YOWIE GROUP LTD

ABN 98 084 370 669

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2015

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COMPANY DIRECTORY

DIRECTORS:	Mr Wayne Loxton Ms Patricia Fields Mr Trevor Allen
COMPANY SECRETARY:	Mr Neville Bassett
REGISTERED AND PRINCIPAL OFFICE:	Level 45 108 St Georges Terrace Perth WA 6000 Telephone: (08) 9486 7066
AUDITORS:	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008
SHARE REGISTRY:	Link Market Services Limited Level 4, Central Park 152 St Georges Terrace Perth WA 6000 Telephone: 1300 554 474 or +61 8280 7111
ASX Code:	YOW
ABN:	98 084 370 669

Your directors submit their report together with the financial report of Yowie Group Ltd ("the Company") and the consolidated entity ("the Group") for the year ended 30 June 2015.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

As at the date of this report, the Company does not have an Audit, Remuneration or Nomination Committee of the Board of Directors. The full Board assumes the responsibilities of these individual committees. Given the size of the Company it is felt that separate committees cannot be warranted but as the Company grows these committees may be established. Of the current directors, only Mr Trevor Allen does not have any special responsibilities: Mr Wayne Loxton is an Executive Director and Chairman and Ms Trish Fields is an Executive Director.

Mr Wayne Loxton

Executive Director, Chairman

Qualifications: BSc (Eng) MAustIMM

Mr Loxton's business career has spanned over 30 years. During this period he has held executive management positions for a number of companies including the position of managing director of three publicly listed companies, operations director and non-executive directorships. Mr Loxton has a broad range of experience including formulating strategy, completing feasibility studies, commercialization and entrepreneurial start-ups, performance improvement change programmes, commercial and strategic due diligence, capital raisings, mergers and acquisitions, asset divestiture and introduction of best practices. His experience has included overseas assignments in North America, South Africa, Togo, Nigeria, Ghana, Philippines, Indonesia, Papua New Guinea, Zimbabwe and Fiji.

Ms Patricia Fields

Executive Director

Qualifications: Graduate Diploma (Marketing)

Ms Fields led the Yowie brand for Cadbury Schweppes Plc, development and commercialisation division. Ms Fields has a Graduate Diploma in Marketing from Chisholm Institute (now Monash). Her achievements include leading the development and commercialisation of the Yowie brand for Cadbury Schweppes Plc. She has 30+ years of commercial and brand experience in FMCG industries and was a former global director for Cadbury Schweppes Plc.

Mr Trevor Allen

Independent Non-Executive Director *(appointed 25 March 2015)*

Qualifications: BComm (Hons), CA, FF, MAICD

Mr. Allen has over 37 years of corporate and commercial experience, primarily as a Corporate and Financial Adviser to Australian and international companies and funds.

Prior to undertaking non-executive roles, Mr. Allen held senior executive positions as an Executive Director of Corporate Finance at SBC Warburg and its predecessors for eight years and as a Corporate Finance Partner at KPMG for nearly 12 years. At the time of his retirement from KPMG in 2011, he was the Lead Partner in its national M&A group.

Mr. Allen spent 3 years in commerce as Director of Business Development for Cellarmaster Wines from 1997 to 2000, having responsibility for the acquisition, integration and performance of a number of acquisitions made outside Australia in that period.

Mr Mark Avery

Executive Director, Chief Operating Officer *(resigned 25 March 2015)*

Directorships of other listed companies during the past three years

Name	***Company***	***Commenced***	***Ceased***
Mr W Loxton	Gleneagle Gold Limited	30 April 2010	-
Ms P Fields	No other directorships	-	-
Mr T Allen	Peet Limited	5 April 2012	-
	Eclipx Group Limited	26 March 2015	-
	Freedom Foods Group Limited	1 July 2013	-
Mr M Avery	No other directorships	-	-

Interests in the shares and options of the Company

As at the date of this report the directors (including their personally related parties) held the following ordinary shares in the Company and options over ordinary shares in the Company as set out below.

Name	**Number of ordinary shares**	**Number of options over ordinary shares**
Mr W Loxton	5,870,000	2,400,000
Ms P Fields	368,572	3,550,000
Mr T Allen*	50,000	-
Total	**6,288,572**	**5,950,000**

* 1,075,000 options expiring 31 December 2017 will be issued to Mr T Allen subsequent to year end, subject to receiving shareholder approval.

COMPANY SECRETARY

Mr Neville Bassett

Mr Bassett is a chartered accountant with over 30 years of experience. He has been involved with a diverse range of Australian public listed companies in directorial, company secretarial and financial roles. He was appointed Company Secretary on 1 November 2013.

PRINCIPAL ACTIVITY

Yowie Group Ltd is a brand licensing company that owns intellectual property rights and uses these rights to supply Yowie branded chocolate confectionery product, a digital platform and Yowie branded licensed consumer products. Manufacturing and distribution of these products is undertaken by outsource third parties on Yowie's behalf. The Company's vision for the Yowie brand is to distribute the Yowie chocolate confectionery product initially in the United States of America (USA) with future international expansion. The development of its digital platform and licensed consumer products is being undertaken in stages with stage 1 development complete.

OPERATING AND FINANCIAL REVIEW

During the financial year the Company progressed its objective of building a strong sales and distribution network in the USA.

Milestones achieved included:

Operations

- Appointed Salvador (Sal) Alvarez as CEO of Yowie North America (YNA), initially on a part-time basis. He brings 32 years of experience in consumer sales and marketing and has a proven track record of leading high performance teams to achieve superior business results.

- Production of the Yowie chocolate confectionery product at the outsourced Florida plant continues to occur efficiently. The factory is capable of materially increasing capacity quickly to respond to our expected increase in product demand.

- As part of Yowie Group's commitment to quality, the outsourced Florida plant obtained certification in the Global Food Safety Initiative (GSFI) Food Safety Program. Certification was granted on 5 January 2015.

- Completed an independent end-to-end supply chain review covering capsules and inclusions, chocolate, finished goods conversion, storage and distribution.

- Implemented software to assist in the global management of transportation, stock management, materials planning, procurement, accounting, customer data capture/management and manufacturing processes.

- Completed A$10 million equity capital raise at a price of 50 cents per share to fund rollout of the Yowie chocolate confectionery product in the USA.

- Launch of Sponsored Level 1 ADR program through BNY Mellon in the US to increase exposure to US investment community. The Company's ADRs trade under the symbol "YWRPY" and represent 1 ADR for every 10 ordinary Yowie ASX listed shares.

Sales and Marketing

- Announced that the Yowie confectionery product will rollout nationally across the US into approximately 4300 Walmart stores from September 2015. The national launch across the entire network of Walmart stores is a direct result of a consistent Yowie sales performance that began with a 50 store trial in Texas during September 2014 extending in March 2015 to a rollout across 1500 Walmart stores. The time from the 50 store trial to the complete national rollout in less than 12 months confirms Walmart's high expectation for the Yowie product. Walmart is the largest retailer in the world and the largest grocery retailer in the United States.

- Completed a small, twelve store trial in a Tier 1 grocery retail account in Dubai, Middle East. The twelve trial stores are part of a major international supermarket chain. In all stores benchmark targets were exceeded within the required time frame.

- Announced that Yowie confectionery product will launch into 1,318 Safeway stores nationally across the US. Yowie product ranging has commenced in store across checkout stands in Safeway stores in Northern California, Washington, Arizona, Colorado and the U.S. North East. The number of check-out stands per store is in process of being confirmed as merchandising and display aspects are finalised. Distribution has already begun to Safeway stores with orders in the process of dispatch.

- Completed a 4-week trial across 234 stores of the large national convenience chain Valero Corner Store. Valero has 1,100 stores nationally and 1,900 including Canada. Sales averages met retailer expectations and channel norms but at a higher value price point than the majority of standard single serve confectionery lines, delivering new category revenue growth. A review for future ranging in all Valero stores is underway.

