

# Youfoodz Holdings Pty Ltd

and its controlled entities

ABN 38 635 434 801

Financial Statements  
25 June 2020

<b>Contents</b>	<b>Page</b>
Director's report	2
Consolidated statement of financial position	5
Consolidated statement of profit or loss and other comprehensive income	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8
Index to notes to the financial statements	9
Notes to the financial statements	10
Director's declaration	43
Lead auditor's independence declaration	44
Independent auditor's report	45

The director presents this report together with the consolidated financial statements of the Group comprising Youfoodz Holdings Pty Ltd (the Company) and its subsidiaries for the financial year ended 25 June 2020 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:

Lance Dean Giles      Appointed 9 August 2019

**2. Principal activities**

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

The company raised \$24.6m in new equity during the year.

**3. Operating result**

In FY20, Group revenues were \$127,324,376, compared with \$155,260,788 in FY19, representing an 18.0% reduction over the period. The Group has reported a statutory loss before tax for the year ended 25 June 2020 of \$6,511,789 (2019 loss of \$33,307,670).

**4. Operating and financial review**

Review of financial condition

The Group was impacted by 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 continuing impact on the Group cannot be assessed at this time.

Significant changes in the state of affairs

The company did raise \$24.6m in new equity during the year.

**5. Dividends**

No dividends had been paid and/or declared since the end of the previous financial year.

**6. Share options**

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

**7. Events subsequent to reporting date**

Subsequent to year end, the company has initiated a process that may lead to an IPO.

Other than the matter noted 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 director of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

**8. Likely developments**

The Group will continue to pursue its policy of increasing the profitability and market share of its business during the next financial year. This will require further investment in areas such as manufacture and sale of ready-made meals and other food products, which have grown rapidly over recent years and offer attractive investment opportunities.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

#### **9. Environmental regulation**

The Group's operations are subject to environmental regulation under both Commonwealth and State legislation in relation to the manufacture of food activities.

The Group is committed to achieving a high standard of environmental performance and is managed compliantly to all relevant laws as well as regulation in relation to environmental performance, management and reporting. In 2020, there were no reportable incidents recorded.

#### **10. Director's interests**

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, at the date of this report is as follows:

Director	Ordinary shares	Class A shares	Options over ordinary shares	Rights over ordinary shares
Mr Lance D Giles	9,600	1	nil	nil

#### **11. Indemnification and insurance of officers and auditors**

##### **Indemnification**

Since the end of the previous financial year, the Group 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 Group.

##### **Insurance premiums**

During the financial year the Group has paid premiums in respect of director's and officers' liability and legal expenses insurance contracts for the year ended 25 June 2020 and since the financial year, the Group has paid premiums in respect of such insurance contracts for the year ending 24 June 2021. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Group.

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

#### **12. Non-audit services**

Details of amounts paid or payable to the auditor for audit and any non-audit services provided during the year by the auditor are outlined in note 28 to the financial statements. During the year KPMG only provided audit services.

**13. Proceedings on behalf of the Company**

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not party of any such proceedings during the year.

**14. Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 44 and forms part of the director's report for the financial year ended 25 June 2020.

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



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Lance Dean Giles

Dated at .....6pm..... this .....19th..... day of .....October..... 2020

**Youfoodz Holdings Pty Ltd**  
**Consolidated statement of financial position**  
At 25 June 2020

<i>In dollars</i>	<i>Note</i>	25 June 2020	27 June 2019
<b>Assets</b>			
Cash and cash equivalents	13	852,527	329,415
Trade and other receivables	12	6,224,754	6,239,752
Inventories	11	4,475,491	2,312,611
Current tax assets		-	170,669
Prepayments		955,392	16,129
<b>Total current assets</b>		<b>12,508,164</b>	<b>9,068,576</b>
Property, plant and equipment	14, 23	10,017,976	5,332,726
Intangible assets	15	4,138,725	3,143,348
<b>Total non-current assets</b>		<b>14,156,701</b>	<b>8,476,074</b>
<b>Total assets</b>		<b>26,664,865</b>	<b>17,544,650</b>
<b>Liabilities</b>			
Bank overdraft	13	-	333,844
Trade and other payables	19	49,956,772	64,185,306
Loans and borrowings	18	3,159,430	2,907,214
Lease liabilities	23	1,475,655	-
Current tax liabilities		1,787,897	1,999,566
Provisions	20	1,151,850	993,123
Contract liabilities	5	837,237	1,441,754
<b>Total current liabilities</b>		<b>58,368,842</b>	<b>71,860,807</b>
Provisions	20	124,850	125,000
Lease liabilities	23	4,394,874	-
<b>Total non-current liabilities</b>		<b>4,519,724</b>	<b>125,000</b>
<b>Total liabilities</b>		<b>62,888,565</b>	<b>71,985,807</b>
<b>Net liabilities</b>		<b>(36,223,701)</b>	<b>(54,441,157)</b>
<b>Equity</b>			
Share capital	16	24,627,400	10,300
Accumulated losses		(60,851,101)	(54,451,457)
<b>Total equity deficiency to equity holders of the Group</b>		<b>(36,223,701)</b>	<b>(54,441,157)</b>

The Notes on pages 10 to 42 are an integral part of these financial statements.

# Consolidated statement of profit or loss and other comprehensive income

For the year ended 25 June 2020

<i>In dollars</i>	<i>Note</i>	2020	2019
Revenue	5	127,324,376	155,260,788
Cost of sales		<u>(89,995,862)</u>	<u>(127,379,779)</u>
<b>Gross profit</b>		<b>37,328,514</b>	<b>27,881,009</b>
Other income	6	3,094,052	65,031
Selling and marketing expenses		(15,979,492)	(24,397,158)
Administration expenses	9	(23,690,953)	(29,917,036)
Other expenses	6	<u>(4,369,914)</u>	<u>(3,417,291)</u>
Operating expenses		<u>(44,040,359)</u>	<u>(57,731,485)</u>
<b>Operating profit (loss)</b>		<b>(3,617,793)</b>	<b>(29,785,445)</b>
Finance income		116,343	128,407
Finance costs		<u>(3,010,339)</u>	<u>(3,650,632)</u>
<b>Net finance costs</b>	7	<b>(2,893,996)</b>	<b>(3,522,225)</b>
<b>Loss before tax</b>		<b>(6,511,789)</b>	<b>(33,307,670)</b>
Income tax benefit (expense)	10	<u>112,145</u>	<u>(1,400,531)</u>
<b>Loss after tax</b>		<b>(6,399,644)</b>	<b>(34,708,201)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss</b>		<b>(6,399,644)</b>	<b>(34,708,201)</b>
<b>Earnings per share</b>			
Basic / Diluted earnings per share (dollars)	8	(236)	(3,370)

The Notes on pages 10 to 42 are an integral part of these financial statements.

