



APPENDIX 4D AND INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 25 DECEMBER 2020

**YOUFOODZ HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

ABN 38 635 434 801



APPENDIX 4D (Listing rule 4.2A.3)

HALF-YEAR REPORT

NAME OF ENTITY	YOUFOODZ HOLDINGS LIMITED
ABN	38 635 434 801
REPORTING PERIOD	FOR THE HALF-YEAR ENDED 25 DECEMBER 2020
PREVIOUS PERIOD	FOR THE HALF-YEAR ENDED 26 DECEMBER 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

KEY INFORMATION	HALF-YEAR ENDED 25 DECEMBER					
		%		2020 A\$		2019 A\$
Gross revenue ¹	↑	16.5%	to	99,960,089	from	85,795,363
Revenue from ordinary activities	↑	15.3%	to	73,379,005	from	63,652,207
Gross profit	↑	20.9%	to	23,425,245	from	19,373,658
EBITDA ²	↓	70.6%	to	489,617	from	1,664,802
Profit / (loss) before tax	↑	nm	to	2,461,537	from	(1,940,455)
Profit / (loss) after tax attributable to the ordinary equity holders of Youfoodz Holdings Limited	↑	nm	to	2,461,537	from	(1,940,455)

DIVIDENDS

No dividends were declared or paid and are not proposed to be paid in respect of the half-year ended 25 December 2020.

NET TANGIBLE ASSET BACKING

	25 DECEMBER 2020 \$ PER SHARE	25 JUNE 2020 \$ PER SHARE
NET TANGIBLE ASSETS PER SHARE	\$0.20	\$(1,210.85)

The increase in net tangible assets per share relates to the increase in cash and cash equivalents due to the cash raised from the IPO in December 2020.

¹ Gross revenue is a non-IFRS financial measure and is unaudited. Gross revenue represents total revenue before terms and discounts.

² Youfoodz uses EBITDA (earnings before interest, tax, depreciation and amortisation) as a non-IFRS measure of business performance. Presented on an underlying basis, which excludes non-trading income.

CONTROLLED ENTITIES ACQUIRED OR DISPOSED OF

Nil.

ASSOCIATES AND JOINT VENTURE ENTITIES

Youfoodz Holdings Limited has not engaged in the acquisition or disposal of associates nor has it engaged in any joint ventures in the half-year ended 25 December 2020.

SUPPLEMENTARY INFORMATION

The previous corresponding period is the half-year ended 26 December 2019.

For additional disclosure in compliance with Listing Rule 4.2A.3, refer to the accompanying Interim Financial Report (which includes the Directors' Report) for the half-year ended 25 December 2020 and ASX Media Release.

BASIS OF PREPARATION

The interim financial report for the half-year period ended 25 December 2020:

- is for the entity consisting of Youfoodz Holdings Limited;
- is presented in Australian dollars, in accordance with the Australian Securities and Investment Commission Corporations Instrument 2016/191;
- has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001;
- has been prepared on a going concern basis; and
- does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report of Youfoodz Holdings Limited for the year ended 30 June 2020 and any public announcements made by Youfoodz Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report for the year ended 25 June 2020.

Contents

Directors' report	4
Lead auditor's independence declaration	8
Consolidated interim statement of financial position	9
Consolidated interim statement of profit or loss and other comprehensive income	10
Consolidated interim statement of changes in equity	11
Consolidated interim statement of cash flows	12
Notes to the condensed consolidated interim financial statements	13
Directors' declaration	25
Independent auditor's review report	27

DIRECTORS REPORT

The Directors of Youfoodz Holdings Limited (Youfoodz or the Company) present their report together with the consolidated interim financial statements of the Group, comprising Youfoodz and its controlled entities for the half-year ended 25 December 2020.

1. INITIAL PUBLIC OFFERING

On 8 December 2020 Youfoodz completed an Initial Public Offering (IPO) and became listed on the Australian Stock Exchange (ASX).

In accordance with the prospectus, Youfoodz raised \$70.0 million through the issue of 46.7 million shares.