- Launched a 60-store trial of Yowie product with a second Tier 1 US retail chain. The trial was undertaken in the Philadelphia and New Jersey area of the pharmaceutical and convenience retail chain, with Yowie confectionery located on front end gondolas at end of aisle.

- Successfully participated in the ECRM conference, generating orders from new buyers.

- Meetings have been held with several top Hollywood film studios and distributors in relation to the development and production of a Yowie animated feature film.

- Undertook trade presentations with US and Australian retailers with a promising level of distribution interest.

- Yowie engagement with the National Confectioners Association Sweets and Snacks Expo in Chicago resulted in strong sales leads. As a result Yowie has committed to further involvement in the Expo in 2016.

Corporate

During the year, the Company raised a total of $10,000,000 for a total of 20,000,000 ordinary fully paid shares. A further $281,195 was raised from the exercise of listed options. The Company has received $859,000 in advance from investors pursuant to the exercise of both listed and unlisted options where shares were allotted subsequent to year end.

Funds raised from the issues are being used for general working capital and to further business development and growth, and to advance the ongoing market rollout of the Company's Yowie products in the US market.

Operating results for the year and financial position

The Group's net loss attributable to members of the Company for the financial year ended 30 June 2015 was $3,491,454 (year ended 30 June 2014: $6,437,129).

As at 30 June 2015 the Group's consolidated cash position was $11,057,749 (30 June 2014: $8,245,634).

The net assets of the Group increased by 46% from $12,710,116 to $18,563,431. This increase was mainly a result of equity capital raisings, net of costs totalling $9,361,123, further increase in share capital by $281,195 from listed options exercised reduced by the current year loss of $3,491,454.

The financial position of the Group remains strong with net tangible assets of $18,060,435, inclusive of $17,846,968 in cash and inventories, $416,180 in trade and other receivables, $297,028 in prepayments, plant and equipment of $1,550,052 and trade and other payables of $2,049,793. Trade and other payables include $859,000 cash received in advance from investors for the exercise of listed options where shares were allotted subsequent to year end.

Capital, funding and liquidity are managed at the corporate level. A summary of the cash flows for the Group is as follows:

Cash flows from:	
- Operating activities	($7,826,019)
- Investing activities	($379,487)
- Financing activities	$10,501,318
Net cash flow for the year	**$2,295,812**
Opening cash	$8,245,634
Effect of foreign exchange movements	$516,303
Closing cash	**$11,057,749**

The Company's focus for the coming year will be to continue to implement its strategy for the rollout of Yowie confectionery product in the US and beyond the US market.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors, there were no matters that significantly affected the state of affairs of the Group during the financial year, other than those referred to in the review of operations.

DIVIDENDS

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

DIRECTORS' MEETINGS

The number of meetings attended by each director was as follows:

Director	Eligible to attend	Attended
Mr W Loxton	5	5
Mr T Allen [1]	2	2
Ms P Fields	5	5
Mr M Avery [2]	4	4

1 Appointed 25 March 2015

2 Resigned 25 March 2015

SHARES UNDER OPTION

Unissued ordinary shares under option arrangements as at the date of this report were as follows:

Number of options	Exercise Price ($)	Expiry date
19,918,019	0.200	15 December 2015
2,500,000	0.230	15 December 2015
4,200,000	0.285	30 June 2017
3,350,000	0.766	31 December 2017
2,125,000	0.900	31 December 2017
2,475,000	1.050	31 December 2017
260,000	1.150	31 December 2017
520,000	1.250	31 December 2017
35,348,019		

Shares issued as a result of the exercise of options

1,405,976 shares were issued as a result of the exercise of options with an exercise price of $0.20 during the year ended 30 June 2015.

The following shares were issued as a result of the exercise of options subsequent to reporting date and to the date of this report:

Number of Shares	Exercise Price ($)	Expiry date
7,550,057	0.200	15 December 2015
1,000,000	0.230	15 December 2015
500,000	0.766	31 December 2017

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.

LIKELY DEVELOPMENTS

Information on likely developments in the operations of the Company is contained within the operating and financial review.

REMUNERATION REPORT (audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

This report outlines the remuneration arrangements in place for directors and Key Management Personnel of Yowie Group Ltd.

Details of key management personnel

- Mr Wayne Loxton – Executive Director, Chairman
- Ms Patricia Fields – Executive Director
- Mr Trevor Allen – Independent Non-Executive Director *(Appointed 25 March 2015)*
- Mr Mark Avery – Executive Director, Chief Operating Officer *(Resigned 25 March 2015)*

Remuneration Policy

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors and executive officers. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

To assist in achieving these objectives, it is expected that, during the forthcoming financial year, the Board will link the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance. Currently the Board has not set any targets and awards entitlements to options as an incentive for future performance. Where performance during the period has materially exceeded the Board's expectations (as reflected in the option incentive), it retains a discretion to award bonuses to staff.

Remuneration paid to the Company's directors and executives is also determined having regard to the cash available to the company. It is acknowledged that for the executive directors, the level of remuneration provided has little reference to the market level of remuneration for other listed companies in Australia operating in a similar industry. It is for this reason that, when the Board assesses performance of the executive directors, it considers the shortfall that may exist between the level of base remuneration and market parameters in determining whether any bonus should be provided over and above the performance benefit obtained via an entitlement to options already granted. The Board then has regard to the cash position of the company in determining whether the bonus is paid in cash or by the issuance of securities of the company.

The Group did not employ remuneration consultants during the year ended 30 June 2015.

REMUNERATION REPORT (audited) (continued)

Executive officers are those directly accountable for the operational management and strategic direction of the Company.

Having regard to the number of members currently comprising the Company's Board and the stage of the Company's development, the Company does not have a separately established remuneration committee. The functions that would be performed by a remuneration committee are currently performed by the full Board.

Fixed remuneration

Fixed remuneration consists of a base remuneration package, which includes directors' fees (in the case of directors), salaries, consulting fees and employer contributions to superannuation funds.

Fixed remuneration levels for directors and executive officers will be reviewed annually by the Board through a process that considers the individual's personal development, achievement of key performance objectives for the year, industry benchmarks wherever possible and CPI data.

Total remuneration for non-executive directors is determined by resolution of shareholders. The Board determines actual payments to directors and reviews their remuneration annually, based on market relativities and the duties and accountabilities of the directors. The maximum available aggregate remuneration approved for non-executive directors is $200,000. Non-executive directors do not receive any other retirement benefits other than a superannuation guarantee contribution required by government regulation, which was 9.5% of their fees for the year ended 30 June 2015.

Non-executive directors may provide specific consulting advice to the Company upon direction from the Board. Remuneration for this work is made at market rates.

Long-term incentives

Share options may be granted to non-executive directors and/or executive officers to align remuneration with the creation of shareholder value over the long term.

Performance-linked remuneration

As the Company has not built stable earnings as yet, there is no current link between Company performance and director or executive officer remuneration. This matter is expected to be addressed in the forthcoming period.

Elements of director and executive remuneration

Remuneration packages may contain the following key elements:

a) Short-term benefits – salary / fees, bonuses and other benefits;
b) Post-employment benefits including superannuation; and
c) Share-based payments, including options granted as remuneration.

