Appendix 4D

Half-year Report

Rule 4.2A.3
Introduced 1/1/2003

Name of entity:	**Yowie Group Limited**
ABN:	**98 084 370 669**

1. **Reporting period ("current period"):** **Half-year ended 31 December 2018**

Previous corresponding period: **Half-year ended 31 December 2017**

2. **Results for announcement to the market**

					US$'000
2.1	Revenue from ordinary activities	down	**4%**	to	**7,728**
2.2	Loss from ordinary activities after tax attributable to members	down	**75%**	to	**871**
2.3	Net loss for the period attributable to members	down	**75%**	to	**871**

2.4 The directors recommend that no amount be paid by way of dividend. No dividend has been paid or declared since the start of the financial period.

2.5 Record date for determining entitlements to dividends: N/A

2.6 An explanation of the above figures is contained in the "Review of Operations" included within the attached directors' report.

3. **Net tangible assets**

	Current Period *(cents)*	**Previous Corresponding Period** *(cents)*
Net tangible asset backing per ordinary share	12.56	14.02

4. **Details of entities over which control has been gained or lost during the period**

N/A

5. **Dividends**

No dividends have been paid or declared during or since the beginning of the reporting period.

6. **Dividend reinvestment plans**

No dividend reinvestment plans are in operation.

7. **Details of associates and joint venture entities**

N/A

8. **Accounting standards for foreign entities**

The Group applied Australian Accounting Standards to all entities in the Group including its overseas subsidiaries.

9. **Auditor's review report**

The accounts were subject to a review by the auditor and the review report is attached as part of the half-year report.

YOWIE GROUP LTD

ABN 98 084 370 669

HALF-YEAR
FINANCIAL REPORT

31 DECEMBER 2018

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COMPANY DIRECTORY

DIRECTORS:	Mr Louis Carroll (Non-Executive Chairman) Mr Mark Schuessler (Managing Director) Mr Glen Watts (Non-Executive Director)
KEY MANAGEMENT:	Mr Wayne Brekke (Group Chief Financial Officer) Ms Cynthia Thayer (Group Chief Marketing Officer)
COMPANY SECRETARY:	Mr Neville Bassett
REGISTERED AND PRINCIPAL OFFICE:	Level 4 216 St Georges Terrace Perth WA 6000 Telephone: +61 8 6268 2640
ABN:	98 084 370 669
COMPANY WEBSITE ADDRESS:	www.yowiegroup.com www.yowieworld.com
AUDITORS:	Deloitte Touche Tohmatsu Tower 2, Brookfield Place 123 St Georges Terrace Perth WA 6000
SHARE REGISTRY:	Link Market Services Limited Level 12, QV1 Building 250 St Georges Terrace Perth WA 6000 Telephone: 1300 554 474 or +61 2 8280 7111
ASX CODE:	YOW

Dear Shareholders,

In presenting the Half-Year results, the Board would like to update you on our strategies and initiatives to deliver profitable growth and positive cash flow given the competitive dynamics in the US confectionary market.

Our recent performance has been well short of our and shareholder expectations. We are disappointed that an extremely competitive environment in the US has brought about this result. As previously reported, a major competitor in the global surprise-inside market sector has entered the US market with a significant dollar investment on a promotional campaign to gain market share. It was the only large manufacturer to grow during the period. This campaign has also adversely affected the other confectionary manufacturers, including the majors. In response, the majors have increased the intensity of their campaigns and promotions. This has led to very competitive market conditions. Despite this, Yowie's value proposition is strong and our comparative performance has been good. We continue to make progress in expanding our distribution footprint.

We have adjusted our marketing expenditures in both the US and Australia to build greater trial and awareness, in addition to changing our social media platform allocations and adding paid media to extend reach and engagement levels.

We are confident we can prosper in the US market, notwithstanding these challenging market conditions and we have clear strategies to improve our position and performance.

Yowie Bites will be launched into more than 50% of our largest customer's stores in May, along with several other major retailers in the Grocery, Convenience and Drug channels. We expect the product to be performing strongly by the end of the financial year.