# Consolidated statement of changes in equity

For the year ended 25 June 2020

<i>In dollars</i>	Share Capital	Accumulated losses	Total equity
<b>Balance at 27 June 2019</b>	<b>10,300</b>	<b>(54,451,457)</b>	<b>(54,441,157)</b>
Total comprehensive income			
Profit or loss	-	(6,399,644)	(6,399,644)
Other comprehensive income	-	-	-
<b>Total comprehensive loss</b>	<b>-</b>	<b>(6,399,644)</b>	<b>(6,399,644)</b>
Transactions with owners of the Company			
Issue of shares	24,617,100	-	24,617,100
<b>Total contributions and distributions</b>	<b>24,617,100</b>	<b>-</b>	<b>24,617,100</b>
<b>Balance at 25 June 2020</b>	<b>24,627,400</b>	<b>(60,851,101)</b>	<b>(36,223,701)</b>

<i>In dollars</i>	Share Capital	Accumulated losses	Total equity
<b>Balance at 30 June 2018</b>	<b>10,300</b>	<b>(19,833,256)</b>	<b>(19,732,956)</b>
Total comprehensive income			
Profit or loss	-	(34,708,201)	(34,708,201)
Other comprehensive income	-	-	-
<b>Total comprehensive loss</b>	<b>-</b>	<b>(34,708,201)</b>	<b>(34,708,201)</b>
<b>Balance at 27 June 2019</b>	<b>10,300</b>	<b>(54,541,457)</b>	<b>(54,441,157)</b>

The Notes on pages 10 to 42 are an integral part of these financial statements.

**Youfoodz Holdings Pty Ltd**  
**Consolidated statement of cash flows**  
For the year ended 25 June 2020

<i>In dollars</i>	Note	2020	2019
<b>Cash flows from operating activities</b>			
Cash receipts from customers		87,775,848	159,877,606
Cash paid to suppliers and employees		(104,094,629)	(157,279,657)
Cash generated from/ (used in) operating activities		(16,318,781)	2,597,949
Interest received		116,343	128,407
Interest paid		(3,010,339)	(3,650,632)
Income taxes received/ (paid)		71,144	(263,562)
<b>Net cash used in operating activities</b>	<b>13</b>	<b>(19,141,633)</b>	<b>(1,187,838)</b>
<b>Cash flows from investing activities</b>			
Collections from advances / (advances) to related parties		(226,584)	390,828
Proceeds from sale of property, plant and equipment		-	19,600
Acquisition of property, plant and equipment		(419,469)	(1,000,285)
Acquisition of intangible assets		(1,992,588)	(2,069,667)
<b>Net cash used in investing activities</b>		<b>(2,638,641)</b>	<b>(2,659,524)</b>
<b>Cash flows from financing activities</b>			
<b>Transaction costs related to loans and borrowings</b>			
Proceeds from share issues		24,617,100	-
Payments of lease liabilities		(2,232,037)	-
Proceeds from financing of Wholesale invoices		47,116,376	9,673,657
Payments of financed Wholesale invoices		(46,864,210)	(7,238,438)
<b>Net cash from used in financial activities</b>		<b>22,637,229</b>	<b>2,435,219</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>856,956</b>	<b>(1,412,143)</b>
Cash and cash equivalents at 27 June 2019 (30 June 2018)		(4,429)	1,407,714
<b>Cash and cash equivalents at 25 June 2020</b>	<b>13</b>	<b>852,527</b>	<b>(4,429)</b>

The Notes on pages 10 to 42 are an integral part of these financial statements.

**Notes**

1. Reporting entity
2. Basis of accounting
3. Functional and presentation currency
4. Use of judgements and estimates
5. Revenue
6. Income and expense
7. Net finance cost
8. Earnings per share
9. Employee Expenses
10. Income taxes
11. Inventories
12. Trade and other receivables
13. Cash and cash equivalents
14. Property, plant and equipment
15. Intangible assets
16. Capital
17. Capital management
18. Loans and borrowings
19. Trade and other payables
20. Provisions
21. Financial instruments – fair values and risk management
22. Group composition and parent entity disclosures
23. Leases
24. Commitments
25. Contingencies
26. Related parties
27. Subsequent events
28. Auditors' remuneration
29. Basis of measurement
30. Change in accounting policy
31. Significant accounting policies

**1. Reporting entity**

Youfoodz Holdings Pty Ltd (the 'Company') is domiciled in Australia.

The Group's registered address is at 52 Pritchard Rd, Virginia, Queensland. These consolidated financial statements comprise Youfoodz Holdings Pty Ltd (the Company) and its subsidiaries (together referred to as the 'Group') and are as at and for the year ended 25 June 2020. The Group was consolidated on 15 August 2019.

The Group is a for-profit entity and is primarily involved in the production and delivery of quality ready-made meals.

The ultimate parent company of the Group is Youfoodz Holdings Pty Ltd.

**2. Basis of accounting and preparation**

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards adopted by the International Accounting Standards Board. The Company acquired the entities set out in Note 22 on 15 August 2019. This transaction was not a business combination and has been accounted for as a common control transaction retaining book values. Comparative information for the year ended 27 June 2019 has been presented. Amounts in the consolidated financial statements are rounded to the nearest dollar, unless otherwise stated.

This is the first set of the Group's annual financial statements in which *AASB 16 Leases* has been applied. Changes to significant accounting policies are described in Note 30.

They were authorised for issue by the Director on 19 October 2020. Details of the Group's significant accounting policies are included in Note 31.

*Going concern*

The financial statements of the Group for the year ended 25 June 2020 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 25 June 2020, the Group has a deficiency in net assets of \$36,223,701 and a deficiency in current assets of \$45,860,678.

Subsequent to year end, the Company received a letter of support from the controlling shareholder undertaking to provide ongoing financial support to the Group to a maximum amount of \$30m for a period of at least 15 months from the date the director's declaration is signed. The company has also initiated a process to undertake an Initial Public Offering (IPO) to raise additional funding from the issue of ordinary shares. At the date of issuing these financial statements, the steps needed to complete an IPO are well advanced.

The ability of the Group to continue as a going concern is critically dependent upon the ongoing financial support of the controlling shareholder and / or the completion of the IPO or other fundraising.

The Company has prepared cash flow projections which support the ability of the Group to continue as a going concern. These cash flow projections assume that the Group 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.

The conditions outlined above give rise to a material uncertainty which may cast significant doubt as to whether the Group can continue as a going concern. In the event that the Group cannot achieve the assumptions outlined above, it may not be able to 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 consolidated financial statements are presented in Australian dollars which is the Company's functional currency.

