods and services tax, PAYG and interest to be fully settled in August 2021. The payment plan was amended subsequently in February 2020.

18. Provisions

See accounting policy in Note 26.

In dollars	Employee Entitlements	Site Restoration	Total
Balance at 1 July 2018	8,502	-	8,502
Increase in provision	23,574	100,000	123,574
Balance at 27 June 2019	32,076	100,000	132,076

19. Operating leases

See accounting policy in Note 26.

(a) Leases as Lessee

The Company leases a number of factory and office facilities, kitchen equipment, computer and other office equipment, and delivery vehicles under operating leases. The leases typically run for a period of 1 to 5 years, with options to renew the leases after expiry. For certain operating leases, the Company is restricted from entering into any sublease arrangements.

The factory and office leases were entered into many years ago as combined leases of land and buildings. The Company determined that the land and building elements of the warehouse and factory leases are operating leases. The rent paid to the landlord is adjusted to market rent at regular intervals, and the Company does not have an interest in the residual value of the land and buildings. As a result, it was determined that substantially all the risks and rewards of the land and buildings are with the landlord.

(i) Future minimum lease payments

At 27 June 2019, the future minimum lease payments under non-cancellable operating leases were payable as follows.

In dollars	2019	2018
Less than one year	1,182,782	1,291,419
Between one and five years	618,874	771,862
More than five years	-	-
	1,801,656	2,063,281

(ii) Amounts recognised in profit and loss

In dollars	2019	2018
Equipment lease expense	985,402	266,459
Premises rent and outgoings expense	1,547,656	1,134,648
	2,533,058	1,401,107

20. Commitments

The Company did not have any commitments at 27 June 2019 (30 June 2018: nil).

21. Contingencies

The Company did not have any contingencies at 27 June 2019 (30 June 2018: nil).

22. Related parties

(a) Transactions with key management personnel

(i) Key management personnel compensation

The key management personnel compensation was $1,291,028 for the year ended 27 June 2019 (30 June 2018: $970,774) included in administrative expenses in the statement of profit or loss and other comprehensive income. Key management personnel include the directors and senior management.

(ii) Key management personnel and director transactions

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or joint control over these entities.

A number of these entities transacted with the Company during the year.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or joint control were detailed in Note 22(b).

From time to time the director of the Company, or their related entities, may purchase goods from the Company. These purchases are on the same terms and conditions as those entered into by the other Company employees or customers

(b) Other related party transactions

		Transaction values year ended		Balance outstanding as at	
				Asset/(Liab)	Asset/(Liab)
In dollars	*Note*	**27 June** 2019	**30 June** 2018	**27 June** 2019	**30 June** 2018
Related entities					
Cost of sales					
Direct labour	(i)	40,667,399	29,024,329	(28,482,523)	(13,008,524)
Product cost	(iv)	2,249,443	616,598	(230,532)	778,313
Operating expenses					
Selling and marketing expenses	(v)	1,254,439	875,000	(540,705)	(263,905)
Selling and marketing expense (labour hire)	(i)	4,558,931	-	-	-
Employee expenses	(i)	13,484,263	-	-	-
Other income					
Management fee	(ii)	150,000	150,000	-	-
Rental income	(iii)	111,682	214,500	-	-
Trade and other receivables				1,499,691	1,843,509
Shareholders					
Trade and other Receivables					
Drawings and loans				3,250,133	4,065,380

(i) The Company entered into an agreement with IDK Pty Ltd and Fresh Four Pty Ltd, companies controlled by a shareholder, to provide labour hire service. The contract terms are based on market rates for these types of services, and amounts are payable on a monthly basis for the duration of the contract. Any unpaid balances are recognised as trade and other payables.

(ii) The Company recharges IDK Pty Ltd and Fresh Four Pty Ltd for services of management personnel based on actual expense incurred. Any unpaid balance is recognised as trade and other payables.

(iii) The Company recharges Youjuice Pty Ltd for rental of premises.