Further new lines, in addition to Yowie bites, are in development.

Importantly, for our continued growth, we have added the Supervalu national chain of 900 Grocery stores with shipments commencing before the end of the fiscal year, along with 2 other regional Grocery chains with 300+ stores. We have also added a further 1,200 convenience stores and the Rite Aid chain of 1,000 stores acquired by Walgreens.

We are actively exploring synergistic alliances.

Our first half positive operating cash flow of US$148,000, despite the disappointing sales, is very encouraging. Our expectation is to achieve profitable trading by the end of this financial year.

Your board and management are aware of your expectations for an improved performance, and I can assure you we are working hard to improve the situation.

Louis Carroll
Non-Executive Chairman

Your Directors submit their report for Yowie Group Ltd ("Yowie or the Group") and the consolidated entity ("the Group") for the half-year ended 31 December 2018.

DIRECTORS

The names of the Group's Directors in office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Louis Carroll
Mr Mark Schuessler
Mr Glen Watts
Mr William Johnson *(resigned on 8 October 2018)*

PRINCIPAL ACTIVITY

Yowie Group Limited is a global brand licensing Company, specialising in the development of consumer products designed to promote learning, understanding and engagement with the natural world through the adventures and exploits of six endearing Yowie characters. Educating children and adults about the environment and ecology and 'Save the Natural World' is at the heart of the Yowie proposition. Yowie Group Limited employs its company-owned intellectual property rights to supply Yowie branded chocolate confectionery product, a digital platform and Yowie branded licensed consumer products. The Group's vision for the Yowie brand is to distribute on a widening basis the Yowie product in the US (United States of America) and ANZ (Australia and New Zealand) with further international expansion.

OPERATING AND FINANCIAL REVIEW

During the half-year the Group continued to focus on building a strong sales and distribution network both in the US and ANZ markets, with some updates below.

Sales and Distribution

<u>Global</u>

- Global net sales were US$7.73 million for the half-year ended 31 December 2018, 4% lower than the previous corresponding period (US$8 million, including the stock adjustment claim*) and 23% lower compared to the previous corresponding period (US$10 million, excluding the stock adjustment claim*). The reason for the slowdown in sales is discussed further under the North America section.

  * Please refer to the announcement made on 12 January 2018 for further details on the stock adjustment claim.

- The Group continued to progress towards broadening its distribution network and growing market share, discussed further below.

OPERATING AND FINANCIAL REVIEW (continued)

Sales and Distribution (continued)

North America

- The slowdown in sales is primarily due to increased significant competitive activity in November and December in the US. Several competitors made large investments to respond to the global surprise-inside competitor which launched in December 2017 and increased its investments again in November 2018. The effect of this heavy investment was the global surprise-inside competitor made large market share gains and is expanding its leadership as the #1 selling chocolate item. The Group's other major competitors' market share, despite increasing their own investments, were flat or declined. Other novelty competitors were down overall.

  Additionally, in December 2018, The Group's major customer commenced a program to reduce its days on hand inventory targets across the front-end candy section, further softening the Group's sales in Q2. This impacted on shipments into the warehouse although this did not affect underlying consumer demand.

  The Group is addressing the current landscape by pursuing off-peak display opportunities, adding a new Yowie item starting in May 2019, continuing distribution expansion and refocusing marketing spending.

- Expansion into new retailers in the United States market include new commitments from several regional grocery chains, Bashas' with 118 stores in Arizona, Homeland Stores with 90 stores in Oklahoma and Dierbergs Markets with 25 stores in Missouri. We also have commitments from several substantial Convenience chains, namely Circle K Arizona, Circle K Texas and Kroger Convenience.

- For the past 13 weeks ending 29 December 2018, total US distribution including Convenience increased to 42.8%, a rise of 8.9% ACV* (26% growth) compared to twelve months ago.