REMUNERATION REPORT (audited) continued

The following table discloses the remuneration of the key management personnel during the financial year:

2015

	Short-term benefits			Post-employment	Share-based payments [3]	Total	Proportion related to performance
	Salary and fees	Bonus	Other benefits[4]	Superannuation			
	$	$	$	$	$	$	%
Directors							
Mr W Loxton	335,000	-	-	27,775	244,000	606,775	40.2
Ms P Fields	215,000	-	-	20,425	244,000	479,425	50.9
Mr T Allen [1]	16,151	-	-	1,534	-	17,685	-
Mr M Avery [2]	55,000	-	-	5,225	-	60,225	-
Total	621,151	-	-	54,959	488,000	1,164,110	-

1 Appointed 25 March 2015

2 Resigned 25 March 2015

3 Calculated in accordance with AASB 2 Share-based Payments. Refer to Note 16.

4 Other benefits includes annual and long service leave.

2014

	Short-term benefits			Post-employment	Share-based payments [2]	Total	Proportion related to performance
	Salary and fees	Bonus	Other benefits[3]	Superannuation			
	$	$	$	$	$	$	%
Directors							
Mr W Loxton	300,000	-	-	27,750	37,133	364,883	-
Mr M Avery	240,000	-	-	22,200	37,133	299,333	-
Ms P Fields	180,000	-	-	16,650	37,133	233,783	-
Mr B Watson [1]	-	-	-	-	(1,017)	(1,017)	-
Total	**720,000**	**-**	**-**	**66,600**	**110,382**	896,982	-

1 Resigned 13 September 2013

2 Calculated in accordance with AASB 2 Share-based Payments. Refer to Note 16.

3 Other benefits includes annual and long service leave.

REMUNERATION REPORT (audited) continued

Share-based compensation value of options issued to key management personnel

Options granted to key management personnel as remuneration:

Name	Grant date	Vesting date	Expiry date	Exercise Price $	Value per option at grant date $	Vested
Mr W Loxton	27 November 2014	27 November 2014	31 Dec 2017	0.766	0.244	100%
Ms P Fields	27 November 2014	27 November 2014	31 Dec 2017	0.766	0.244	100%

None of the options held by key management personnel were exercised, during the year ended 30 June 2015.

The terms and conditions of each grant of options affecting remuneration in the previous, current or a future reporting period are as follows:

Grant date	Vesting date	Expiry date	Exercise Price $	Value per option at grant date $	Vested
20 June 2013	30 June 2014	15 Dec 2015	0.23	0.027	100%
27 November 2014	27 November 2014	31 Dec 2017	0.766	0.244	100%

Details of options that vested or lapsed during the year are set out below:

Name	Year of grant	Vesting date	Number of options vested during year	Number of options lapsed during year	Value of options lapsed
Mr W Loxton	2014	27 November 2014	1,000,000	-	-
Ms P Fields	2014	27 November 2014	1,000,000	-	-
Total			**2,000,000**	**-**	**-**

The assessed fair value at grant date of options granted is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration table. Refer to Note 16 for further details of the valuation of options.

REMUNERATION REPORT (audited) continued

Equity instruments held by key management personnel

i) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director, including their personally related parties, are set out in the following table.

2015

Name	Balance at start of year	Granted as remuneration	Exercised	Other changes	Balance at end of year	Options vested and exercisable at end of year
	Number	Number	Number	Number	Number	Number
Mr W Loxton	5,450,000	1,000,000	-	-	6,450,000	6,450,000
Ms P Fields	2,550,000	1,000,000	-	-	3,550,000	3,550,000
Mr T Allen [1]	-	-	-	-	-	-
Mr M Avery [2]	3,075,000	-	-	(3,075,000) [2]	-	-
Total	11,075,000	2,000,000	**-**	**(3,075,000)**	10,000,000	10,000,000

1 1,075,000 options expiring 31 December 2017 will be issued to Mr T Allen subsequent to year end subject to receiving shareholder approval. Appointed 25 March 2015.

2 Balance at date of resignation on 25 March 2015.

ii) Share holdings

The number of shares in the Company held during the financial year by each director, including their personally related parties, is set out in the following table. No shares were granted during the reporting year as compensation.

2015

Name	Balance at start of year	Disposal	Acquisition	Other Changes	Balance at end of year
	Number	Number	Number	Number	Number
Mr W Loxton	5,290,667	(3,470,667)	-	-	1,820,000
Ms P Fields	300,000	-	68,572	-	368,572
Mr T Allen[1]	-	-	50,000	-	50,000
Mr M Avery [2]	1,350,000	-	-	(1,350,000) [1]	-
Total	**6,940,667**	**(3,470,667)**	**118,572**	**(1,350,000)**	**2,238,572**

1 Appointed 25 March 2015.

2 Balance at date of resignation on 25 March 2015.

REMUNERATION REPORT (audited) (continued)

Loans to and other transactions with key management personnel

There were no loans outstanding or other transactions with key management personnel and their related parties during the year ended 30 June 2015.

Service contracts

The Company has entered into service agreements for consultancy services provided by directors. The notice period is 3 months by either the director or the Company. No termination benefits are specified in the agreements. Remuneration under the service agreements is as follows:

Name	Monthly remuneration $
Mr W Loxton	30,000
Ms P Fields	20,000

Company performance

The table below shows the performance of the Company since inception.

	2015 $	2014 $	2013 $	2012 $
Net loss	(3,491,454)	(6,437,129)	(2,357,025)	(168,215)
Closing share price	0.98	0.56	0.165	-

END OF AUDITED REMUNERATION REPORT

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company maintained an insurance policy which indemnifies the directors and Officers of Yowie Group Ltd in respect of any liability incurred in connection with the performance of their duties as directors or Officers of the Company to the extent permitted by the Corporations Act 2001. The Company's insurers have prohibited disclosure of the amount of the premium payable and the level of indemnification under the insurance contract.

NON-AUDIT SERVICES

During the year the Group paid $79,610 (2014: $68,710) to a related entity of the auditor for non-audit services provided as outlined in Note 20 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 32 of the financial report.

Signed in accordance with a resolution of the directors.

WLoxton

Wayne Loxton
Chairman
8 September 2015

Yowie Group Ltd's Board and Corporate Governance

This Corporate Governance statement of Yowie Group Limited (the 'company') has been prepared in accordance with the 3rd Edition of the Australia Securities Exchanges ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations').

The Recommendations are guidelines and not prescriptions. The Council recognises that the range in size and diversity of companies is significant and that smaller companies from the outset may face particular issues in following all the Recommendations. If a company considers that a Recommendation is not appropriate to its particular circumstances, it has the flexibility not to adopt it.

The Board has adopted the best practice Recommendations as outlined by the Council to the extent that is deemed appropriate considering the current size and operations of the company.

This statement has been approved by the company's Board of Directors ('Board') and is current as at 8 September 2015.

The ASX Principles and Recommendations and the company's response as to how and whether it follows those recommendations are set out below.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 - A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.

As the Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations and strives to meet those expectations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The role of the Board is to oversee and guide the management of Yowie Group Ltd with the aim of protecting and enhancing the interests of its shareholders and taking into account the interests of other stakeholders including employees and the wider community.

The Board has adopted a formal Charter which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

The Board is responsible for setting the strategic direction of the Company, establishing goals for management and monitoring the achievement of those goals. The Board has delegated certain management powers to the Executive Chairman and Executive Director for the day-to-day management of the Company and its operations. Both the Executive Chairman and Executive Director have a clearly defined set of responsibilities as agreed by the Board of the Company.

The Board's charter, which is available on the company's website at www.yowiegroup.com more fully sets out the specific responsibilities of the Board.

Recommendation 1.2 - A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The company undertakes comprehensive reference checks prior to appointing a director or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. An election of directors is held each year. A director that has been appointed during the year must stand for election at the next Annual General Meeting ('AGM'). Directors are appointed for a maximum term of three years. Retiring directors are not automatically re-appointed. The company provides to shareholders in the Notice of AGM relevant information for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The Board's charter, which is available on the company's website at www.yowiegroup.com more fully sets out the specific responsibilities of the Board. Corporate expectations are set out in the directors' letters of appointment.

Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The terms of the appointment of a non-executive director are set out in writing and cover matters such as the term of appointment, time commitment envisaged, required committee work and other special duties, requirements to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.

Executive directors and senior executives are issued with service contracts which detail the above matters as well as the person or body to whom they report, the circumstances in which their service may be terminated (with or without notice), and any entitlements upon termination.

Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors.

Recommendation 1.5 - A listed entity should (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender

diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

The Company and all its related bodies corporate have established a Diversity Policy as part of the overall Corporate Governance Plan (a copy of which is available on the company website under 'Corporate Governance').

The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

To the extent practicable, the Company will address the recommendations and guidance provided in the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*.

The Diversity Policy does not form part of an employee's contract of employment with the company, nor gives rise to contractual obligations. However, to the extent that the Diversity Policy requires an employee to do or refrain from doing something and at all times subject to legal obligations, the Diversity Policy forms a direction of the company with which an employee is expected to comply.

OBJECTIVES

The Diversity Policy provides a framework for the company to achieve:

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- improved employment and career development opportunities for women;
- a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.

The Diversity Policy does not impose on the Company, its directors, officers, agents or employee any obligation to engage in, or justification for engaging in, any conduct which is illegal or contrary to any anti-discrimination or equal employment opportunity legislation or laws in any State or Territory of Australia or of any foreign jurisdiction.

RESPONSIBILITIES

The Board's commitment

The Board is committed to workplace diversity, with a particular focus on supporting the representation of women at the senior level of the Company and on the Board. Currently 33% of the board is represented by women.

The Board is responsible for developing measurable objectives (and these will be developed when the Board believes that the Company has reached a level of development that warrants these objectives) and strategies to meet the Objectives of the Diversity Policy (**Measurable Objectives**). The Board is also responsible for monitoring the progress of the Measurable Objectives through the monitoring, evaluation and reporting mechanisms listed below. The Board may also set Measurable Objectives for achieving gender diversity and monitor their achievement.

The Board will conduct all Board appointment processes in a manner that promotes gender diversity, including establishing a structured approach for identifying a pool of candidates, using external experts where necessary.

The Company's diversity strategies include:

- recruiting from a diverse pool of candidates for all positions, including senior management and the Board;
- reviewing succession plans to ensure an appropriate focus on diversity;
- identifying specific factors to take account of in recruitment and selection processes to encourage diversity;
- developing programs to develop a broader pool of skilled and experienced senior management and Board candidates, including, workplace development programs, mentoring programs and targeted training and development;
- developing a culture which takes account of domestic responsibilities of employees; and
- any other strategies the Board develops from time to time.

MONITORING AND EVALUATION

The Chairman will monitor the scope and currency of this policy.

The company with oversight form the Board is responsible for implementing, monitoring and reporting on the Measurable Objectives.

Measurable Objectives if set by the Board will be included in the annual key performance indicators for the Chief Executive Officer / Chief Operations Officer and senior executives.

In addition, the Board will review progress against the Objectives (if set) as a key performance indicator in its annual performance assessment.

REPORTING

The Board may include in the Annual Report each year:

- the Measurable Objectives, if any, set by the Board;
- progress against the Objectives; and
- the proportion of women employees in the whole organisation, at senior management level and at Board level.

No entity within the consolidated entity is a ‘relevant employer’ for the purposes of the Workplace Gender Equality Act 2012 and therefore no Gender Equality Indicators to be disclosed.

Recommendation 1.6 - A listed entity should (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board has not adopted any formal procedures for the review of the performance of the Board, however the Board has adopted an on-going self-evaluation process to measure its own performance, which is currently considered to meet the Board’s obligations sufficiently.

The review process takes into consideration all of the Board’s key areas of responsibility and accountability and is based on an amalgamation of factors including capability, skill levels, understanding of industry complexities, risks and challenges, and value adding contributions to the overall management of the business.

It is expected that, during the forthcoming financial year, the Board will link the nature and amount of executive directors’ and officers’ emoluments to the Company’s financial and operational performance.

The Board aims to ensure that shareholders are informed of all information necessary to assess the performance of the directors. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders;
- the half-yearly report;
- the annual general meeting and other meetings to obtain shareholder approval for Board actions as appropriate; and
- continuous disclosure in accordance with ASX Listing Rule 3.1 and the Company's continuous disclosure policy.

Recommendation 1.7 - A listed entity should (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board has not adopted any formal procedures for the review of the performance of its senior executives, however the Board has adopted an on-going informal assessment process to measure senior executive performance, which is currently considered to meet the Board's obligations sufficiently, with outcomes utilised to determine senior executive remuneration.

It is expected that, during the forthcoming financial year, the Board will establish a performance management system that sets out each employee's key performance requirements and personal development plans in a way that links the nature and amount of an employee's remuneration to their personal and the Company's financial and operational performance.

Principle 2: Structure the board to add value

Recommendation 2.1 - The board of a listed entity should (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The functions that would be performed by a nomination committee are currently performed by the full Board. Having regard to the number of members currently comprising the Company's Board and the stage of the Company's development, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. Accordingly the Company was not in compliance with Recommendation 2.1 during the financial year. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendations of candidates for new directors are made by the directors for consideration by the Board as a whole. If it is necessary to appoint a new director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. If a candidate is recommended by a director, the Board assesses that proposed new director against a range of criteria including background, experience, professional skills, personal qualities, the potential for the candidate's skills to augment the existing Board and the candidate's availability to commit to the Board's activities. If these criteria are met and the Board appoints the candidate as a director, that director must retire at the next following General Meeting of Shareholders and will be eligible for election by shareholders at that General Meeting.

Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

In view of its size the Board does not maintain a formal skills matrix that sets out the mix of skills and diversity that the Board aims to achieve in its membership. However, the individual directors and the Board as a whole recognise the importance for the Board to have the skills, knowledge, experience and diversity of background required to effectively steer the company over time in response to market developments, opportunities and challenges. The Board recognises certain core skills that are required for the Board to ensure effective stewardship of the company. These include business and strategic expertise, experience with financial markets, industry knowledge, accounting and finance skills, project management experience and personal ethics, attributes and skills. The current Board members represent individuals that have extensive business and industry experience as well as professionals that bring to the Board their specific skills in order for the company to achieve its strategic, operational and compliance objectives. Their suitability to the directorship has been determined primarily on the basis of their ability to deliver outcomes in accordance with the company's short and longer term objectives and therefore deliver value to shareholders.

Recommendation 2.3 - A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.

Details of the Board of directors, their appointment date, length of service and independence status is as follows:

Director's name	**Appointment date**	**Length of service at reporting date**	**Independence status**
Wayne Loxton	19 March 2013	2 years 5 months	Not independent – Executive Chairman
Patricia Fields	29 October 2012	2 years 10 months	Not independent – Executive Director
Trevor Allen	25 March 2015	5 months	Independent – Non-Executive Director

The Board has reviewed the position and associations of each of the directors in office at the date of this report and considers that Mr Trevor Allen is an independent non-executive director. Mr Wayne Loxton, Executive Chairman and Ms Patricia Fields, Executive Director are not considered independent in terms of Recommendation 2.3 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of other directors, as appropriate.

Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.

Having regard to the response to Recommendation 2.3 above, the majority of the Board are not independent.

The Board is of the view that the majority of directors should be independent, non-executive directors. The Board is now considering the appointment of an additional independent non-executive director, therefore seeking to move it towards meeting the best practice recommendations of the ASX Corporate Governance Council.

The directors will continue to monitor the composition of the Board to ensure its structure remains appropriate and consistent with effective management and good governance.

Recommendation 2.5 - The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

The Chair is not independent as disclosed in Recommendation 2.3, as he carries out an executive function. Given the size and scale of the Company's operations during the year, the Board did not consider it essential to appoint an independent Chair simply in order to comply with the Corporate Governance Council's Recommendations. The Board considers that, at this stage of the Company's development, the executive role carried out by the Chairman is in the best interests of the Company.