2. DIRECTORS AND COMPANY SECRETARY

The following persons were directors of the Company during the half-year and up to the date of this interim report:

Name	Period of Directorship
Neil Kearney, Non-Executive Chairperson	Current, appointed 29 October 2020
Lance Giles, Managing Director and CEO	Current, appointed 9 August 2019
Andrew Duff, Non-Executive Director	Current, appointed 29 October 2020
Julie McPherson, Non-Executive Director	Current, appointed 29 October 2020
Stuart Nash, Non-Executive Director	Current, appointed 29 October 2020
Andrew Phillips, Company Secretary	Current, appointed 17 September 2020

3. PRINCIPAL ACTIVITIES

Youfoodz specialises in the production and distribution of high quality and affordable fresh, ready-made meals and other convenience food products for residential (home delivery), retail and corporate customers.

Products are marketed and distributed through an omni-channel sales model to home delivery customers via a direct-to-consumer offering (B2C) and via a business-to-business offering to supermarkets, independent grocers, petrol and convenience stores, corporate and government customers (B2B).

Youfoodz operates three production facilities in Brisbane, Australia and has developed a scalable, proprietary manufacturing technology to optimise production and supply-chain management.

4. REVIEW OF OPERATIONS

A\$ million	H1 FY2021	H1 FY2020		Variance (%)
B2C revenue	64,452,251	46,978,878	↑	37.2%
B2B revenue	35,507,838	38,816,485	↓	8.5%
Gross revenue³	99,960,089	85,795,363	↑	16.5%
Terms and discounts	(26,581,084)	(22,143,156)	↑	20.0%
Net revenue	73,379,005	63,652,207	↑	15.3%
Cost of goods sold	(49,953,760)	(44,278,549)	↑	12.8%
Gross profit	23,425,245	19,373,658	↑	20.9%
Marketing expenditure	(9,546,932)	(4,896,606)	↑	95.0%
Employee costs	(8,259,810)	(8,330,392)	↓	0.8%
Occupancy costs	(1,882,564)	(1,767,986)	↑	6.5%
General admin & other (excl. non-trading income)	(3,246,322)	(2,713,872)	↑	19.6%
Operating expenditure	(22,935,628)	(17,708,856)	↑	29.5%
EBITDA⁴	489,617	1,664,802	↓	70.6%
Depreciation & amortisation	(2,008,368)	(1,844,536)	↑	8.9%
EBIT	(1,518,751)	(179,734)	↓	nm
Net finance income / (expense) ⁵	2,064,109	(1,760,721)	↑	nm
Net operating profit / loss	545,358	(1,940,455)	↑	nm
Non-trading income ⁶	1,916,179	-	↑	nm
Net profit / (loss) before tax	2,461,537	(1,940,455)	↑	nm
Tax (expense) / benefit	-	-	↑	nm
NPAT	2,461,537	(1,940,455)	↑	nm

COMPANY PERFORMANCE

For the half year ended 25 December 2020 (H1 FY2021), gross revenue was \$100.0 million, up 16.5% on the prior comparative period (pcp), and net revenue was \$73.4 million, up 15.3%.

³ Gross revenue is a non-IFRS financial measure and is unaudited. Gross revenue represents total revenue before terms and discounts.

⁴ Youfoodz uses EBITDA (earnings before interest, tax, depreciation and amortisation) as a non-IFRS measure of business performance. Excludes non-trading income and post application of AASB 16.

⁵ Net finance expense for FY21 predominantly includes ATO interest rebate on settlement of indirect tax liabilities.

⁶ Non-trading income includes JobKeeper benefits received, net of COVID related costs, IPO expenses and share based payments.

This result was supported by a strong Q2 FY2021, where B2C customer acquisition initiatives delivered significant gains leading up to, and during, the traditional holiday period (a quarter which is seasonally affected and otherwise historically has experienced significantly softer volumes).

Youfoodz reported gross profit of \$23.4 million (up 20.9% vs pcp). With a continued focus on production efficiencies, gross profit margins increased to 31.9% (vs pcp of 30.4%).

Operating expenses (excluding marketing) increased by 4.5% vs pcp, predominantly reflecting increased activity during the period.

Marketing expenses increased by 95.0% vs pcp to \$9.5 million, reflecting the implementation of a revised marketing programme during FY2021 from an historically low base in FY2020 (the period during which Company deliberately slowed growth as part of its strategic reset - refer to the Company's Prospectus for further discussion), together with the strategic decision to bring forward the summer marketing campaign during Q2. This contributed to an 89.6% increase in new B2C customers acquisitions during the period.

In line with expectations, the Company delivered EBITDA (excluding certain one-off gains and expenses) of \$0.5 million for the period. This compared to EBITDA of \$1.7 million in H1 FY2020 (and an EBITDA loss of \$(4.4) million in H2 FY2020).