### **4. Use of judgements and estimates**

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group'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;
- Note 2 - determination of common control transaction
- Note 23 - lease term: whether the Group is reasonably certain to exercise extension options.

#### *COVID-19 impact on the use of estimates and assumptions*

On 11 March 2020, the World Health Organisation declared COVID-19 a global pandemic. COVID-19 is an infectious disease that can cause respiratory illness. While COVID-19 is a health crisis, it has caused socioeconomic disruption on a global scale. The Company has considered the impact of COVID-19 when preparing the financial statements and related note disclosures. While the effects of COVID-19 do not change the significant estimates, judgements and assumptions in the preparation of financial statements, it has resulted in increased estimation uncertainty and application of further judgement within those identified areas.

#### **(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 10 - treatment of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be utilised;

**Youfoodz Holdings Pty Ltd**  
**Notes to the consolidated financial statements**  
For the year ended 25 June 2020

- Note 12 - impairment of trade and other receivables;
- Note 15 - impairment testing of intangible assets; and
- Note 23 – determination of incremental borrowing rate on leases.

**5. Revenue**

See accounting policies in Note 31.

<i>In dollars</i>	2020	2019
Sales		
Home deliveries income	81,462,414	95,674,361
Wholesale / Retail income	45,861,963	59,586,427
	<u>127,324,376</u>	<u>155,260,788</u>

The Group has deferred revenue of \$837,237 (2019: \$1,441,754) relating to paid customer orders yet to be delivered and recorded as contract liabilities.

The Group operates in one segment, being the preparation, delivery and distribution of ready-made meals, snacks and juices within Australia.

**6. Income and expenses**

See accounting policy in Note 31.

**(a) Other income**

<i>In dollars</i>	2020	2019
Rental income	-	15,682
Management Income	-	8,626
Government grant - JobKeeper	3,094,052	-
Net gain on sale of plant and equipment	-	40,722
	<u>3,094,052</u>	<u>65,031</u>

The Group recognises an unconditional government grant related to the wage subsidy that commenced in April 2020. As an employer, the Group has been provided with a wage subsidy of \$1,500 per fortnight for wages paid to eligible employees. Certain subsidiaries in the Group received a wage subsidy of \$3,094,052 under the programme, which is presented as 'other income' in the statement of profit or loss and other comprehensive income.

There were no unfulfilled conditions or contingencies attached to the government grant for the period ended 25 June 2020.

**(b) Expenses by nature**

<i>In dollars</i>	2020	2019
Depreciation and amortisation expense	3,936,156	2,022,584
Impairment expense	48,840	464,005
Other expenses	384,918	930,702
	<u>4,369,914</u>	<u>3,417,291</u>

**Youfoodz Holdings Pty Ltd**  
**Notes to the consolidated financial statements**  
For the year ended 25 June 2020

**7. Net finance costs**

<i>In dollars</i>	2020	2019
Interest income on:		
- Shareholder loan	116,310	128,407
- Cash equivalents	33	-
<b>Finance income</b>	<b>116,343</b>	<b>128,407</b>
Interest charges on lease liabilities	(897,840)	-
Financial liabilities measured at amortised cost - interest expense on borrowings and overdue amounts owing to ATO	(2,112,499)	(3,650,632)
<b>Finance costs - other</b>	<b>(3,010,339)</b>	<b>(3,650,632)</b>
<b>Net finance costs recognised in profit or loss</b>	<b>(2,893,996)</b>	<b>(3,522,225)</b>

**8. Earnings per share**

**(a) Basic earnings per share**

The calculation of basic EPS has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. There are no dilutive potential ordinary shares, as the Group incurred losses in 2020 and 2019.

*(i) Profit (loss) attributable to ordinary shareholders (basic and diluted)*

<i>In dollars</i>	2020	2019
Profit (loss) for the year, attributable to the owners of the Company	(6,399,644)	(34,708,201)
<b>Profit (loss) for the year, attributable to the owners of the Company</b>	<b>(6,399,644)</b>	<b>(34,708,201)</b>

*(ii) Weighted-average number of ordinary shares (basic and diluted)*

<i>In shares</i>	2020	2019
Issued ordinary shares at 27 June 2019 (1 July 2018)	10,300	10,300
Effect of shares issued in September 2019	488	-
Effect of shares issued in October 2019	3,391	-
Effect of shares issued in January 2020	12,945	-
<b>Weighted-average number of ordinary shares at 25 June 2020 (27 June 2019)</b>	<b>27,125</b>	<b>10,300</b>

**9. Employee expenses**

See accounting policies in Note 31.

<i>In dollars</i>	2020	2019
Short term employee benefits	13,103,602	13,882,051
Superannuation contribution	1,295,812	1,282,443
Other post-employment benefits	-	4,085
	<b>14,399,414</b>	<b>15,168,579</b>

**10. Income taxes**

See accounting policy in Note 31.

**(a) Amounts recognised in profit and loss**

<i>In dollars</i>	2020	2019
<b>Current tax expense</b>		
Current year (benefit) expense	(112,145)	1,400,531

**(b) Reconciliation of effective tax**

	2020	2019
Profit (loss) before tax from continuing operations	(6,511,789)	(33,307,670)
Tax using the Group's tax rate (30%)	(1,953,537)	(9,992,301)
Tax effect of:		
- Current year losses for which no deferred tax asset is recognised	1,118,578	9,160,833
- Non-deductible expenses	950,159	2,301,536
- Change in estimates related to prior years	(227,345)	(69,537)
<b>Tax (benefit) expense</b>	<b>(112,145)</b>	<b>1,400,531</b>

The Group 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 Group can use to the benefits therefrom:

<i>In dollars</i>	2020	2019
Carry forward tax losses	10,279,411	9,160,833

The Group has not recognised deferred tax assets on carry forward tax losses and deductible temporary differences as the Group 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 Group must comply with rules around continuity of ownership or continuity of business to be able to utilise the losses against future taxable income.

**11. Inventories**

See accounting policy in Note 31.

<i>In dollars</i>	2020	2019
Stock on hand		
- Consumables	73,357	127,954
- Distribution	281,207	68,043
- Marketing	66,114	49,390
- Packaging	955,394	482,392
- Produce	1,327,697	613,228

**Youfoodz Holdings Pty Ltd**  
**Notes to the consolidated financial statements**  
For the year ended 25 June 2020

Work in progress	194,138	-
Finished goods	1,577,584	971,604
<b>Inventories</b>	<b>4,475,491</b>	<b>2,312,611</b>

Inventories of \$12,881,449 were recognised as an expense during the year and included in 'cost of sales' (2019: \$16,126,829).

**12. Trade and other receivables**

See accounting policy in Note 31.