Recommendation 2.6 - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The company has, due to the Board's size, an informal induction process. New directors are fully briefed about the nature of the business, current issues, the corporate strategy and the expectations of the company concerning performance of directors.

Directors receive a formal letter of appointment setting out the key terms and conditions relevant to that appointment. Generally, directors undertake their own continuing education.

Principle 3: Act ethically and responsibly

Recommendation 3.1 - A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.

The Board has adopted a Code of Conduct which sets out the company's obligations and standard of conduct for directors and employees when dealing with each other, competitors, customers and the community. The Code outlines not only practices necessary to maintain confidence in the company's integrity and to take into account its legal obligations and the expectations of its stakeholders but also the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Code covers a broad range of issues and refers to those practices necessary to maintain confidence in the Company's integrity, including procedures in relation to:

- compliance with the law;
- personal and professional behaviour;
- corrupt conduct;
- occupational health and safety;
- fair dealing;
- insider trading;
- conflict of interest;
- public and media comment;
- proper and authorised use of Company Resources;
- security of information;
- discrimination and harassment
- financial records; and
- responsibilities to investors

The Code of Conduct is posted on the company's website.

Securities Trading by Directors and Employees

Yowie Group Ltd has adopted a Share Trading Policy. The policy summarises the law relating to insider trading and sets out the policy of the company on directors, officers, employees and consultants dealing in securities of the company.

This policy is provided to all directors and employees and compliance with it is reviewed on an ongoing basis in accordance with the company's risk management systems.

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1 - The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The functions that would be performed by an audit committee are currently performed by the full Board. Having regard to the number of members currently comprising the Company's Board and the stage of the Company's development, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. Accordingly the Company was not in compliance with Recommendation 4.1 during the financial year. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

However meetings are held throughout the year between the Board, the Company Secretary and the company's auditors to discuss the company's ongoing activities and any proposed changes prior to their implementation.

The Audit Committee is responsible for reviewing the integrity of the company's financial reporting and overseeing the independence of the external auditors. The Board sets aside time to deal with issues and responsibilities usually delegated to the Audit Committee to ensure the integrity of the financial statements of the company and the independence of the auditor.

The Board reviews the audited annual and half-year financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Board also reviews annually the appointment of the external auditor, their independence and their fees.

Details of the qualifications and experience of the members of the Committee, being the full Board, are contained in the 'Information of directors' section of the Directors' report.

External Auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is BDO Audit (WA) Pty Ltd's policy to rotate engagement partners on listed companies at least every five years.

Recommendation 4.2 - The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

For the financial year ended 30 June 2015 and the half-year ended 31 December 2014, the company's CEO and CFO provided the Board with the required declarations.

Recommendation 4.3 - A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

A representative of the company's external audit firm attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 - A listed entity should (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.

The company maintains a written policy that outlines the responsibilities relating to the directors, officers and employees in complying with the company's continuous disclosure obligations. Where any such persons are of any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately in the first instance. The policy provides the mechanism by which relevant market sensitive information that may have a material effect on the price of the company's securities is released to the ASX in a timely manner.

The Company Secretary has primary responsibility for the disclosure of material information to ASIC and ASX and maintains a procedural methodology for disclosure, as well as for record keeping.

The Board reviews the Company's compliance with this policy on an ongoing basis and will update it from time to time, if necessary.

The company's Continuous Disclosure Policy is available on its website.

Principle 6: Respect the rights of security holders

Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.

The company maintains information in relation to corporate governance documents, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the company's website.

Recommendations 6.2 and 6.3

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors (6.2).

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders (6.3).

The company is committed to promoting effective communications with shareholders by ensuring they and the investment market generally are provided with full and timely disclosure of its activities and providing equal opportunity for all stakeholders to receive externally available information issued by the company in a timely manner. The company provides shareholders with periodic updates on its business. Shareholders are encouraged to communicate by electronic means and to participate at the Annual General Meeting, to ensure a high level of accountability and identification with the company's strategy and goals.

The company's Shareholder Communication Policy is available on its website.

Recommendation 6.4 - A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Link Market Services Limited at www.linkmarketservices.com.au.

Principle 7: Recognise and manage risk

Recommendations 7.1 & 7.2

The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework (7.1).

The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place (7.2).

The functions that would be performed by a risk committee are currently performed by the full Board. Having regard to the number of members currently comprising the Company's Board and the stage of the Company's development, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. Accordingly the Company was not in compliance with Recommendation 7.1 during the financial year. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

The Board reviews risks to the company at regular Board meetings.

The company manages material business risks under a risk management policy which is available on its website. There is an ongoing program to identify, monitor and manage compliance issues and material business risks with a view to enhancing the value of every shareholder's investment and safeguarding the company's investments. The Board reviews the identification, management and reporting of risk as part of the annual budget process. More frequent reviews are undertaken as conditions or events dictate.

Recommendation 7.3 - A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Board has the responsibility for ensuring the effectiveness of risk management and internal compliance and control. As part of the review process the Board considers the extent to which the risk process has been successful in retrospect with regard to the identification and mitigation of risks. This is required at all times and the Board actively promotes a culture of quality and integrity.

The company does not have an internal audit function due to its size; however the company's procedures and policies are subject to regular review. The Board also liaises closely with the company's external auditor to identify potential improvements to the risk management and internal control procedures.

The Board recognises that no cost-effective internal control system will preclude the possibility of errors and irregularities. The company has insurance, including product liability and professional indemnity insurance, to cover unexpected or unforeseen events and reduce any adverse consequences.

Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The company does not believe it has any material exposure to economic, environmental and social sustainability risks.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 - The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The functions that would be performed by a remuneration committee are currently performed by the full Board. Having regard to the number of members currently comprising the Company's Board and the stage of the Company's development, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. Accordingly the Company was not in compliance with Recommendation 8.1 during the financial year. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Details of the qualifications and experience of the members of the committee, being the full Board, is detailed in the 'Information of directors' section of the Directors' report.

The Board oversees remuneration policy and monitors remuneration outcomes to promote the interests of shareholders by rewarding, motivating and retaining employees.

An outline of the Company's remuneration policies in respect of directors and executives is set out in the audited Remuneration Report contained in the Directors' Report. Detailed disclosure of the remuneration paid to the Company's directors and executives is set within the Remuneration Report section of this annual report.

The Company's aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company officers and Directors are remunerated to a level consistent with the size of the Company.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

An outline of the Company's remuneration policies in respect of directors and executives is set out in the audited Remuneration Report contained in the Directors' Report.

The level of remuneration reflects the anticipated time commitments and responsibilities of the position having regard to the financial constraints on the company. Senior executives may be remunerated using combinations of fixed and performance based remuneration. Salaries are set at levels reflecting market rates having regard to the financial constraints on the company and performance based remuneration, when offered, will be linked to specific performance targets that are aligned to both short and long term objectives.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive compensation is separate and distinct.

Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it

The use of derivatives or other hedging arrangements for unvested securities of the company or vested securities of the company which are subject to escrow arrangements is prohibited. Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the company, this will be disclosed.

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DECLARATION OF INDEPENDENCE BY IAN SKELTON TO THE DIRECTORS OF YOWIE GROUP LTD

As lead auditor of Yowie Group Ltd for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Yowie Group Ltd and the entities it controlled during the period.