After allowing for depreciation and amortisation, net finance income (predominantly ATO interest rebate on settlement of indirect tax liabilities) and non-trading income (predominantly Job Keeper benefits, net of related costs), the Company reported a net profit after tax of \$2.5 million vs a loss of \$(1.9) million for pcp.

B2C (HOME DELIVERY)

B2C (Home Delivery) delivered an impressive result for the half, with strong growth achieved across key operating metrics, including:

- B2C orders up 34.5% vs pcp to 664,265;
- active B2C customers up 47.8% vs pcp to 197,563; and
- new customer acquisitions up 89.6% vs pcp to 87,895.

While new customer acquisitions grew significantly, it was pleasing that customer order frequency remained relatively consistent at approximately 2.7 per quarter. A key objective for Youfoodz is to improve order frequency through the implementation of such initiatives as encouraging adoption of the customer subscription offering.

These factors combined to drive a very strong revenue outcome for our B2C business, with gross revenue up an impressive 37.2% vs pcp to \$64.5 million (net revenue up 36.9% to \$51.3 million).

Following release of our Q2 Quarterly Business Update in January 2021, Youfoodz launched its partnership with Velocity, enabling Youfoodz customers to earn rewards points on any orders purchased. While still at an early stage, we have been extremely pleased with the customer take-up to date.

Following a range of customer orientated initiatives implemented during the half (including next day delivery into NSW and Subscription Service on App), together with the ongoing national summer marketing campaign, Youfoodz is achieving continued momentum into H2 FY2021, with strong levels of new customer acquisition and revenue generation being achieved in January 2021.

B2B (WHOLESALE)

During the H1 FY2021, sales to certain B2B customers declined as they were impacted by reduced foot traffic arising, in part, from state-by-state government strategies to address COVID-19. As a result, gross revenues for B2B declined 8.5% relative to pcp to \$35.5 million (net revenue down 15.7% to \$22.1 million). While sales began to recover during Q2 FY2021 as restrictions eased (including a record quarter for one large supermarket customer), we expect our wholesale customers may face ongoing challenges and uncertainty as pandemic restrictions evolve, including in response to any localised COVID-19 events.

Youfoodz continues to strengthen its wholesale relationships and explore ways to broaden the overall partner offering. This includes continuing to work with existing customers on range expansion (particularly in the supermarket and P&C channels) and targeting new wholesale customers.

CASHFLOW AND FINANCING

Cash receipts in H1 were \$80.4 million (versus net revenue of \$73.4 million, which excludes GST). Payments to suppliers were approximately \$80.0 million. After allowing for payment of indirect tax liabilities (\$22.5 million), net interest and income taxes, the operating cash outflow for the period was \$24.2 million.

Cash as at 25 December 2020 totalled \$39.0 million (net cash of \$35.0 million), positioning the Company well to fund its IPO objectives.

5. COVID-19 PANDEMIC

The Company was impacted by the COVID 19 pandemic with effect from 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.

6. EVENTS OCCURRING AFTER BALANCE DATE

In the opinion of the Directors, there are no matters or circumstances which have arisen between 25 December 2020 and the date of this report that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

7. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 8 and forms part of the directors' report for the six months ended 25 December 2020.

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



Neil Kearney
Chairman



Lance Giles
Managing Director and CEO

Brisbane, 24 February 2021



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

To the Directors of Youfoodz Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Youfoodz Holdings Limited for the half-year ended 25 December 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

A stylized signature of the KPMG logo, written in a cursive, handwritten style.

KPMG

A handwritten signature of Simon Crane, written in a cursive, handwritten style.