<i>In dollars</i>	Note	2020	2019
Trade receivables due from customers		4,377,336	5,320,736
Provision for expected credit loss		(25,000)	(50,000)
		4,352,336	5,270,736
Trade receivables due from related entities	26	38,778	191,098
Provision for expected credit loss	20	-	(182,168)
		38,778	8,930
Other receivables due from shareholders	26	3,629,038	3,250,134
Provision for expected credit loss	20	(3,053,868)	(3,053,868)
		575,170	196,266
Goods and services tax receivable		-	619,250
Government Grant		1,119,000	-
Other		139,470	144,570
		1,258,470	763,820
Non-current		-	-
Current		6,224,754	6,239,752
		6,224,754	6,239,752

**(a) Transfer of trade receivables**

The Group 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 Group 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 18).

**(b) Provision for expected credit loss**

Impairment losses on trade receivables and contract assets arising from the impairment of contracts with customers recognised in profit or loss were \$48,840 (2019: \$38,480). Impairment losses on receivables with related entities and shareholders recognised in profit and loss amounted to \$0 (2019: \$425,565).

The movement in the provision for expected credit loss in respect of trade and other receivables during the year was as follows.

<i>In dollars</i>	2020	2019
<b>Balance at 28 June 2019 (1 July 2018)</b>	3,286,036	2,810,472

**Youfoodz Holdings Pty Ltd**  
**Notes to the consolidated financial statements**  
For the year ended 25 June 2020

Write-off /(Addition)	(207,168)	475,564
<b>Balance at 25 June 2020 (27 June 2019)</b>	<b><u>3,078,868</u></b>	<b><u>3,286,036</u></b>

**13. Cash and cash equivalents**

**(a) Reconciliation of cash**

<i>In dollars</i>	2020	2019
Cash on hand	300	300
Cash at bank	<u>852,227</u>	<u>329,115</u>
<b>Cash and cash equivalents in the statement of financial position</b>	<b><u>852,527</u></b>	<b><u>329,415</u></b>
Bank overdrafts	-	(333,844)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b><u>852,527</u></b>	<b><u>(4,429)</u></b>

**(b) Reconciliation of operating cash flows**

<i>In dollars</i>	2020	2019
<b>Loss after tax</b>	<b><u>(6,399,644)</u></b>	<b><u>(34,708,201)</u></b>
<b>Non-cash flows in loss from ordinary activities</b>		
Amortisation	997,211	586,834
Depreciation	2,938,945	1,435,750
Impairment expense	48,840	464,005
Net (gain) on disposal of property, plant and equipment	-	40,722
<b>Changes in assets and liabilities</b>		
(Increase) / decrease in trade and other receivables	(362,935)	(1,123,276)
(Increase) / decrease in inventories	(2,162,880)	1,585,147
(Increase) / decrease in prepayments	(939,213)	(16,129)
Increase / (decrease) in trade and other payables	(13,330,694)	29,373,159
Increase / (decrease) in current tax asset (payable)	(41,000)	1,136,969
Increase / (decrease) in provisions	<u>109,738</u>	<u>37,183</u>
<b>Net cash from / (used in) operating activities</b>	<b><u>(19,141,633)</u></b>	<b><u>(1,187,838)</u></b>

**14. Property, plant and equipment**

See accounting policies in Notes 31.

**(a) Reconciliation of carrying amount**

<i>In dollars</i>	Land and buildings	Plant and equipment	Leasehold improvements	Furniture And fittings	Motor vehicles	Total
<b>Cost</b>						
Balance at 28 June 2019	-	5,677,805	2,211,195	725,796	32,845	8,647,641

**Youfoodz Holdings Pty Ltd**  
**Notes to the consolidated financial statements**  
For the year ended 25 June 2020

Recognition of right-of-use asset on initial application of AASB 16	2,110,438	1,447,728	-	-	-	3,558,166
Adjusted balance at 28 June 2019	2,110,438	7,125,533	2,211,195	725,796	32,845	11,509,237
Additions	3,455,163	567,194	27,586	16,086	-	4,762,599
Disposals	-	-	-	-	-	-
<b>Balance at 25 June 2020</b>	<b>5,565,601</b>	<b>7,692,727</b>	<b>2,238,781</b>	<b>741,882</b>	<b>32,845</b>	<b>16,271,835</b>

**Accumulated depreciation**

Balance at 28 June 2019	-	1,694,149	1,142,701	463,381	14,684	3,314,915
Right-of-use asset depreciation charge	1,230,594	552,923	-	-	-	1,783,517
Property, plant and equipment depreciation charge	-	652,412	378,331	120,957	3,728	1,155,428
Disposals	-	-	-	-	-	-
<b>Balance at 25 June 2020</b>	<b>1,230,594</b>	<b>2,899,484</b>	<b>1,521,032</b>	<b>584,338</b>	<b>18,412</b>	<b>6,253,859</b>

**Carrying amounts**

At 28 June 2019		3,983,656	1,068,494	262,415	18,161	5,332,726
<b>At 25 June 2020</b>	<b>4,335,007</b>	<b>4,793,243</b>	<b>717,749</b>	<b>157,544</b>	<b>14,433</b>	<b>10,017,976</b>

<i>In dollars</i>	Plant and equipment	Leasehold improvements	Furniture And fittings	Motor vehicles	Total
<b>Cost</b>					
Balance at 30 June 2018	5,091,668	1,934,251	680,172	58,221	7,764,312
Additions	586,938	276,944	136,403	-	1,000,285
Disposals	(801)	-	(90,779)	(25,376)	(116,956)
<b>Balance at 28 June 2019</b>	<b>5,677,805</b>	<b>2,211,195</b>	<b>725,796</b>	<b>32,845</b>	<b>8,647,641</b>

**Accumulated depreciation**

Balance at 30 June 2018	975,650	630,070	309,165	20,914	1,935,799
Depreciation	718,499	512,631	197,622	5,996	1,434,748

**Youfoodz Holdings Pty Ltd**  
**Notes to the consolidated financial statements**  
For the year ended 25 June 2020

Disposals	-	-	(43,406)	(12,226)	(55,632)
<b>Balance at 28 June 2019</b>	<b><u>1,694,149</u></b>	<b><u>1,142,701</u></b>	<b><u>463,381</u></b>	<b><u>14,684</u></b>	<b><u>3,314,915</u></b>

**Carrying amounts**

At 30 June 2018	4,116,018	1,304,181	371,007	37,307	5,828,513
<b>At 28 June 2019</b>	<b><u>3,983,656</u></b>	<b><u>1,068,494</u></b>	<b><u>262,415</u></b>	<b><u>18,161</u></b>	<b><u>5,332,726</u></b>

Property, plant and equipment includes right-of-use assets of \$5,421,209 related to leased properties that do not meet the definition of investment property (see Note 23).