(iv) The Company purchases cold-pressed juices from Youjuice Pty Ltd at retail prices, and amounts are payable on a monthly basis. Any unpaid balances are recognised as trade and other payables.

(v) A related entity provides marketing services to the Company for its marketing campaigns in different various platforms such as television and social media. The contract terms are based on market rates for these types of services, and amounts are payable on a monthly basis for the duration of the contract. Any unpaid balances are recognised as trade and other payables.

(vi) Advances to a shareholder are on demand.

None of the balances are secured. Provision for expected credit loss has been recognised with the impairment expense recognised in the current year or prior year in respect of amounts owed by related parties (refer to Note 11). No guarantees have been given or received.

23. Subsequent events

In August 2019, the Holding company received an equity injection of approximately $24m from a private company that then became the controlling shareholder. The funds were then transferred to the Company and IDK Pty Ltd, a related entity.

In August 2019, payment plans were agreed with the ATO and OSR to cover arrears in payroll related taxes and employee benefits. These were subsequently renegotiated in February 2020.

The Company was also impacted by the bushfire crisis in January 2020 and the COVID 19 pandemic in March 2020. The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by governments, regulators and numerous industry sectors, and the impact on the Company cannot be assessed at this time. The financial impact of these subsequent events has not been brought to account at 27 June 2019.

Other than the matters set out above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

24. Basis of measurement

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

25. Change in accounting policy

Except for the change below, the Company has consistently applied the accounting policies set out in Note 26 to all periods presented in these financial statements.

The Company has initially applied AASB 15 and AASB 9, including any consequential amendments to other standards, from 1 July 2019.

A number of other new standards are also effective from 1 July 2019 but they do not have not have a material effect on the financial statements other than AASB 16 *Leases*.

The initial application of these standards did not have any material effect on the financial statements.

(a) AASB15 revenue from contracts with customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue, AASB 111 Construction Contracts* and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control or the goods or services. The adoption of AASB 15 did not have any material impact on the recognition of revenue.

The Company has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 Jul 2018). Accordingly, the information presented for 2018 has not been restated – i.e.it is presented, as previously reported, under AASB 111 and related interpretations. Additionally, the disclosure requirements in AASB 15 have not generally been applied to comparative information.

(b) AASB 9 *Financial Instruments*

AASB9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement.*

As a result of the adoption of AASB9, the Company has adopted consequential amendments to AASB 7 *Financial Instruments; Disclosures* that are applied to disclosures about 2019 but have not been generally applied t comparative information

(i) Classification and measurement of financial assets and financial liabilities

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through OCI (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cashflow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

The adoption of AASB 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

The adoption of AASB 9 did not have any material impact on the carrying amounts of financial assets at 1 July 2018. The financial assets such as cash and cash equivalents and trade and other receivables continued to be carried and classified at amortised cost.

(ii) Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and contract assets. Under AAASB, credit losses are recognised earlier than under AASB 139 – See Note 26(h).

The Company has determined that the application of AASB 9's impairment requirements at 1 July 2018 did not result in any change in the existing impairment. Additional information on how the Company measures the expected credit loss is described in Note 26(h).

(c) AASB 16 *Leases*

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.

AASB 16 replaces existing leases guidance including AASB 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

AASB 16 is effective for the Company from 28 June 2019. The Company has certain non-cancellable operating leases (refer Note 19). The Company is yet to assess the impact of the adoption of AASB 16.

26. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (see also Note 25).

(a) Revenue

The Company has initially applied AASB 15 from 1 July 2018. Revenue is measured based on the consideration specified in a contract with a customer. The Company 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 under AASB 15 (applicable from 1 July 2018)	Revenue recognition under AASB 118 (applicable before 1 July 2018)
Fresh ready-made meals, protein packed snacks & cold pressed juices 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.	Revenue is recognised when the goods are delivered and have been accepted by customers at their premises. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probably that a significant reversal in the amount of cumulative revenue recognised will not occur.	Revenue was recognised when the goods were delivered to the customers' premises which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred, provided that a reasonable estimate of the returns could be made. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of returns could be made.