Simon Crane
Partner

Brisbane
24 February 2021

Consolidated interim statement of financial position

As at 25 December 2020

<i>In dollars</i>	<i>Note</i>	25 Dec 2020	25 June 2020
Assets			
Cash and cash equivalents	10	38,958,949	852,527
Trade and other receivables		5,917,625	6,224,754
Inventories		4,337,799	4,475,491
Prepayments		1,427,079	955,392
Total current assets		50,641,452	12,508,164
Property, plant and equipment	11	10,179,899	10,017,976
Intangible assets	13	4,642,245	4,138,725
Total non-current assets		14,822,144	14,156,701
Total assets		65,463,596	26,664,865
Liabilities			
Trade and other payables		22,788,964	49,956,773
Loans and borrowings	15	4,036,826	3,159,430
Lease liabilities	12	1,659,352	1,475,655
Current tax liabilities		(55,502)	1,787,897
Provisions		1,439,402	1,151,850
Contract liabilities		259,657	837,237
Total current liabilities		30,128,699	58,368,842
Provisions		124,851	124,850
Lease liabilities	12	4,226,728	4,394,874
Total non-current liabilities		4,351,579	4,519,724
Total liabilities		34,480,278	62,888,566
Net assets (liabilities)		30,983,318	(36,223,701)
Equity			
Share capital	14	88,636,571	24,627,400
Other reserves	8	736,311	-
Accumulated losses		(58,389,564)	(60,851,101)
Total equity		30,983,318	(36,223,701)

The Notes on pages 13 to 24 are an integral part of these condensed consolidated interim financial statements.

Consolidated interim statement of profit or loss and other comprehensive income

For the six months ended 25 December 2020

<i>In dollars</i>	<i>Note</i>	25 December 2020	26 December 2019
Revenue	5	73,379,005	63,652,207
Cost of sales		49,953,760	44,278,549
Gross profit		23,425,245	19,373,658
Other income	6	3,486,374	10,032
Selling and marketing expenses		9,546,932	4,896,606
Administration expenses		13,068,618	11,561,447
Other expenses		1,890,273	1,260,835
Depreciation and Amortisation		2,008,368	1,844,536
Operating expenses		26,514,191	19,563,424
Operating profit (loss)		397,428	(179,734)
Finance income		2,829,402	22
Finance costs		(765,293)	(1,760,743)
Net finance income/ (costs)	7	2,064,109	(1,760,721)
Profit or (loss) before tax		2,461,537	(1,940,455)
Income tax benefit (expense)	9	-	-
Profit or (loss) after tax		2,461,537	(1,940,455)
Other comprehensive income		-	-
Total comprehensive profit (loss)		2,461,537	(1,940,455)
Earnings per share			
Basic / Diluted earnings per share (dollars)		0.07	(374.79)

The Notes on pages 13 to 24 are an integral part of these condensed consolidated interim financial statements.

Consolidated interim statement of changes in equity

For the six months ended 25 December 2020

<i>In dollars</i>		Share Capital	Other reserves	Accumulated losses	Total equity
Balance at 25 June 2020		24,627,400	-	(60,851,101)	(36,223,701)
Total comprehensive income					
Profit or loss		-	-	2,461,537	2,461,537
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	2,461,537	2,461,537
Transactions with owners of the Company					
Issue of shares	14	70,000,050	-	-	70,000,050
Transaction costs on issue of shares	14	(5,990,879)	-	-	(5,990,879)
Total contributions and distributions		64,009,171	-	-	64,009,171
Employee share-based payment expense	8	-	736,311	-	736,311
Balance at 25 December 2020		88,636,571	736,311	(58,389,564)	30,983,318

<i>In dollars</i>		Share Capital	Accumulated losses	Total equity
Balance at 27 June 2019		10,300	(54,451,457)	(54,441,157)
Total comprehensive income				
Profit or loss		-	(1,940,455)	(1,940,455)
Other comprehensive income		-	-	-
Total comprehensive loss		-	(1,940,455)	(1,940,455)
Balance at 26 December 2019		10,300	(56,391,912)	(56,381,612)

The Notes on pages 13 to 24 are an integral part of these condensed consolidated interim financial statements.

Consolidated interim statement of cashflows

For the six months ended 25 December 2020

<i>In dollars</i>	Note	25 December 2020	26 December 2019
Cash flows from operating activities			
Cash receipts from customers		80,390,558	70,621,854
Cash paid to suppliers and employees		(80,001,807)	(67,244,972)
Cash generated from/ (used in) operating activities		388,751	3,376,882
Interest received		-	22
Indirect tax liabilities		(22,470,350)	-
Interest paid		(308,068)	(1,320,097)
Income taxes received/ (paid)		(1,843,398)	140,904
Net cash (used in)/ provided by operating activities		(24,233,065)	2,197,711
Cash flows from investing activities			
Acquisition of property, plant and equipment		(626,095)	(140,948)
Acquisition of intangible assets		(1,148,860)	(964,336)
Net cash used in investing activities		(1,774,955)	(1,105,284)
Cash flows from financing activities			
Transaction costs related to loans and borrowings			
Proceeds from share issues	14	70,000,050	(511)
Payments of share issue transaction costs	14	(5,550,879)	-
Payments of lease liabilities		(1,212,125)	(1,042,188)
Proceeds from loans and borrowings		25,000,000	-
Payments of loans and borrowings		(25,000,000)	-
Proceeds from working capital financing		31,097,326	27,676,994
Payments of working capital financing		(30,219,930)	(27,530,395)
Net cash (used in)/ provided by financial activities		64,114,442	(896,100)
Net increase in cash and cash equivalents		38,106,422	196,327
Cash and cash equivalents at 26 June 2020 (27 June 2019)		852,527	329,415
Cash and cash equivalents at 25 December 2020 (26 December 2019)		38,958,949	525,742