	ACV%		
Channel	***2018***	***2017***	***Change***
Total US + Conv	42.8	33.9	+8.9
Convenience	24.2	9.9	+14.2
Food	19.8	13.4	+6.5
Drug	22.5	16.0	+6.5
Mass	98.9	97.0	+1.9

* Percentage relates to the Nielsen measurement of the numbers of stores that carry Yowie brand, indicating product availability to the consumer based on ACV (All Commodity Volume) and xAOC (eXtended All Outlets Combined: Food, Drug, Mass and Convenience)

OPERATING AND FINANCIAL REVIEW (continued)

Sales and Distribution (continued)

Australia and New Zealand (ANZ)

- The Australian market continues to be a focal point for our growth. With full distribution in Woolworths, the Group is getting more aggressive to compete nationally in a very competitive and entrenched novelty segment. Yowie has been accepted in Caltex, the largest service station operator in Australia. The Group expects more distribution throughout Australia and growth in New Zealand.

Marketing

- Marketing spend is shifting from organic reach to using paid ads to connect to the consumer, promote collectability and broaden reach and awareness. The Group is also shifting its focal platforms to better reach targeted consumers. The purpose of this shift is to drive penetration into more households by leveraging high reach messaging channels to promote swift trial of Yowie products.

- The Group also continues its focus on providing unique digital experiences to the consumers. A collector app, YowieScope™, and a new digital app game, Yowie Yopter™, were launched to keep the consumers engaged with the Yowie brand.

- The Group is excited to introduce Yowie Bites launch in the US market which will be on shelf in May 2019. Yowie Bites has been accepted into our largest US consumer and additional retailers committing to the item in this financial year. The competitively priced offering will introduce children to some of the most intriguing animals of land, sea and sky, along with their geographical habitats.

  Yowie Bites is the initial addition of new Yowie branded confection items to broaden our appeal, encourage collectability and promote our mission of educating children about the natural world.

OPERATING AND FINANCIAL REVIEW (continued)

Corporate

- In November 2018, Mr Wayne Brekke joined the Group as Global Chief Financial Officer (GCFO) with extensive financial leadership positions in food, consumer products and manufacturing with companies such as McDonald's, Kraft Foods and AC Nielsen.

- In December 2018, Ms Cynthia Thayer joined the Group as Global Chief Marketing Officer (GCMO) with over 25 years of marketing expertise in key areas including brand architecture development, market research, CPG consumer advertising across traditional and digital channels, retail and shopper marketing, licensing, toy design and new product development.

  Ms Thayer replaced Mr Cove Overley who left the Group to pursue other interests. The Board thank Mr Overley for his contribution to the Yowie brand during his tenure.

- Mr William Johnson resigned from his position as Non-Executive Director on 8 October 2018.

- These organisational changes increase the Group's operations capability while keeping the cost neutral with other staff changes. This serves as a continuation of our commitment to drive growth, reduce cost, expand distribution, improve efficiency and enhance innovation.

Outlook

- With the ongoing competitive activity in the US, the Group now expects to trade EBITDA profitably on a run rate basis by the end of FY2019 and to deliver on the 5% EBITDA margin guidance during FY2020.

- Addressing sales growth will continue to be the Group's top priority. The Group is focused on driving more US distribution with the 50% ACV mark as the next objective and expanding our Australian distribution.

- The Group also continues to evaluate every aspect of the business and cost structure. Cost saving program commenced in January 2018 resulted in annualised savings of US$1.8 million in Administration, US$0.5 million in Selling & Distribution, US$1.3 million in Marketing and US$1 million in Product Design.

- Innovation is critical to keep the Yowie brand fresh, drive collectability and eventually grow sales. The Group will continue to launch new Yowie Series regularly and bring new offerings such as Yowie Bites to address consumer needs and diversify the Group's portfolio. The Group will also continue to update and add digital experiences to keep the consumers engaged with Yowie brand.

OPERATING AND FINANCIAL REVIEW (continued)

Financial Overview

- Total revenue for the half-year ended 31 December 2018 was US$7.73 million, a decrease of 4% over the previous corresponding period (US$8 million, including the stock adjustment claim) and a decrease of 23% over the previous corresponding period (US$10 million, excluding the stock adjustment claim).