Ian Skelton

Director

BDO Audit (WA) Pty Ltd

Perth, 8 September 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 JUNE 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
Sale of goods		**2,631,651**	12,328
Other revenue	5	**409,804**	117,648
Foreign exchange gains		**3,273,996**	-
Total revenue		**6,315,451**	129,976
Expenses			
Cost of sales		**(1,221,419)**	(5,070)
Selling and distribution		**(2,120,795)**	(1,173,923)
Marketing and promotion		**(1,081,438)**	(268,984)
Administration	6	**(5,190,676)**	(2,848,528)
Finance		**(39,849)**	(1,025)
Foreign exchange losses		**-**	(280,672)
Manufacturing fixed costs in advance of production		**-**	(425,428)
Write-off of product and Yowie World development costs	13	**(152,728)**	(954,479)
Write-off of other intangible assets	13	**-**	(63,446)
Write-off of commissioning costs	12	**-**	(345,047)
Write-off of inventory	11	**-**	(200,503)
Loss before income tax		**(3,491,454)**	(6,437,129)
Income tax expense	7	**-**	-
Loss after income tax for the year		**(3,491,454)**	(6,437,129)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Movement in foreign currency translation reserve		**(1,385,001)**	94,101
Total comprehensive loss for the year net of tax attributable to members of the Company		**(4,876,455)**	(6,343,028)
Loss per share attributable to members of the Company			
Basic loss per share (cents)	8	**(2.76)**	(6.62)
Diluted loss per share (cents)	8	**(2.76)**	(6.62)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 JUNE 2015

	Note	Consolidated	
		2015	2014
		$	$
Current Assets			
Cash and cash equivalents	17(a)	**11,057,749**	8,245,634
Trade and other receivables	9	**416,180**	73,869
Prepayments	10	**297,028**	1,185,739
Inventories	11	**6,789,219**	2,786,846
Total Current Assets		**18,560,176**	12,292,088
Non-Current Assets			
Plant and equipment	12	**1,550,052**	1,113,026
Intangible assets	13	**502,996**	239,301
Total Non-Current Assets		**2,053,048**	1,352,327
Total Assets		**20,613,224**	13,644,415
Current Liabilities			
Trade and other payables	14	**2,049,793**	934,299
Total Current Liabilities		**2,049,793**	934,299
Total Liabilities		**2,049,793**	934,299
Net Assets		**18,563,431**	12,710,116
Equity			
Contributed equity	15(a)	**28,683,716**	19,041,398
Reserves	15(d)	**2,333,538**	2,631,087
Accumulated losses		**(12,453,823)**	(8,962,369)
Total Equity		**18,563,431**	12,710,116

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 JUNE 2015

	Consolidated				
	Contributed equity $	Share-based payment reserve $	Foreign currency translation reserve $	Accumulated losses $	Total $
Balance at 1 July 2013	5,077,714	2,413,324	98	(2,525,240)	4,965,896
Loss for the year	-	-	-	(6,437,129)	(6,437,129)
Other comprehensive income					
Foreign currency translation	-	-	94,101	-	94,101
Total comprehensive Income/(loss) for the year	-	-	94,101	(6,437,129)	(6,343,028)
Transactions with owners recorded directly in equity					
Shares issued	14,692,419	-	-	-	14,692,419
Share issue transaction costs	(728,735)	-	-	-	(728,735)
Share-based payments (refer to Note 16)	-	123,564	-	-	123,564
Balance as at 30 June 2014	19,041,398	2,536,888	94,199	(8,962,369)	12,710,116
Balance at 1 July 2014	**19,041,398**	**2,536,888**	**94,199**	**(8,962,369)**	**12,710,116**
Loss for the year	**-**	**-**	**-**	**(3,491,454)**	**(3,491,454)**
Other comprehensive income					
Foreign currency translation	**-**	**-**	**(1,385,001)**	**-**	**(1,385,001)**
Total comprehensive Income/(loss) for the year	**-**	**-**	**(1,385,001)**	**(3,491,454)**	**(4,876,455)**
Transactions with owners recorded directly in equity					
Shares issued	**10,281,195**	**-**	-	-	**10,281,195**
Share issue transaction costs	**(638,877)**	**-**	-	-	**(638,877)**
Share-based payments (refer to Note 16)	**-**	**1,087,452**	**-**	-	**1,087,452**
Balance as at 30 June 2015	**28,683,716**	**3,624,340**	**(1,290,802)**	**(12,453,823)**	**18,563,431**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 JUNE 2015

	Note	Consolidated 2015 $	2014 $
Cash flow from operating activities			
Receipts		**2,572,135**	25,899
Payments to suppliers and employees		**(10,589,665)**	(7,740,298)
Interest received		**192,381**	74,995
Interest paid		**(870)**	(982)
Net cash outflows from operating activities	17(b)	**(7,826,019)**	(7,640,386)
Cash flow from investing activities			
Payments for plant and equipment	12	**(164,355)**	(579,140)
Payments for intangible assets	13	**(215,132)**	(678,456)
Net cash outflows from investing activities		**(379,487)**	(1,257,596)
Cash flow from financing activities			
Proceeds from shares issued	15	**10,000,000**	14,507,419
Proceeds from exercise of options	15	**1,140,195**	185,000
Payment of share issue transaction costs	15	**(638,877)**	(731,735)
Net cash inflows from financing activities		**10,501,318**	13,960,684
Net increase in cash and cash equivalents		**2,295,812**	5,062,702
Cash and cash equivalents at beginning of the year		**8,245,634**	3,222,041
Effect of foreign exchange movements		**516,303**	(39,109)
Cash and cash equivalents at end of the year	17(a)	**11,057,749**	8,245,634

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

1. CORPORATE INFORMATION

Yowie Group Ltd ("the Company") is a company limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

These financial statements are presented in Australian dollars. The financial report was authorised for issue by the directors on 8 September 2015 in accordance with a resolution of the directors.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and Accounting Interpretations. The financial statements have been prepared on a historical cost basis. Yowie Group Ltd is a for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars.

The group financial statements of Yowie Group Ltd also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance

(i) New and amended standards adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2014:

- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting
- Interpretation 21 Accounting for Levies
- AASB 2014-1 Amendments to Australian Accounting Standards

The adoption of AASB 2013-3 had a small impact on the impairment disclosures and AASB 2014-1 has required additional disclosures in the segment note. Other than that, the adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance

(ii) New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the reporting period ending 30 June 2015 are outlined in the following table.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:
AASB 9 (issued December 2014)	Financial Instruments	**Classification and measurement** AASB 9 amendments the classification and measurement of financial assets: • Financial assets will either be measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). • Financial assets are measured at amortised cost or FVTOCI if certain restrictive conditions are met. All other financial assets are measured at FVTPL. • All investments in equity instruments will be measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in OCI. Dividends will be recognised in profit or loss. The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9: • Classification and measurement of financial liabilities, and • Derecognition requirements for financial assets and liabilities.	Annual reporting periods beginning on or after 1 January 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance

(ii) New accounting standards and interpretations issued but not yet effective

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:
AASB 9 (issued December 2014) - cont	Financial Instruments	However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity has not yet made an assessment of the impact of these amendments. **Impairment** The new impairment model in AASB 9 is now based on an 'expected loss' model rather than an 'incurred loss' model. A complex three stage model applies to debt instruments at amortised cost or at fair value through other comprehensive income for recognising impairment losses. A simplified impairment model applies to trade receivables and lease receivables with maturities that are less than 12 months. For trade receivables and lease receivables with maturity longer than 12 months, entities have a choice of applying the complex three stage model or the simplified model. The entity has short term trade receivables. When this standard is adopted, the entity's loss allowance on trade receivable will increase. The change is applied retrospectively, however comparatives need not be retrospectively restated. Instead, the cumulative effect of applying the change for the first time is recognised as an adjustment to the opening balance of retained earnings on 1 July 2018.	Annual reporting periods beginning on or after 1 January 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance

(ii) New accounting standards and interpretations issued but not yet effective

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:
AASB 9 (issued December 2014) - cont	Financial Instruments	**Hedge accounting** Under the new hedge accounting requirements: • The 80-125% highly effective threshold has been removed • Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable • An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure • When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI • When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes be recognised in OCI • Net foreign exchange cash flow positions can qualify for hedge accounting.	Annual reporting periods beginning on or after 1 January 2018
AASB 15 (issued December 2014)	Revenue from Contracts with Customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 *Revenue*. Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.	Annual reporting periods beginning on or after 1 January 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Yowie Group Ltd and its subsidiaries ("the Group") as at 30 June 2015.