The Notes on pages 13 to 24 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

For the six months ended 25 December 2020

1. REPORTING ENTITY

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

The Group's registered address is at 52 Pritchard Rd, Virginia, Queensland. These condensed consolidated interim financial statements comprise Youfoodz Holdings Limited (the Company) and its subsidiaries (together referred to as the 'Group') and are as at and for the six months ended 25 December 2020.

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 Limited.

The Consolidated annual financial statements of the Group as at and for the year ended 25 June 2020 are available upon request from the Company's registered office at 52 Pritchard Rd, Virginia, Queensland.

2. BASIS OF ACCOUNTING AND PREPARATION

These Interim financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001 and with IAS 34 Interim Financial Reporting.

They do not include all the information required for a complete set of annual financial statements, however selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 25 June 2020.

These interim financial statements were authorised for issue by the Company's Board of Directors on 25 February 2021.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim 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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Going concern

The financial statements of the Group for the year ended 25 December 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.

Notes to the condensed consolidated interim financial statements

For the six months ended 25 December 2020

4. OPERATING SEGMENTS

The business segments reported are: B2C and B2B. The Company has identified its operating segments based on the internal reports that are reviewed and used by management in assessing performance and determining the allocation of resources.

	For the six months ended December 2020			For the six months ended December 2019		
<i>In dollars</i>	B2C	B2B	Total	B2C	B2B	Total
Revenue	51,286,390	22,092,615	73,379,005	37,801,391	25,850,816	63,652,207
Cost of sales	33,410,561	16,543,199	49,953,760	25,235,744	19,042,805	44,278,549
Gross profit	17,875,829	5,549,416	23,425,245	12,565,647	6,808,010	19,373,658
Other income			3,486,374			10,032
Selling and marketing expenses			9,546,932			4,896,606
Administration expenses			13,068,618			11,561,447
Other expenses			1,890,273			1,260,835
Depreciation and Amortisation			2,008,368			1,844,536
Operating expenses			<u>26,514,191</u>			<u>19,563,424</u>
Operating profit (loss)			397,428			(179,734)
Finance income			2,829,402			22
Finance costs			(765,293)			(1,760,743)
Net finance income/ (costs)			2,064,109			(1,760,721)
Profit or (loss) before tax			2,461,537			(1,940,455)
Income tax benefit (expense)			-			-
Profit or (loss) after tax			2,461,537			(1,940,455)
Other comprehensive income			-			-
Total comprehensive profit (loss)			2,461,537			(1,940,455)

5. REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements.

	For the six months ended December	
<i>In dollars</i>	2020	2019
Sales		
B2C income	51,286,390	37,801,391
B2B income	<u>22,092,615</u>	<u>25,850,816</u>
	<u>73,379,005</u>	<u>63,652,207</u>

The Group has deferred revenue of \$259,657 (26 December 2019: \$357,662) relating to paid customer orders yet to be delivered and recorded as contract liabilities.

Notes to the condensed consolidated interim financial statements

For the six months ended 25 December 2020

6. OTHER INCOME

Government grants

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 \$3,486,374 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 six months ended 25 December 2020.

7. NET FINANCE COSTS

<i>In dollars</i>	For the six months ended December	
	2020	2019
Interest income on:		
- Shareholder loan	-	22
- Settlement of financial liability	2,829,402	-
Finance income	2,829,402	22
Interest charges on lease liabilities	(457,226)	(440,646)
Financial liabilities measured at amortised cost - interest expense on borrowings	(308,067)	(1,320,097)
Finance costs	(765,293)	(1,760,743)
Net finance costs recognised in profit or loss	2,064,109	(1,760,721)

8. SHARE-BASED PAYMENT RESERVE

During the six months ended 25 December 2020, the Group had the following share-based payment arrangements.

a. Employee share gift programme (equity settled)

On 25 November 2020, the Group established an employee share gift programme for shares in the Company at a cost of \$1.50 per share. There are no vesting conditions on the employee share gifts.