**15. Intangible assets**

See accounting policy in Note 31.

**(a) Reconciliation of carrying amount**

<i>In dollars</i>	Software	Website	Total
<b>Cost</b>			
Balance at 28 June 2019	1,178,060	2,860,118	4,038,178
Additions	189,088	1,803,499	1,992,587
<b>Balance at 25 June 2020</b>	<b><u>1,367,148</u></b>	<b><u>4,663,618</u></b>	<b><u>6,030,767</u></b>

**Accumulated amortisation**

Balance at 28 June 2019	218,281	676,549	894,830
Amortisation	248,860	748,351	997,211
<b>Balance at 25 June 2020</b>	<b><u>467,141</u></b>	<b><u>1,424,900</u></b>	<b><u>1,892,041</u></b>

**Carrying amounts**

At 28 June 2019	959,779	2,183,569	3,143,348
<b>At 25 June 2020</b>	<b><u>900,007</u></b>	<b><u>3,238,718</u></b>	<b><u>4,138,725</u></b>

<i>In dollars</i>	Software	Website	Total
<b>Cost</b>			
Balance at 30 June 2018	531,311	1,437,200	1,968,511
Additions	646,749	1,422,918	2,069,667
<b>Balance at 28 June 2019</b>	<b><u>1,178,060</u></b>	<b><u>2,860,118</u></b>	<b><u>4,038,178</u></b>

**Accumulated amortisation**

Balance at 30 June 2018	50,500	257,496	307,996
Amortisation	167,781	419,053	586,834
<b>Balance at 28 June 2019</b>	<b><u>218,281</u></b>	<b><u>676,549</u></b>	<b><u>894,830</u></b>

**Carrying amounts**

At 30 June 2018	480,811	1,179,704	1,660,515
<b>At 28 June 2019</b>	<b><u>959,779</u></b>	<b><u>2,183,569</u></b>	<b><u>3,143,348</u></b>

**Youfoodz Holdings Pty Ltd**  
**Notes to the consolidated financial statements**  
For the year ended 25 June 2020

The Director compared the carrying value of intangible assets and other assets and liabilities of the Group to the implied value based on a transaction that occurred during the year 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 13.3% 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.

**16. Capital**

See accounting policies in Note 31.

**(a) Share capital**

	In shares 2020	In shares 2019	In dollars 2020	In dollars 2019
<b>"A" Class shares</b>				
On issue at 28 June 2019	-	-	-	-
Effect of shares issued in August 2019	1		50	
Effect of shares issued in January 2020	1	-	50	-
<b>On Issue at 25 June 2020</b>	<b>2</b>	<b>-</b>	<b>100</b>	<b>-</b>
<b>Ordinary shares</b>				
On issue at 28 June 2019	10,000	10,000	10,300	10,300
Effect of shares issued in September 2019	2,907	-	3,066,839	-
Effect of shares issued in October 2019	9,316	-	9,828,232	-
Effect of shares issued in January 2020	11,111	-	11,721,929	-
<b>On Issue at 25 June 2020</b>	<b>33,334</b>	<b>10,000</b>	<b>24,627,300</b>	<b>10,300</b>

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

**(i) Ordinary shares**

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

**(ii) A Class shares**

Under the Company's constitution the holders of A Class Shares have:

- No right to vote at any shareholders' meeting of the Company;
- No right to receive any dividend; and
- The rights and entitlements set out in a separate Deed Relating to A Class Shares (A Class Share Deed).

Under the terms of each A Class Share Deed, each A Class Share will automatically convert, by way of variation of status and rights, to fully paid ordinary shares in the Company 'just prior to' an exit event, including the sale or IPO of the Company. Each A Class Share Deed provides different entitlements. The key differences in the entitlements are as follows:

*A Class Share Deed dated 28 August 2019*

Under the terms of this Deed, the A Class Share will convert to the number of fully paid ordinary shares in the Company that would entitle the holder to 2.0% of the increase in the value of the Company between 16 August 2019 and the date the exit event occurs, subject to the holder remaining employed by the Company.

*A Class Share Deed dated 9 January 2020*

Under the terms of this Deed, the A Class Share will convert to the number of fully paid ordinary shares in the Company that would entitle the holder to 2.5% of the value of the Company calculated on the date the exit event occurs, subject to the holder remaining employed by the Company.

**Subsequent event – A Class Share issued subsequent to year end**

*A Class Share Deed dated 4 September 2020*

Under the terms of this Deed, the A Class Share will convert to the number of fully paid ordinary shares in the Company that would entitle the holder to 1.0% of the value of the Company in excess of \$100m calculated in the date the exit event occurs, subject to the holder remaining employed by the Company.

**17. Capital management**

See accounting policies in Notes 31.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The director seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

The Group monitors capital using a ratio of 'net debt' to 'equity'. Net debt is calculated as total liabilities (as shown in the statement of financial position) less cash and cash equivalents.

The Groups net debt to adjusted equity ratio at 25 June 2020 was as follows:

<i>In dollars</i>	2020	2019
Total liabilities	62,888,565	71,985,807
Less: cash and cash equivalents	(852,527)	(329,415)
<b>Net debt</b>	<b>62,036,038</b>	<b>71,656,392</b>
 <b>Total equity</b>	 <b>(36,223,751)</b>	 <b>(54,441,157)</b>
 <b>Net debt to equity ratio</b>	 <b>(1.71)</b>	 <b>(1.32)</b>

The Group had no mandated capital targets imposed in the current year.

**Youfoodz Holdings Pty Ltd**  
**Notes to the consolidated financial statements**  
For the year ended 25 June 2020

**18. Loans and borrowings**

See accounting policies in Notes 31.

<i>In dollars</i>	<i>Note</i>	2020	2019
Trade financing	(i)	3,063,805	2,439,828
Equipment financing		95,615	266,567
Online payment company- unsecured		-	200,819
<b>Loans and borrowings</b>		<b>3,159,420</b>	<b>2,907,214</b>
Non-current		-	-
Current		3,159,420	2,907,214
		<u>3,159,420</u>	<u>2,907,214</u>

(i) Includes supply chain and invoice financing and is secured by trade receivables. Effective interest rates average at 7.99%.