- The Group made a significant improvement on EBITDA during the period compared to last year.

  EBITDA loss, before share-based payments expense, for the half-year ended 31 December 2018 was US$0.75 million compared to US$4.24 million (including the stock adjustment claim) for the previous corresponding period.

- During the period, the Group recorded an impairment of non-current assets of $0.4 million to adjust the net book value of idle production equipment to its current market value as estimated by the equipment manufacturer. The production equipment became idle during the period as the Group commissioned new equipment which results in an improved efficiency of the production plant and lower production cost.

- Net loss after tax attributable to members is US$0.87 million, a decrease of 75% from the loss incurred in the previous corresponding period.

- As at 31 December 2018 the Group's consolidated cash position was US$18.75 million (30 June 2018: US$19.47 million).

- The net assets of the Group decreased by 4% from US$29.6 million as at 30 June 2018 to US$28.3 million as at 31 December 2018.

- Net cash flows from operating activities for the half-year ended 31 December 2018 were a surplus of US$0.15 million compared to a negative operating cash flows of US$3.33 million in the previous corresponding period.

  A summary of the cash flows for the Group during the period is as follows:

Cash flows used in:	**US$**
- Operating activities	0.15 million
- Investing activities	(0.72 million)
- Financing activities	(0.01 million)
Net cash flows for the year	**(0.58 million)**
Opening cash balance	19.47 million
Effect of foreign exchange movements	(0.14 million)
Closing cash balance	**18.75 million**

EVENTS SUBSEQUENT TO BALANCE DATE

Refer to Note 13 in the Notes to the Consolidated Financial Statements.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 10 of the financial report.

Signed in accordance with a resolution of the Directors.

Louis Carroll
Non-Executive Chairman

26 February 2019

Deloitte.

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The Directors
Yowie Group Limited
Level 4, 216 St Georges Tce
Perth WA 6000

26 February 2019

Dear Directors,

Yowie Group Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Yowie Group Limited.

As lead audit partner for the review of the financial statements of Yowie Group Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Ian Skelton
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Consolidated Half-Year Ended 31 Dec 2018 US$	Half-Year Ended 31 Dec 2017 US$
Sale of goods		**7,728,395**	8,008,580
Cost of sales		**(4,148,180)**	(4,513,647)
Gross profit		**3,580,215**	3,494,933
Selling and distribution		**(2,191,785)**	(2,572,289)
Marketing		**(397,303)**	(1,754,744)
Administration	3(a)	**(1,822,435)**	(2,665,556)
Other income		**111,029**	28,268
Foreign exchange gains / (losses)		**210,322**	(185,322)
(Impairment) / reversal of impairment of non-current assets	3(b)	**(393,404)**	472,858
Loss before income tax		**(903,361)**	(3,181,852)
Income tax (expense) / benefit		**31,919**	(277,450)
Loss after income tax for the year		**(871,442)**	(3,459,302)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Movement in foreign currency translation reserve		**(373,429)**	274,255
Total comprehensive loss for the year net of tax attributable to members of the Company		**(1,244,871)**	(3,185,047)
Loss per share attributable to members of the Company			
Basic loss per share (cents)	4	**(0.40)**	(1.61)
Diluted loss per share (cents)	4	**(0.40)**	(1.61)

This consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Consolidated 31 Dec 2018 US$	30 Jun 2018 US$
Current Assets			
Cash and cash equivalents		**18,751,094**	19,466,956
Trade and other receivables	5	**1,320,374**	2,870,777
Prepayments	6	**1,695,379**	1,621,423
Inventories	7	**3,052,277**	3,307,782
Total Current Assets		**24,819,124**	27,266,938
Non-Current Assets			
Plant and equipment		**4,714,844**	4,447,954
Intangible assets		**938,652**	860,931
Deferred tax assets		**722,944**	680,604
Total Non-Current Assets		**6,376,440**	5,989,489
Total Assets		**31,195,564**	33,256,427
Current Liabilities			
Trade and other payables	8	**2,899,311**	3,566,675
Provisions		**5,068**	3,548
Current tax liabilities		**-**	51,298
Unearned income		**-**	45,684
Total Current Liabilities		**2,904,379**	3,667,205
Total Liabilities		**2,904,379**	3,667,205
Net Assets		**28,291,185**	29,589,222
Equity			
Issued capital	9	**55,703,545**	55,635,991
Reserves		**(470,766)**	23,383
Accumulated losses		**(26,941,594)**	(26,070,152)
Total Equity		**28,291,185**	29,589,222

This consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Consolidated				
	Issued capital US$	Share-based payment reserve US$	Foreign currency translation reserve US$	Accumulated losses US$	Total US$
Balance at 1 July 2017	55,198,677	7,363,748	(2,256,273)	(24,112,586)	36,193,566
Loss for the half-year	-	-	-	(3,459,302)	(3,459,302)
Other comprehensive income					
Foreign currency translation	-	-	274,255	-	274,255
Total comprehensive income/(loss) for the half-year	-	-	274,255	(3,459,302)	(3,185,047)
Transactions with owners recorded directly in equity					
Shares issued under YOW Employee Incentive Plan	316,194	(537,092)	-	-	(220,898)
Shares issue transaction costs	(2,762)	-	-	-	(2,762)
Share-based payments	-	(828,108)	-	-	(828,108)
Balance as at 31 December 2017	55,512,109	5,998,548	(1,982,018)	(27,571,888)	31,956,751
Balance at 1 July 2018	**55,635,991**	**2,554,962**	**(2,531,579)**	**(26,070,152)**	**29,589,222**
Loss for the half-year	**-**	**-**	**-**	**(871,442)**	**(871,442)**
Other comprehensive income					
Foreign currency translation	**-**	**-**	**(373,429)**	**-**	**(373,429)**
Total comprehensive income/(loss) for the half-year	**-**	**-**	**(373,429)**	**(871,442)**	**(1,244,871)**
Transactions with owners recorded directly in equity					
Shares issued under YOW Employee Incentive Plan	**70,273**	**(70,273)**	**-**	**-**	**-**
Shares issue transaction costs	**(2,719)**	**-**	**-**	**-**	**(2,719)**
Share-based payments	**-**	**(50,447)**	**-**	**-**	**(50,447)**
Balance as at 31 December 2018	**55,703,545**	**2,434,242**	**(2,905,008)**	**(26,941,594)**	**28,291,185**

This consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Yowie Group Ltd

	Consolidated Half-Year Ended 31 Dec 2018 US$	Half-Year Ended 31 Dec 2017 US$
Cash flow from operating activities		
Receipts from customers	**8,662,024**	9,876,254
Other receipts	**2,155**	1,902
Payments to suppliers and employees	**(8,540,632)**	(13,145,890)
Interest received	**86,312**	23,764
Income taxes paid	**(61,739)**	(87,206)
Net cash flows used in operating activities	**148,120**	(3,331,176)
Cash flow from investing activities		
Payments for plant and equipment	**(469,861)**	(248,642)
Payments for intangible assets	**(253,355)**	(700,951)
Net cash flows used in investing activities	**(723,216)**	(949,593)
Cash flow from financing activities		
Payment of share issue transaction costs	**(1,472)**	(7,865)
Net cash flows used in financing activities	**(1,472)**	(7,865)
Net change in cash and cash equivalents	**(576,568)**	(4,288,634)
Cash and cash equivalents at beginning of period	**19,466,956**	26,877,580
Effect of foreign exchange movements	**(139,294)**	100,441
Cash and cash equivalents at end of period	**18,751,094**	22,689,387

This consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. BASIS OF PREPARATION

These condensed consolidated financial statements for the half-year reporting period ended 31 December 2018 have been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2018 and any public announcements made by Yowie Group Ltd during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New and amended standards adopted by the Group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Further details are provided below.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

AASB 15 *Revenue from Contracts with Customers*

The Group has adopted this standard from 1 July 2018. The introduction of this standard did not have any material impact on the consolidated entities financial statements given there is a single performance obligation recognised at a point in time which does not differ from the recognition under the previous standard, accordingly, there are no retrospective adjustments.