All gifts were settled by physical delivery of shares. An expense of \$98,750 has been recognised in the consolidated interim statement of profit or loss and other comprehensive income. The terms and conditions of the employee share gifts granted during the six months ended 25 December 2020 are as follows.

<i>Grant date</i>	Number of shares	Vesting conditions
Share gifts to employees on 25 November 2020	65,772	None

Notes to the condensed consolidated interim financial statements

For the six months ended 25 December 2020

b. Conversion of "A" class shares (equity settled)

On 27 October 2020, the "A" class shares in the Company held by key management personnel were converted to 3,571,317 fully paid ordinary shares. There are no vesting conditions on the converted shares. These shares are escrowed until FY22 results date.

An expense of \$637,561 has been recognised in the consolidated interim statement of profit or loss and other comprehensive income. The terms and conditions of the conversion of shares are as follows.

<i>Conversion date</i>	<i>Number of shares</i>	<i>Vesting conditions</i>
"A" class share conversion to ordinary shares on 27 October 2020	3,571,317	None

9. INCOME TAX EXPENSE

<i>In dollars</i>	For the six months ended December	
	2020	2019
Current tax expense		
Current year (benefit) expense	-	-
Reconciliation of effective tax	2020	2019
Profit (loss) before tax from continuing operations	2,461,537	(1,940,455)
Tax using the Group's tax rate (30%)	738,461	(582,137)
Tax effect of:		
- Current year losses for which no deferred tax asset is recognised	(1,095,081)	(419,306)
- Non-deductible expenses	356,620	1,001,443
- Change in estimates related to prior years	-	-
Tax (benefit) expense	-	-

10. CASH AND CASH EQUIVALENTS

Reconciliation of cash		
<i>In dollars</i>	25 December 2020	25 June 2020
Cash on hand	300	300
Cash at bank	8,958,649	852,227
Short term deposits	30,000,000	-
Cash and cash equivalents in the interim statement of financial position and interim statement of cash flows	38,958,949	852,527

Notes to the condensed consolidated interim financial statements

For the six months ended 25 December 2020

11. PROPERTY, PLANT AND EQUIPMENT

ACQUISITIONS

During the six months ended 25 December 2020, the Group acquired assets with a cost of \$626,095 (six months ended 26 December 2019: \$140,948).

12. LEASES

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.

a. 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.

	Land and buildings	Production equipment	Total
<i>In dollars</i>			
Balance at 25 June 2020	4,335,708	1,085,501	5,421,209
Depreciation charge for the year	(621,023)	(319,252)	(940,275)
Additions to right-of-use assets	-	898,856	898,856
Balance at 25 December 2020	3,714,685	1,665,105	5,379,790

b. Lease liabilities

The Group leases a number of factory and office facilities, kitchen equipment, computer and other office equipment, and delivery vehicles.

<i>In dollars</i>	Total
Balance at 25 June 2020	5,905,687
Additions	771,729
Interest	457,226
Repayments	(1,212,125)
Balance at 25 December 2020	5,922,516

<i>In dollars</i>	25 December 2020	25 June 2020
Current	1,695,787	1,510,803
Non-current	4,226,728	4,394,874
Balance at 25 December 2020 (25 June 2020)	5,922,516	5,905,687

Lease liabilities on the consolidated interim statement of financial position include novated leases of (\$36,435) (25 June 2020: (\$35,148)).

Notes to the condensed consolidated interim financial statements

For the six months ended 25 December 2020

c. Amounts recognised in the consolidated interim statement of profit or loss and other comprehensive income

<i>In dollars</i>	For the six months ended December	
	2020	2019
Interest on lease liabilities	457,226	440,646
Expenses relating to outgoing for leases	85,780	155,434
Expenses relating to short-term leases or low-value assets	228,824	308,865
Depreciation expense on right-of-use assets	940,275	842,536

d. Amounts recognised in the consolidated interim statement of cashflows

<i>In dollars</i>	For the six months ended December	
	2020	2019
Total cash outflow for leases	1,526,729	1,506,487