*Reconciliation of liabilities to cash flows from financing activities*

<i>In dollars</i>	Loans and Borrowings	Lease Liabilities	Share Capital	Totals
<b>Balance at 28 June 2019</b>	<b>2,907,214</b>	<b>3,558,166</b>	<b>10,300</b>	<b>6,475,680</b>
Proceeds from share issues	-	-	24,617,100	24,617,100
Proceeds from financing of Wholesale invoices	47,116,376	-	-	47,116,376
Payments of financed Wholesale invoices	(46,864,210)	-	-	(46,864,210)
Payment of lease liabilities	-	(2,232,037)	-	(2,232,037)
Total changes from financing cash flows	252,166	(2,232,037)	24,617,100	22,637,229
<b>Other changes</b>				
Non cash additions	-	3,646,560	-	3,646,560
Interest expense	-	897,840	-	897,840
<b>Balance at 25 June 2020</b>	<b>3,159,380</b>	<b>5,870,529</b>	<b>24,627,400</b>	<b>33,657,309</b>

<i>In dollars</i>	Loans and Borrowings	Share Capital	Totals
<b>Balance at 1 July 2018</b>	<b>471,995</b>	<b>10,300</b>	<b>482,295</b>
Proceeds from financing of Wholesale invoices	9,673,657	-	-
Payments of financed Wholesale invoices	(7,238,438)	-	2,435,219
Total changes from financing cash flows	2,435,219	-	2,435,219
<b>Balance at 27 June 2019</b>	<b>2,907,214</b>	<b>10,300</b>	<b>2,917,514</b>

**Youfoodz Holdings Pty Ltd**  
**Notes to the consolidated financial statements**  
For the year ended 25 June 2020

**19. Trade and other payables**

See accounting policy in Note 31.

<i>In dollars</i>	<i>Note</i>	2020	2019
Trade payables due to third parties		13,111,118	24,886,005
Trade payables due to related parties	26	194,994	540,705
Accrued expenses		10,001,309	14,712,918
Goods and services tax, PAYG and interest		26,649,351	24,045,678
<b>Trade and other payables</b>		<u>49,956,772</u>	<u>64,185,306</u>
Non-current		-	-
Current		<u>49,956,772</u>	<u>64,185,306</u>
		<u>49,956,772</u>	<u>64,185,306</u>

During the year ended 25 June 2020, the Group and the Australian Tax Office entered into a payment plan for outstanding Goods and Services Tax, PAYG and interest.

**20. Provisions**

See accounting policy in Note 31.

<i>In dollars</i>	Employee entitlements	Site restoration	Total
<b>Balance at 28 June 2019</b>	993,123	125,000	1,118,123
Provisions made during the year	158,727	-	158,727
Provisions used during the year	-	(150)	(150)
<b>Balance at 25 June 2020</b>	<u>1,151,850</u>	<u>124,850</u>	<u>1,276,700</u>
Non-current	-	124,850	124,850
Current	<u>1,151,850</u>	-	<u>1,151,850</u>
	<u>1,151,850</u>	<u>124,850</u>	<u>1,276,700</u>

The current provision for employee entitlements includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service. For these employees, the entire amount of the provision is presented as current, since the Company does not have an unconditional right to defer settlement for any of these obligations. Based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment of the current provision within the next 12 months.

**21. Financial instruments – Fair values and risk management**

**(a) Accounting classifications and fair values**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

There were no financial assets or financial liabilities measured at fair value at 25 June 2020 or 27 June 2019. Further, for the current year the fair value disclosure of lease liabilities is also not required.

**(b) Accounting classifications and fair values**

There were no financial assets or financial liabilities measured at fair value at 25 June 2020 or 27 June 2019. There were no transfers between Level 1 and 2, and no level 3 recurring fair values.

**(c) Financial risk management**

This note explains the Group's exposure to financial risks and how these risks could affect its future financial performance. Current year profit and loss information has been included where relevant to add further context. The Group's risk management is carried out by the Finance and Legal teams under supervision of the CFO.

Principal financial liabilities comprise of loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance and provide guarantees to support operations. Principal financial assets include trade and other receivables, cash and cash equivalents that derive directly from operations.

The Group is exposed to market risk, credit risk and liquidity risk. Financial risk management is carried out by the Finance department, which is overseen by senior management. The objective of financial risk management is to establish limits and ensure that the risk exposure stays within these determined limits. The usage of this method does not guarantee that the Group prevents all losses higher than these limits. Senior management reviews and agrees on policies for managing each of these risks.

**(i) Market risk**

The Group has exposure to the following market risk:

- Interest rate risk

*Interest rate risk*

Interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in the market interest rates. The Group has exposure to movements in interest rates arising from its portfolio of interest rate sensitive assets and liabilities. These principally include debt and cash.

The Group mostly has fixed interest rates on loans and does not enter into any derivative financial instruments to manage its interest rate risk.

**(ii) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk can arise as the Group offers various payment methods and other transactions with counterparties. The exposure to credit risk in its operating activities exists primarily in the form of trade receivables. The nature of the business limits the exposure towards trade receivables, since the majority of our customers usually pay before delivery. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset listed below:

<i>In dollars</i>	25 June 2020	27 June 2019
Cash and cash equivalents	852,527	329,415
Trade and other receivables	6,224,754	6,239,752
<b>Total</b>	<b>7,077,281</b>	<b>6,569,167</b>

Credit risk related to doubtful accounts that are subject to legal action or those overdue is monitored centrally on a regular basis. External collection agencies are engaged to pursue outstanding amounts.

#### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of individual customers. The Group has established a credit policy where each new Wholesale customer is analysed individually for creditworthiness before terms and conditions are confirmed. Sales and payment history are reviewed regularly by management. The Group limits its exposure risk to trade receivables by establishing a maximum payment period of 7 days to 2 months. The Group does not require collateral in respect of trade and other receivables.

A summary of the Group's exposure to credit risk for trade receivables is as follows:

<i>In dollars</i>	25 June 2020		27 June 2019	
<i>Less than four years' trading history with the Group:</i>	Not credit-impaired	Credit-impaired	Not credit-impaired	Credit-impaired
Trade receivables due from customers	4,352,336	25,000	5,270,736	50,000
Trade receivables due from related parties	38,778	-	8,930	182,168
Other receivables due from shareholders	575,170	3,053,868	196,266	3,053,868
Goods and services tax receivable	-	-	619,250	-
Government grant	1,119,000	-	-	-
Other	139,470	-	144,570	-
<b>Total gross carrying amount</b>	<b>6,224,754</b>	<b>3,078,868</b>	<b>6,239,752</b>	<b>3,286,036</b>
Loss allowance	-	(3,078,868)	-	(3,286,036)
	<b>6,224,754</b>	<b>-</b>	<b>6,239,752</b>	<b>-</b>

#### *Expected credit loss assessment for individual customers*

The following table provides information about the exposure to credit risk for trade receivables from individual customers as at 25 June 2020.