Additional disclosure of the consolidated entities revenue accounting policies as required by the standard are included below:

Revenue recognition

The Group recognises revenue predominately from the sale of goods.

Sale of goods
Revenue is recognised when control of the product is transferred, being either when the product is delivered to the customer or, in some instance, when the customer picks up the product, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products.

1. BASIS OF PREPARATION (continued)

New and amended standards adopted by the Group (continued)

AASB 15 *Revenue from Contracts with Customers* (continued)

Revenue from sales is recognised based on the arrangement between the customer and the Group. The arrangements in place do not commit customers to purchasing a specified quantity nor commit Yowie to deliver the same, but set out the terms and conditions that apply between the parties at the time an order is placed by a customer and accepted by the Group. The terms and conditions cover, as appropriate to the customer, pricing, settlement of liabilities, rebate allowances and any other negotiated performance obligations.

The rebate allowances relate to the customers right to claim promotional discounts and spoilage of goods. At the point of sale, promotional discounts, spoilage allowance and corresponding adjustment to revenue is recognised for those products expected to be claimed by customers. The Group uses its accumulated historical experience and, whenever available, mutually agreed terms to estimate the rebate allowances on a per customer basis.

No element of financing is present in the pricing arrangement. Settlement terms are generally credit terms of 30 to 60 days. Terms reflect negotiations with customers, policies, procedures and controls held by each business unit as it relates to customer credit risk. For customers who purchase on credit, a receivable is recognised when the products are delivered or picked up as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Interest revenue
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest revenue over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

AASB 9 *Financial Instruments*

The Group has adopted this standard from 1 July 2018. The introduction of this standard did not have any material impact on the Group's financial statements given there is no history of losses from receivables with customers and the short nature of our credit terms, accordingly, there are no retrospective adjustments.

1. BASIS OF PREPARATION (continued)

New and amended standards adopted by the Group (continued)

AASB 9 *Financial Instruments* (continued)

Additional disclosure of the Group's Financial Instruments accounting policies as required by the standard are included below:

Financial assets
AASB 9 has three classification categories for financial assets; amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss.

The classification is based on the business model under which the financial asset is managed and its contractual cash flows. Compared to AASB 139, the FVOCI and amortised cost categories have been added and the held-to-maturity, loans and receivables and available for sale classification categories have been removed. The Group only have financial assets measured at amortised cost.

Amortised cost
A financial asset is measured at amortised cost if both of the following conditions are met:
(i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the sole payment of principal and interest (SPPI) requirements.

Impairment of Financial assets
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, contract debtors and lease receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial liabilities
AASB 9 largely retains the existing requirements of AASB 139 for the classification and measurement of financial liabilities. The Group's financial liabilities are measured at amortised cost.

Trade and other payables
Liabilities are recognised for amounts to be paid for goods or services received. Trade payables are settled on terms aligned with the normal commercial terms in operations.

2. SEGMENT REPORTING

The Group has only one reportable segment, which relates to the operations of its confectionery business, with production carried out under a contract manufacturing arrangement. The net result is presented on a consolidated basis.

Major customer information

The revenue from major customers set out below arises from the sale of Yowie chocolate confectionery product.

	Consolidated	
	Half-Year Ended 31 Dec 2018 US$	**Half-Year Ended 31 Dec 2017 US$**
Major customer 1 (after stock adjustment claim) [1]	**4,158,105**	3,526,240
% of Total Net Sales	**54%**	44%
Major customer 2	**886,064**	1,609,663
% of Total Net Sales	**11%**	20%

[1] Stock adjustment claim of US$1.95 million only relates to half-year ended 31 December 2017. Please refer to the announcement made on 12 January 2018 for further details on the stock adjustment claim

3. EXPENSES

(a) Administration

	Consolidated	
	Half-Year Ended 31 Dec 2018 US$	**Half-Year Ended 31 Dec 2017 US$**
Employee benefits	**690,917**	1,523,905
Consultancy, business development and travel	**196,561**	752,877
Legal, tax, listing, compliance and insurance	**414,432**	495,998
Share-based payment expense [1]	**(50,447)**	(828,108)
Depreciation and amortisation	**127,263**	87,007
Other administrative expenses	**443,709**	633,877
	1,822,435	2,665,556

[1] Share-based payment expense for the half-year ended 31 December 2018 and half-year ended 31 December 2017 is a negative balance due to performance rights which failed to vest due to resignation. Refer to Note 10 for further details.