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or discount on acquisition.

Non-controlling interests not held by the Group are allocated their share of net profit after tax in the statement of profit or loss and other comprehensive income and are presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

(d) Foreign currency translation

Functional and presentation currency

The functional currency of Yowie Group Ltd and Yowie Enterprises Pty Ltd is Australian dollars ($). The functional currency of Yowie North America Inc., Yowie Natural World Inc., Yowie Hong Kong Holdings Limited and Yowie Hong Kong Enterprises Limited is United States dollars.

The presentation currency of Yowie Group Ltd is Australian dollars ($).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences in the consolidated financial report are taken to the statement of profit or loss and other comprehensive Income.

Group Companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in income statement.

(e) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

(f) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.
Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Inventories

Inventories are measured at the lower of cost or net realisable value. Raw material inventories are accounted for at purchase cost on a weighted average cost basis. Finished goods and work in progress are accounted for at the purchase cost of direct materials plus manufacturing costs, including depreciation of manufacturing equipment. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(h) Property, plant and equipment

Plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated over the useful lives to the Group of the assets, commencing from the time the asset is held ready for use, as follows:

Class	**Depreciation method**
Manufacturing plant and equipment	Units of production basis
Office equipment	Straight line basis over 2.5 years

(i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are expensed to profit and loss as incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets (continued)

Rights and licenses

The Group made cash payments to purchase rights and licenses and they are valued at cost. They are assessed as having an indefinite useful life.

Product development

Expenditure on product development is recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intention to complete and its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to reliably measure expenditure during development.

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use over 3 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

(m) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue recognition (continued)

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

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.

Royalties
Revenue is recognised when the right to receive payments is established.

(o) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income tax and other taxes (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred income tax is recognised in the Statement of Financial Position, except to the extent that it relates to items recognised in other comprehensive income or direct in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income tax and other taxes (continued)

Other taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST recoverable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

(p) Share-based payment transactions

The Group provides benefits to directors, employees and consultants in the form of share-based payment transactions, whereby services are rendered in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with directors, employees and consultants is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate valuation model.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based arrangement, or is otherwise beneficial to the recipient, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.
The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted loss per share.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Earnings / loss per share

Basic earnings / loss per share is calculated as net profit or loss attributable to members of the parent entity, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares of the Company, adjusted for any bonus element.

Diluted loss per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(r) Financial instruments

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. They are included in current assets, except for those maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are included in trade and other receivables. They are measured initially at fair value and subsequently at amortised cost.

(s) Impairment of assets

At each reporting date, the Group reviews the carrying values of tangible assets and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Segment disclosures

Operating segments are presented in a manner consistent with the management reports provided to the chief operating decision makers, which are currently represented by the full board.

The Group currently has only one reportable segment, which relates to the establishment of its confectionery business. All production and sales to date have taken place in the United States. The internal reports reviewed by the board separately present administration costs relating to the US, Australia and Hong Kong. The net result is presented on a consolidated basis. All other income and expenses, and assets and liabilities, are reviewed by management on a consolidated basis.

(u) Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management bases its judgements and estimates on historical experience and on other factors it believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made.

Share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires making assumptions about the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 16.

Income Taxes

Judgement is required in assessing whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Judgements are also required about the application of income tax legislation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Significant accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets

The Group tests annually whether non-financial assets have suffered any impairment, in accordance with the accounting policy stated at Note 2(s). An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next two years. The assumptions used in the budget, such as growth rates, and the discount rate used are subject to judgement and estimates.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, receivables and payables.

The net fair values of the financial assets and liabilities at reporting date of the Group approximate the carrying amounts in the financial statements, except where specifically stated.

The Group manages its exposure to key financial risks, including interest rate, foreign currency risk, credit risk and liquidity risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below.

Risk exposures and responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash and short-term deposits.

At reporting date, the Group had the following financial assets exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

Consolidated	**2015**	**2014**
	$	**$**
Cash at bank	**9,402,759**	6,647,947

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At reporting date, if interest rates had moved as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	Post tax loss Higher / (lower)		Equity Higher / (lower)	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
+0.5% (2014: 0.5%)	**(47,121)**	(33,240)	**(47,121)**	(33,240)
-0.5% (2014: -0.5%)	**47,121**	33,240	**47,121**	33,240

The movements are due to higher / lower interest revenue from cash balances. A sensitivity of 0.5% is considered reasonable given the current level of both short term and long term Australian dollar interest rates.

Foreign currency risk

As a result of the Group's net investment in its US subsidiary Yowie North America Inc, the Group's statement of financial position can be affected significantly by movements in the Australian dollar / US dollar exchange rate.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

Large transactions are denominated in US dollars. The Group seeks to mitigate some of the effect of its foreign currency exposure by holding US dollars.

The Group does not have a policy to enter into forward contracts and does not negotiate hedge derivatives to exactly match the terms of the hedged item.

The financial assets and liabilities of the US and Hong Kong subsidiaries are held in the functional currency of these subsidiaries, which is US dollars.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

At 30 June the Australian dollar equivalents of assets and liabilities held in US dollars and subject to foreign exchange risk are as follows:

Consolidated	2015	2014
	$	$
Assets and liabilities of subsidiaries with USD functional currencies		
Assets		
Cash and cash equivalents	**1,633,514**	1,597,687
Receivables	**379,414**	1,940
Prepayments	**263,477**	1,146,162
Inventories	**6,838,449**	2,786,846
Plant and equipment	**1,624,062**	1,107,928
Intangible assets	**423,819**	239,301
Liabilities		
Trade and other payables	**840,863**	769,525
Intercompany loans	**18,346,023**	10,962,062

Intercompany loans are denominated in Australian dollars and US dollars. Though these loans are eliminated upon consolidation, changes in the value of the loans will have an effect on the consolidated result, since in accordance with AASB 121, exchange gains or losses on intercompany loans that do not form part of a reporting entity's net investment in a foreign operation are recognised in profit or loss.

At 30 June the effects on post tax profit or loss and equity from a change in the Australian Dollar / US dollar exchange rate would be as follows:

	Profit or loss Higher / (lower)		Equity Higher / (lower)	
	2015	2014	2015	2014
	$	$	$	$
Exchange Rate + 10% (2014: 10%)	**(1,667,820)**	(996,551)	**(2,606,172)**	(1,552,036)
Exchange Rate - 10% (2014: 10%)	**2,038,447**	1,218,007	**3,185,322**	1,896,933

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group does not hold any credit derivatives to offset its credit exposure. It holds its cash deposits with major banks with high credit ratings.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting its financial obligations. The Group's objective is to maintain adequate funding to meet its needs, currently represented by cash and short-term deposits sufficient to meet the Group's current cash requirements.

Maturity analysis for financial liabilities

	Consolidated	
	2015	**2014**
	$	**$**
Within one year	**2,049,793**	934,299
Between one and five years	**-**	-
	2,049,793	934,299

Contractual cash flows for financial liabilities are the same as carrying value.

4. SEGMENT REPORTING

The Group has only one reportable segment, which relates to the establishment of its confectionery business. All production and sales to date have taken place in the United States. The internal reports reviewed by the board separately present administration costs relating to the US, Australia and Hong Kong. The net result is presented on a consolidated basis.

All other income and expenses, and assets and liabilities, are reviewed by management on a consolidated basis.