<i>In dollars</i>	Weighted-average loss rate	Gross carrying amount	Loss allowance	Credit Impaired
Current (not past due)	-	38,892	-	No
1-30 days past due	-	1,368,184	-	No
31-60 days past due	-	2,163,842	-	No
61-90 days past due	-	544,089	-	No
More than 90 days past due	10.53%	237,329	(25,000)	Yes
		<b>4,352,336</b>	<b>(25,000)</b>	

#### **Cash and cash equivalents**

The Group held cash and cash equivalents of \$852,527 at 25 June 2020 (27 June 2019: \$329,415). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA-, based on Standard & Poor's ratings.

#### (iii) Liquidity risk

The liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Management monitors cash balances and movements in cash regularly.

**Youfoodz Holdings Pty Ltd**  
**Notes to the consolidated financial statements**  
For the year ended 25 June 2020

**Exposure to liquidity risk**

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments.

25 June 2020

*In dollars*

<b>Non-derivative financial liabilities</b>	Carrying amount	Contractual cash flows	
		12 months or less	1-5 years
Trade payables	13,111,118	(13,111,118)	-
Goods and services tax, PAYG and interest	26,649,351	(10,298,225)	(16,351,126)*
Loans and borrowings	3,159,430	(3,159,430)	-
Lease liabilities	5,870,529	(1,475,655)	(4,394,874)
	<b>48,790,428</b>	<b>(28,044,428)</b>	<b>(20,746,000)</b>

27 June 2019

*In dollars*

<b>Non-derivative financial liabilities</b>	Carrying amount	Contractual cash flows	
		12 months or less	1-5 years
Trade payables	24,886,005	(24,886,005)	-
Goods and services tax, PAYG and interest	24,045,678	(1,652,007)	(22,393,671)*
Loans and borrowings	2,907,214	(2,907,214)	-
	<b>51,838,897</b>	<b>(29,445,226)</b>	<b>(22,393,671)</b>

\* The Group intends to settle these amounts within 12 months and accordingly has classified as current.

**22. Group Composition and parent entity disclosures**

See accounting policy in Note 31.

On 15 August 2019, Youfoodz Holdings Pty Ltd acquired 100% of the shares in the companies listed below.

<b>Name</b>	<b>Principal place of business</b>	<b>Ownership Interest</b>
		<b>2020</b>
Youfoodz Pty Ltd	Brisbane	100%
Youjuice Pty Ltd	Brisbane	100%
Fresh Four Pty Ltd	Brisbane	100%
IDK Pty Ltd	Brisbane	100%
YF IP Pty Ltd	Brisbane	100%

**(a) Parent entity disclosure**

As at, and throughout, the financial year ending 25 June 2020 the parent entity of the Group was Youfoodz Holdings Pty Ltd.

**Youfoodz Holdings Pty Ltd**  
**Notes to the consolidated financial statements**  
For the year ended 25 June 2020

<i>In dollars</i>	<i>Note</i>	2020	2019
<b>Result of parent entity</b>			
(Loss) for the year	12	(24,533,890)	-
<b>Total comprehensive (loss) for the year</b>		<b>(24,533,890)</b>	<b>-</b>
<b>Financial position of parent entity at year end</b>			
Current assets		93,590	-
Non-Current assets	13	-	-
Total assets	14	93,590	-
Current liabilities	16	80	-
Total liabilities		80	-
<b>Total equity of parent entity comprising of:</b>			
Share capital		24,627,400	-
(Loss) for the year		(24,533,890)	-
<b>Total equity</b>		<b>93,510</b>	<b>-</b>

### 23. Leases

See accounting policy in Note 30 and 31.

#### (a) Leases as Lessee (AASB 16)

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

##### (i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 14).

<i>In dollars</i>	<b>Land and buildings</b>	<b>Production equipment</b>	<b>Total</b>
Balance at 28 June 2019	2,110,438	1,447,728	3,558,166
Depreciation charge for the year	(1,230,594)	(552,923)	(1,783,517)
Additions to right-of-use assets	3,455,163	191,399	3,646,561
<b>Balance at 25 June 2020</b>	<b>4,335,007</b>	<b>1,086,202</b>	<b>5,421,209</b>

##### (ii) Incremental borrowing costs

In determining the incremental borrowing rate used to calculate the lease liability, the Group has applied judgement given its current balance sheet position. The Group has used an incremental borrowing rate based on assessment that its credit rating would approximate CCC+/ B- at transition date.

(iii) Amounts recognised in profit or loss

<i>In dollars</i>	<b>2020</b>
<b>2020 - Leases under AASB 16</b>	
Interest on lease liabilities	897,840
Expenses relating to outgoings for leases	441,761
Expenses relating to short-term leases or low-value assets	559,188
Depreciation expense on right-of-use assets	1,783,517
	<b>2019</b>
<b>2019 – Operating leases under AASB 117</b>	
Lease expense	2,637,241

(iv) Amounts recognised in statement of cash flows

<i>In dollars</i>	<b>2020</b>
<b>Total cash outflow for leases</b>	<b>3,232,987</b>

(v) Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the options. The Group reassesses whether it is reasonably certain to exercise the options if there is significant event or changes in circumstances within its control.

The Group has estimated that the potential future lease payments including extension options and included these amounts in the lease liability.

## 24. Commitments

The Group did not have any commitments at 25 June 2020 (27 June 2019: nil).

## 25. Contingencies

(a) Certain recent Court decisions, not involving Youfoodz, regarding the correct application of various employee entitlements may have a financial impact on the Group. The Group does not consider the majority of the principles relating to these Court decisions directly apply to the Group's employment arrangements. No provision has therefore been recognised in relation to these matters at 25 June 2020.

(b) Certain companies within the Group are party to various legal actions or commercial disputes. It is expected that any liabilities arising from these matters would not have a material effect on the Group. No provision has therefore been recognised in relation to these matters at 25 June 2020.

**26. Related parties**

**(a) Transactions with key management personnel**

*(i) Key management personnel compensation*

Key management personnel compensation comprised the following.

<i>In dollars</i>	2020	2019
Short-term employee benefits	1,283,231	1,184,430
Post-employee benefits	106,644	106,599
Other long-term benefits	15,536	6,909
	<b>1,405,411</b>	<b>1,297,937</b>

Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to superannuation plans.

The key management personnel compensation of \$1,405,411 for the year ended 25 June 2020 (2019: \$1,297,937) was included in administrative expenses in the statement of profit or loss and other comprehensive income. Key management personnel include the director and senior management (the CEO, CFO, COO, Head of Retail, Head of Marketing, and Head of People and Culture).

*(ii) Key management personnel transactions*

The director of the Company controls 30% of the voting shares of the Company.