For each contract with a customer, the Company 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.

The Company has initially applied AASB 15 from 1 July 2018.

(b) Employee benefits

(i) 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 Company 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.

(c) Finance income and finance costs
The Company'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 amortise cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(d) 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.

(i) 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.

(ii) 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 Company. 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 Company 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.

(e) 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.

(f) Property, plant and equipment

(i) 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.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) 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 Company 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.

(g) Intangible assets and goodwill

(i) 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 Company 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.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(iii) 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.

(iv) 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.

(h) Financial instruments

(i) 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 Company 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.

(ii) Classification and subsequent measurement

Financial assets - Policy applicable from 1 July 2018

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 Company 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: Policy applicable from 1 July 2018
The Company 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 Company'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 Company's continuing recognition of the assets.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 July 2018
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 Company 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 Company 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 Company's claim to cash flows from specified assets (e.g. nonrecourse features).

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 July 2018
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.

Financial assets – Policy applicable before 1 July 2018
The Company 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.

(iii) Derecognition

Financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company 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 Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company 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.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company 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.

(i) Share capital

(i) 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.

(j) Impairment

(i) Non-derivative financial assets

Policy applicable from 1 July 2018

Financial instruments and contract assets
The Company recognises loss allowance for ECL on financial assets measured at amortised cost and contract assets.

The Company 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 Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company 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 Company 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 Company 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 Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company 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 Company 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 Company's procedures for recovery of amounts due.

Policy applicable before 1 July 2018
Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence that it is impaired.

Objective evidence that financial assets are impaired includes:
- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider

otherwise;

- indications that a debtor or issuer will enter bankruptcy; and
- adverse changes in the payment status of borrowers or issuers.

Financial assets measured at amortised cost
The Company 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 Company 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 Company 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.

(i) Non-financial assets
At each reporting date, the Company 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, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) 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.

(l) Leases

(i) Determining whether an arrangement contains a lease
At inception of an arrangement the Company determines whether such an arrangement is or contains a lease.

At inception or on reassessment of the arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

(ii) Leased assets
Assets held by the Company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

(iii) Lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Director's declaration

1. In the opinion of the director of Youfoodz Pty Ltd ('the Company'):

   (a) the Company is not publicly accountable;

   (b) the financial statements and notes that are set out on pages 4 to 30 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's financial position as at 27 June 2019 and of its performance, for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001; and

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

Signed in accordance with a resolution of the Director:

Dated at 2pm this 18 day of June 2020

Karl Arthur Giles
Director

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Youfoodz Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Youfoodz Pty Ltd for the financial year ended 27 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

S Board

Stephen Board
Partner

Brisbane
18 June 2020

KPMG

Independent Auditor's Report

To the shareholders of Youfoodz Pty Ltd

Qualified Opinion

We have audited the ***Financial Report*** of Youfoodz Pty Ltd (the Company).

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 27 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of financial position as at 27 June 2019;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for qualified opinion

We were not appointed as auditors of the Company until after 27 June 2019 and thus did not observe the counting of physical inventories at the beginning and the end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 27 June 2019 and 30 June 2018, which are stated in the statement of financial position at $2,187,841 and $3,870,637 respectively. As a result of this matter, we were unable to determine whether any adjustments might have been necessary 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.

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the Director of Youfoodz Pty Ltd, would be in the same terms if given to the Director as at the time of this Auditor's Report.

Material uncertainty related to going concern

We draw attention to Note 2, "Going Concern" in the financial report. The conditions disclosed in Note 2, indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

Other Information

Other Information is financial and non-financial information in Youfoodz Pty Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report. Other than the matter described in the *Basis for qualified opinion* section above, we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

KPMG

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

S Board

Stephen Board
Partner

Brisbane
24 June 2020