3. EXPENSES (continued)

(b) Impairment of non-current assets

	Consolidated	
	Half-Year Ended 31 Dec 2018 US$	Half-Year Ended 31 Dec 2017 US$
Impairment / (reversal) of impairment of non-current assets	**393,404**	(472,858)

An impairment charge of $0.4 million was recorded to adjust the net book value of idle production equipment to its current market value as estimated by the equipment manufacturer. The production equipment became idle during the period as the Group commissioned new equipment which results in an improved efficiency of the production plant and lower production cost.

The negative balance of $0.47 million for the prior corresponding period relates to the reversal of impairment on packaging equipment which was subject of a lawsuit. The Group had successfully secured the return of the packaging equipment. Please refer to Note 12 for further details.

4. EARNINGS / (LOSS) PER SHARE

	Consolidated	
	Half-Year Ended 31 Dec 2018 Number	Half-Year Ended 31 Dec 2017 Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	**217,430,249**	215,173,756
	US$	**US$**
Basic loss attributable to ordinary equity holders of the parent	**(871,442)**	(3,459,302)

This calculation does not include instruments that could potentially dilute basic earnings per share in the future as these instruments are anti-dilutive, since their inclusion would reduce the loss per share.

5. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 Dec 2018	**30 Jun 2018**
	US$	**US$**
Current		
Trade debtors	**1,269,047**	2,761,897
Other debtors	**3,673**	-
Security deposit	**7,159**	73,822
GST receivable	**18,962**	35,058
Accrued interest	**21,533**	-
	1,320,374	2,870,777

6. PREPAYMENTS

	Consolidated	
	31 Dec 2018	**30 Jun 2018**
	US$	**US$**
Current		
Prepayments – raw materials	**1,349,873**	993,686
Prepayments – other	**345,506**	627,737
	1,695,379	1,621,423

7. INVENTORIES

	Consolidated	
	31 Dec 2018	**30 Jun 2018**
	US$	**US$**
Current		
Raw materials	**1,968,486**	1,386,136
Work in progress	**124,404**	159,368
Finished goods	**1,335,918**	2,140,424
Provision for obsolescence	**(376,531)**	(378,146)
	3,052,277	3,307,782

Inventories are valued at the lower of cost or net realisable value.

8. TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2018	**30 Jun 2018**
	US$	**US$**
Current		
Trade payables and accruals	**1,317,621**	2,049,790
Rebate allowances [1]	**1,579,895**	1,515,001
Other	**1,795**	1,884
	2,899,311	3,566,675

[1] Rebate allowances include estimated accrual for promotional discounts, prompt payment discounts and spoilage of goods.

9. ISSUED CAPITAL

	US$	Number
Issue of ordinary shares during the half-year		
As at 1 July 2017	55,198,677	214,055,365
Conversion of rights	316,194	1,232,925
Share issue cost	(2,762)	-
As at 31 December 2017	55,512,109	215,288,290
As at 1 July 2018	**55,635,991**	**216,744,323**
Conversion of rights	**70,273**	**1,004,664**
Share issue cost	**(2,719)**	**-**
As at 31 December 2018	**55,703,545**	**217,748,987**

10. SHARE-BASED PAYMENTS

Share-based payment expense for the half-year ended 31 December 2018 is a negative balance of US$50,447. This is mainly due to a reversal of share-based payment expense previously recognised in respect of the rights granted to Mr Cove Overley which failed to vest due to his resignation. This is calculated in accordance with AASB 2 *Share-based Payments*.