13. INTANGIBLE ASSETS

Reconciliation of carrying amount

<i>In dollars</i>	Setup costs	Software	Website	Total
Cost				
Balance at 25 June 2020	-	1,367,148	4,663,618	6,030,766
Additions	181,781	78,031	889,048	1,148,860
Balance at 25 December 2020	181,781	1,445,179	5,552,666	7,179,626
Accumulated amortisation				
Balance at 25 June 2020	-	467,141	1,424,900	1,892,041
Amortisation	19,500	139,607	486,232	645,340
Balance at 25 December 2020	19,500	606,748	1,911,133	2,537,381
Carrying amounts				
At 25 June 2020	-	900,007	3,238,718	4,138,725
At 25 December 2020	162,281	838,431	3,641,533	4,642,245

Notes to the condensed consolidated interim financial statements

For the six months ended 25 December 2020

<i>In dollars</i>	Trademarks and patents	Software	Website	Total
Cost				
Balance at 28 June 2019	-	1,178,060	2,860,118	4,038,178
Additions	-	51,500	912,836	964,336
Balance at 26 December 2019	-	1,229,560	3,772,954	5,002,514
Accumulated amortisation				
Balance at 28 June 2019	-	218,281	676,549	894,830
Amortisation	-	-	-	-
Balance at 26 December 2019	-	218,281	676,549	894,830
Carrying amounts				
At 28 June 2019	-	959,779	2,183,569	3,143,348
At 26 December 2019	-	1,011,279	3,096,405	4,107,684

The CGUs were not tested for impairment as there were no impairment indicators at 25 December 2020.

14. CAPITAL

a. Issues of ordinary shares

	In shares 2020	In dollars 2020
Ordinary shares		
On issue at 25 June 2020	33,334	24,627,300
Effect of shares split in October 2020	84,101,682	-
Effect of "A" Class shares converted to ordinary shares in October 2020	3,571,317	150
Effect of shares issued in November 2020	46,725,779	70,000,000
Transaction costs	-	(5,990,879)
On Issue at 25 December 2020	134,432,112	88,636,571
On issue at 28 June 2019	10,000	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
On Issue at 25 June 2020	33,334	24,627,300

In October 2020 the Board of Directors authorized a share split, resulting in the issue of 84,101,682 ordinary shares.

In November 2020 the Board of Directors authorized the issue of 46,725,779 ordinary shares at a price of \$1.50 per share. These shares were issued and fully paid during the period.

Additionally, "A" class shares held by key management personnel were converted to 3,571,317 ordinary shares. All issued shares are fully paid.

Notes to the condensed consolidated interim financial statements

For the six months ended 25 December 2020

b. Issues of "A" Class shares

	In shares 2020	In dollars 2020
"A" Class shares		
On issue at 25 June 2020	2	100
Effect of shares issued in September 2020	1	50
On Issue at September 2020	3	150
Effect of shares split in October 2020	3,571,317	-
Effect of conversion to ordinary shares in October 2020	(3,571,317)	(150)
On Issue at 25 December 2020	-	-
On issue at 28 June 2019	-	-
Effect of shares issued in August 2019	1	50
Effect of shares issued in January 2020	1	50
On Issue at 25 June 2020	2	100

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.

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.

Notes to the condensed consolidated interim financial statements

For the six months ended 25 December 2020

Share split dated 26 October 2020 and conversion dated 27 October 2020

During the six months ended 25 December 2020, an exit event occurred, being the IPO of the Company. The A Class Shares were split and converted to 3,571,317 fully paid ordinary shares. An expense of \$637,561 has been recognised in the consolidated interim statement of profit or loss and other comprehensive income.

All A Class Shares are now converted and in escrow.

c. Dividends

No dividends were declared or paid by the Company for the six months ended 25 December 2020 (26 December 2019: nil).

15. LOANS AND BORROWINGS

<i>In dollars</i>	<i>Note</i>	25 December 2020	25 June 2020
Trade financing	(i)	3,998,432	3,063,805
Equipment financing		38,394	95,625
Loans and borrowings		4,036,826	3,159,430
Non-current		-	-
Current		4,036,826	3,159,430
		4,036,826	3,159,430

(i) Includes supply chain and invoice financing and is secured by trade receivables. Effective interest rates average at 6.1% (25 June 2020: 7.99%).

16. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

(a) Accounting classifications and fair values

There were no financial assets or financial liabilities measured at fair value at 25 December 2020 or 25 June 2020.