**(b) Other related party transactions**

<b>Transaction values year ended</b>			
<i>In dollars</i>	<i>Note</i>	<b>25 June 2020</b>	<b>27 June 2019</b>
<b>Related entities</b>			
<i>Sales</i>			
Wholesale income	(iii)	38,778	191,098
<i>Operating expenses</i>			
Selling and marketing expenses	(i)	172,585	420,399
Trade and other receivables		38,778	191,098
Provision for expected credit loss		-	(182,168)
		<b>38,778</b>	<b>8,930</b>
Trade and other payables	(i)	(194,994)	(540,705)
<b>Shareholders</b>			
<i>Trade and other Receivables</i>			
Drawings and loans	(ii)	3,629,038	3,250,134
Provision for expected credit loss		(3,053,868)	(3,053,868)
		<b>575,170</b>	<b>196,266</b>

- (i) A related entity provides marketing services to the Group 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.
- (ii) Advances to the shareholder are on demand. \$250,000 of loans incur interest at 8% and the balance is interest free.
- (iii) Products that were sold during the year on behalf of Wheywhip and Dogfoodz.

None of the balances are secured. Provision for expected credit loss has been recognised in respect of amounts owed to and by related parties. No guarantees have been given or received.

**(c) Controlling shareholder**

The Group is controlled by RGT Capital Fund Number (6) Pty Limited.

**27. Subsequent events**

Subsequent to year end, the company has initiated a process that may lead to an IPO.

Other than the matter noted 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 director of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

**28. Auditor Remuneration**

<i>In dollars</i>	2020	2019
<b>Audit and review services</b>		
Audit of financial statements - Group	126,500	223,500
	<b>126,500</b>	<b>223,500</b>

**29. Basis of measurement**

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

**30. Change in accounting policy**

The Group has initially applied AASB 16 *Leases* from 28 June 2019. A number of other new standards are also effective from 28 June 2019, but they do not have a material effect on the Group's financial statements.

The Group applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 28 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.

**(a) 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 Group from 28 June 2019.

*(i) Definition of a lease*

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition of AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions were leases. The Group applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 28 June 2019.

*(ii) As a lessee*

As a lessee, the Group leases many assets including property, production equipment and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for these leases – i.e. the leases are on-balance sheet.

*(iii) Leases classified as operating leases under IAS 17*

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 28 June 2019. Right-of-use assets are measured at an amount equal to the lease liability.

The Group has tested its right-of-use assets for impairment on date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- Did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- Did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);

- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term.

*(iv) Impact on transition*

On transition to AASB 16, the Group recognised additional right-of-use assets, and additional lease liabilities. The impact on transition is summarised below.

<i>In dollars</i>	<b>28 June 2019</b>
Right-of-use assets	3,558,166
Lease liabilities	3,558,166

When measuring lease liabilities for leases, the Group discounted lease payments using its incremental borrowing rate at 28 June 2019. The rate applied ranged from 15.59% to 18.60% depending on the term of the leases and values of the leases.

<i>In dollars</i>	<b>28 June 2019</b>
Operating lease commitments at 27 June 2019 as disclosed under IAS 17 in the Group's consolidated financial statements	3,157,298
Impact of discontinuing using the incremental borrowing rate at 28 June 2019	(264,929)
- Recognition exemption for leases of low-value assets or with less than 12 months of lease term at transition	(559,188)
- Extension options reasonably certain to be exercised	1,224,985
Lease liabilities recognised at 28 June 2019	3,558,166

**b) Standards issued but not yet effective**

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- *Amendments to References to Conceptual Framework in IFRS Standards.*
- *Definition of a Business (Amendments to IFRS 3).*
- *Definition of Material (Amendments to IAS 1 and IAS 8).*
- *IFRS 17 Insurance Contracts*

**31. Significant accounting policies**

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise (see also Note 31).

**(a) Basis of consolidation**

*(i) 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.

*(ii) 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.

*(vi) 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.

**(b) 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
<b>Fresh ready-made meals, protein packed snacks &amp; cold pressed juices</b> 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	Revenue is recognised when the goods are delivered and have been accepted by customers at their premises. Payments received for goods not delivered at period end are recognised as contract liabilities.  For contracts that permit the customer to return

## Notes to the consolidated financial statements

For the year ended 25 June 2020

<p>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>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>
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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.

### (c) 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 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.

### (d) 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.

### (e) Income tax

On 15 August 2019, Youfoodz Holdings Pty Ltd became the head company of the tax-consolidated group. Prior to this date, tax was recognised separately by company.

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 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 Pty Ltd.

**(f) 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.

**(g) 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 Group.

*(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 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.

**(h) 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 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.

*(ii) 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.

*(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.

**(i) 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 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.

*(ii) Classification and subsequent measurement*

**Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised costs; FVOCI – 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.

#### **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.

#### **(iii) 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.

#### **(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 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.

#### **(j) 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.

#### **(k) Impairment**

##### **(i) 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.

Loss allowances for trade receivables, other 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. Loss rates are adjusted to reflect expectations of economic conditions over the lives of the receivables.

***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.

***(ii) 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, net of depreciation or amortisation, if no impairment loss had been recognised.

**(l) 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.

**(m) Leases**

The Group has applied AASB16 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.

*(i) 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.

**(i) 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.

**(n) Government grants**

The government grant is recognised as income when the Group is reasonably assured that it will comply with the conditions attaching to it, and the grant will be received. In the case of the government subsidy, the grant is recognised as a receivable when the associated wage payments are made. Receipt of reimbursement from the government reduces the receivable.

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.

Director's declaration

1. In the opinion of the director of Youfoodz Holdings Pty Ltd ('the Company'):
  - (a) the consolidated financial statements and notes that are set out on pages 5 to 42 are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Group's financial position as at 25 June 2020 and of its performance, for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The director draws attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Director:

Dated at .....6pm..... this .....19th..... day of ...October..... 2020



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Lance Dean Giles  
*Director*



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

To the Directors of Youfoodz Holdings Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Youfoodz Holdings Pty Ltd for the financial year ended 25 June 2020 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.

A stylized signature of the KPMG logo in blue ink.

KPMG

A handwritten signature in blue ink that reads 'S Board'.

Stephen Board  
*Partner*

Brisbane  
19 October 2020



# Independent Auditor's Report

To the shareholders of Youfoodz Holdings Pty Ltd

## Qualified opinion

We have audited the **Financial Report** of Youfoodz Holdings 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 Group's financial position as at 25 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 25 June 2020;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

## 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 of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 27 June 2019, which are stated in the statement of financial position at \$2,312,611. 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 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.

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 Group 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.

### 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 Group'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 Holdings 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, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report 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* 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 Group and 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 Group and Company or to cease operations, or have no realistic alternative but to do so.

## 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/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our Auditor's Report.



KPMG



Stephen Board  
*Partner*

Brisbane  
19 October 2020