The reversal of share-based payment expense also reflects the change in the number of rights that are expected to vest as a result of the Key Management Personnel achieving their non-market vesting conditions.

No new rights or options were issued during the half-year ended 31 December 2018.

11. FAIR VALUES OF FINANCIAL INSTRUMENTS

Recurring fair value measurements
The Group does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

Fair values of financial instruments not measured at fair value
Due to their short-term nature, the carrying amounts of current receivables and current trade and other payables is assumed to equal their fair value.

12. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The Group has no significant commitments at the end of the reporting period.

(b) Contingencies

As reported previously, Yowie North America Inc. ("YNA"), a wholly owned subsidiary of the Group, had brought claims against Whetstone Chocolate Factory ("WCF") and Atlantic Candy Company ("ACC") for the release and return of the RASCH "Type FI" wrapping machine ("Wrapper") owned by the Group and located at ACC's facility, as well as for monetary damages. YNA negotiated a settlement agreement with ACC for the release and return of the wrapper and the wrapper has been returned. Consequently, the provision for impairment relating to the wrapping machine that was previously recognised has been reversed during the half-year ended 31 December 2017.

In this same case, ACC has filed a counterclaim alleging that YNA has breached the Manufacturing Agreement between the parties and sent a Notice of Default to YNA alleging that YNA is also in default under the Patent and Technology License Agreement. The Company has disclaimed liability and is defending the action. The Company considers no provision is warranted in relation to this counterclaim. No trial date is currently set for this matter so YNA cannot make a determination as to when this matter will be resolved.

In a related matter, Mr. Whetstone, on 4 November 2016, filed suit in the Circuit Court for the Seventh Judicial Circuit in and for St. John's County, Florida against YNA. Whetstone alleges that YNA owes him royalty fees from the present until 2027 under the Patent Technology and License Agreement regardless of whether the Company uses Whetstone's patent. Because the Company is no longer using Mr Whetstone's patent in its manufacturing process, it believes that there is no legal basis under YNA's contract with Mr. Whetstone to pay him any royalty. Both parties filed and argued cross-motions for summary judgment on this issue in October 2017. On September 13, 2018, the Court entered an order denying both parties motions for summary judgment. A trial in this matter is currently set for June 2019.

On 16 November 2017, Whetstone Industries and Mr. Whetstone filed tortious interference claims against the Group and former Directors, Wayne Loxton, Patricia Fields, and Trevor Allen in Middle District of Florida. The Group, Wayne Loxton, Patricia Fields, and Trevor Allen were served with copies of these lawsuits in February 2018 and filed motions to dismiss for lack of personal jurisdiction in April 2018. On 25 July 2018, the court found jurisdiction in Florida. On August 17, 2018, all defendants filed a motion to dismiss the Complaint in its entirety for failure to state a claim upon which relief can be granted. The Court has not yet issued a ruling on this motion. A scheduling order has been entered in this matter and trial is currently set for April 2020.

12. COMMITMENTS AND CONTINGENCIES (continued)

(b) Contingencies (continued)

Management is not able to reliably estimate the ultimate settlement amounts at this time nor does management believe any material payments would be made as a result of these cases, and therefore no provision in relation to the claim has been recognised in the financial statements. The Company will incur ongoing legal costs due to these cases. However, due to inherent uncertainties, no accurate quantification of any cost, or timing of such cost, which may arise from the legal proceedings, we have not made any provision for legal costs.

13. EVENTS SUBSEQUENT TO BALANCE DATE

No circumstances or events have arisen subsequent to the end of the period that have had, or are likely to have, a material impact on the financial statements.

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Board

Louis Carroll
Non-Executive Chairman

26 February 2019

Deloitte.

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Independent Auditor's Review Report to the members of Yowie Group Limited

Report on the half-year Financial Report

We have reviewed the accompanying half-year financial report of Yowie Group Limited, which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 11 to 24.

Directors' Responsibility 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* and for 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 Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Yowie Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Yowie Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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 Yowie Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Skelton
Partner
Chartered Accountants
Perth, 26 February 2019