There were no transfers between Level 1 and 2, and no level 3 recurring fair values.

(b) 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.

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:

Notes to the condensed consolidated interim financial statements

For the six months ended 25 December 2020

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 December 2020	25 June 2020
Cash and cash equivalents	38,958,949	852,527
Trade and other receivables	5,917,625	6,224,754
Total	44,876,574	7,077,281

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.

Cash and cash equivalents

The Group held cash and cash equivalents of \$38,958,949 at 25 December 2020 (25 June 2020: \$852,527). 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.

Notes to the condensed consolidated interim financial statements

For the six months ended 25 December 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 December 2020

In dollars

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	
		12 months or less	1-5 years
Trade payables	12,725,066	(12,725,066)	-
Goods and services tax, PAYG and interest	911,165	(911,165)	-
Loans and borrowings	4,036,826	(4,036,826)	-
Lease liabilities	5,886,081	(1,659,352)	(4,226,728)
	23,559,138	(19,332,410)	(4,226,728)

25 June 2020

In dollars

Non-derivative financial liabilities	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)
	48,790,428	(28,044,428)	(20,746,000)

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

17. COMMITMENTS

The Group did not have any commitments at 25 December 2020 (26 December 2019: nil).

18. CONTINGENCIES

(a) Certain recent Court decisions, not involving the Group, 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 December 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 December 2020.

19. RELATED PARTIES

(a) Transactions with key management personnel

- (i) Key management personnel compensation

Notes to the condensed consolidated interim financial statements

For the six months ended 25 December 2020

Key management personnel compensation comprised the following.

<i>In dollars</i>	For the Six months ended December	
	2020	2019
Short-term employee benefits	1,293,328	674,532
Post-employee benefits	53,460	49,873
Other long-term benefits	4,594	3,024
	<u>1,351,382</u>	<u>727,429</u>

Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to superannuation plans. In the six months ended 25 December 2020, the non-cash benefits to key management personnel include the conversion of "A" class shares to fully paid ordinary shares (refer to Note 8).

(b) Other related party transactions

<i>In dollars</i>	<i>Note</i>	For the Six months ended December	
		2020	2019
Related entities			
<i>Sales</i>			
Wholesale income	(iii)	-	37,778
<i>Operating expenses</i>			
Selling and marketing expenses	(i)	28,722	135,753
		25 December 2020	25 June 2020
<i>Trade and other receivables</i>		38,778	38,778
<i>Provision for expected credit loss</i>		-	-
		<u>38,778</u>	<u>38,778</u>
<i>Trade and other payables</i>	(i)	(194,994)	(194,994)
Shareholders			
Drawings and loans	(ii)	3,512,728	3,629,038
Provision for expected credit loss		(3,053,868)	(3,053,868)
Loans and borrowings received	(iv)	25,000,000	-
Loans and borrowings paid	(iv)	(25,000,000)	-
Trade creditors	(iv)	(440,000)	-
		<u>18,860</u>	<u>575,170</u>

- (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 prior period on behalf of Wheywhip and Dogfoodz.
- (iv) RGT Capital provided a loan during the six months to 25 December 2020 that was paid back. An invoice for IPO related costs of \$440,000 is included in trade creditors.

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

Notes to the condensed consolidated interim financial statements

For the six months ended 25 December 2020

20. SUBSEQUENT EVENTS

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

21. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 25 June 2020. A number of new standards are effective from 1 July 2020 but they do not have a material effect on the Group's financial statements.

Directors' Declaration

In the opinion of the director of Youfoodz Holdings Limited ('the Company'):

1. the condensed consolidated interim financial statements and notes that are set out on pages 13 to 25 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 December 2020 and of its performance, for the six months ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Neil Kearney
Chairman



Lance Giles
Managing Director and CEO

Brisbane, 24 February 2021



Independent Auditor's Review Report

To the shareholders of Youfoodz Holdings Limited

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Youfoodz Holdings Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Youfoodz Holdings Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 25 December 2020 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated interim statement of financial position as at 25 December 2020
- Consolidated interim statement of profit or loss and other comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the Half-year ended on that date
- Notes 1 to 21 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Youfoodz Holdings Limited and the entities it controlled at the Half-year's end or from time to time during the Half-year period.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 25 December 2020 and its performance for the Half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Simon Crane
Partner

Brisbane
24 February 2021