2015	**United States**	**Australia**	**Hong Kong**	**Total**
	$	**$**	**$**	**$**
Sale of goods	**2,631,651**	**-**	**-**	**2,631,651**
Cost of sales	**(1,221,419)**	**-**	**-**	**(1,221,419)**
Selling and distribution	**(2,120,795)**	**-**	**-**	**(2,120,795)**
Marketing	**(1,081,438)**	**-**	**-**	**(1,081,438)**
Administration costs	**(1,429,808)**	**(3,565,486)**	**(195,382)**	**(5,190,676)**
Other revenue	**233,316**	**163,079**	**13,409**	**409,804**
Foreign exchange gain	**2,818,404**	**-**	**455,592**	**3,273,996**
Finance costs	**(39,849)**	**-**	**-**	**(39,849)**
Write-offs	**(71,420)**	**-**	**(81,308)**	**(152,728)**
Loss after income tax				**(3,491,454)**

4. SEGMENT REPORTING (continued)

2014

	United States $	Australia $	Hong Kong $	Total $
Sale of goods	12,328	-	-	12,328
Cost of sales	(5,070)	-	-	(5,070)
Selling and distribution	(1,173,923)	-	-	(1,173,923)
Marketing	(175,191)	(93,793)	-	(268,984)
Administration costs	(915,123)	(1,882,607)	(50,798)	(2,848,528)
Manufacturing fixed costs in advance of production	(425,428)	-	-	(425,428)
Other revenue		104,305	13,343	117,648
Foreign exchange losses	(267,825)	-	(12,847)	(280,672)
Finance costs	(43)	(982)	-	(1,025)
Write-offs	(659,530)	(232,074)	(671,871)	(1,563,475)
Loss after income tax				(6,437,129)

5. OTHER REVENUE

	Consolidated 2015 $	Consolidated 2014 $
Interest	**163,079**	104,305
Freight income	**2,993**	-
Settlement and Royalties income	**243,732**	13,343
	409,804	117,648

6. EXPENSES

Administration expenses include:	Consolidated 2015 $	Consolidated 2014 $
Consulting fees paid to directors	**621,151**	720,000
Consulting fees paid to CEO	**447,336**	-
Business development and travel	**1,376,134**	632,660
Legal, tax, listing, compliance and insurance	**856,092**	1,036,636
Share-based payment for directors, staff and consultant options (refer to Note 16)	**1,087,452**	123,564
Superannuation	**76,816**	75,175
Depreciation and amortisation	**51,276**	11,858
Loss on disposal of office equipment	**-**	5,207

7. TAXATION

(a) The major components of income tax expense are:

	Consolidated 2015 $	Consolidated 2014 $
Current income tax	**-**	-
Deferred income tax	**-**	-
Income tax expense reported in the statement of profit and loss and other comprehensive income	**-**	-

(b) The prima facie tax on operating loss differs from the income tax provided in the accounts as follows:

	2015	2014
Loss from ordinary activities before tax	**(3,491,454)**	(6,437,129)
Prima facie tax benefit on loss at 30%	**1,047,436**	1,931,139
Effect of different tax rates on overseas losses	**(234,574)**	(61,193)
Share-based payments (refer to Note 16)	**(326,235)**	(37,069)
Other non-deductible expenses	**(131,230)**	(41,567)
Income tax benefit not recognised	**(355,397)**	(1,791,310)
Income tax benefit / (expense)	**-**	-

(c) Deferred income tax at 30 June relates to the following:

	Consolidated 2015 $	Consolidated 2014 $
Deferred tax assets		
Share issue and acquisition costs	**70,749**	249,615
Plant and equipment	**-**	133,162
Product development costs	**-**	139,650
US business start-up costs	**-**	607,471
Accruals	**21,671**	122,416
Revenue tax losses	**3,470,050**	1,374,372
Deferred tax assets used to offset deferred tax liabilities	**(595,023)**	-
Deferred tax assets not brought to account	**(2,967,447)**	(2,626,686)
	-	-
Deferred tax liabilities		
Intercompany loans – unrealised foreign exchange gains	**595,023**	**-**
Deferred tax assets used to offset deferred tax liabilities	**(595,023)**	**-**
	-	**-**

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The Group's unrecognised tax losses are available indefinitely for offset against future profits subject to continuing to meet the relevant statutory tests. The Company and its Australian subsidiary have formed a tax consolidated group.

8. LOSS PER SHARE

Classification of securities as ordinary shares

The Company has only one category of ordinary shares included in basic earnings per share.

Classification of securities as potential ordinary shares

There are currently no securities to be classified as dilutive potential ordinary shares on issue, as the options on issue are anti-dilutive.

	Consolidated	
	2015	**2014**
	Number	**Number**
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	**126,447,948**	97,218,209
		$
Basic loss attributable to ordinary equity holders of the parent	**(3,491,454)**	(6,437,129)

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.

9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2015	**2014**
	$	**$**
Current		
Trade debtors	**346,852**	2,935
Other debtors	**35,119**	-
GST receivable	**34,209**	41,624
Accrued interest	**-**	29,310
	416,180	73,869

Trade debtors generally have 30 day terms. GST receivables have repayment terms applicable under the relevant government authority. No amounts are past due or impaired. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group's exposure to risks are summarised in note 3.

10. PREPAYMENTS

	Consolidated	
	2015	2014
	$	$
Current		
Prepayments – raw materials	**129,802**	1,054,981
Other	**167,226**	130,758
	297,028	1,185,739

11. INVENTORIES

	Consolidated	
	2015	2014
	$	$
Current		
Raw materials at cost	**595,847**	672,106
Work in progress at cost	**667**	706
Finished goods at cost	**6,192,705**	2,114,034
	6,789,219	2,786,846

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

During the year ended 30 June 2015, finished goods of $830,884 were expensed as marketing and promotion costs as the Company undertook product sampling program to increase brand awareness and to expand future sales and distribution channels.

During the year ended 30 June 2014, finished goods and raw materials inventories of $200,503 were subject to net realisable value write-downs.

12. PLANT AND EQUIPMENT

	Consolidated 2015 $	Consolidated 2014 $
Manufacturing plant and equipment		
Cost	**770,152**	626,263
Accumulated depreciation	**(39,228)**	(10,680)
	730,924	615,583
Manufacturing plant and equipment under construction		
Cost	**802,269**	482,399
	802,269	482,399
Office equipment		
Cost	**31,207**	18,369
Accumulated depreciation	**(14,348)**	(3,325)
	16,859	15,044
Total plant and equipment	**1,550,052**	1,113,026

Movements in the carrying amount of each class are set out below.

	2015 $	2014 $
Manufacturing plant and equipment		
Balance at the beginning of the year	**615,583**	-
Additions	**-**	66,564
Transfers from manufacturing plant and equipment under construction	**-**	958,573
Depreciation	**(28,548)**	(10,680)
Write-off of commissioning costs	**-**	(345,047)
Foreign exchange adjustment	**143,889**	(53,827)
Carrying amount at the end of the year	**730,924**	615,583
Manufacturing plant and equipment under construction		
Balance at the beginning of the year	**482,399**	935,410
Additions	**194,130**	497,437
Transfers to manufacturing plant and equipment	**-**	(958,573)
Foreign exchange adjustment	**125,740**	8,125
Carrying amount at the end of the year	**802,269**	482,399
Office equipment		
Balance at the beginning of the year	**15,044**	17,135
Additions	**9,657**	15,139
Depreciation	**(11,023)**	(11,858)
Disposals	**-**	(5,207)
Foreign exchange adjustment	**3,181**	(165)
Carrying amount at the end of the year	**16,859**	15,044

13. INTANGIBLE ASSETS

	Consolidated 2015 $	2014 $
Rights and licenses	**294,430**	239,301
Software	**208,566**	-
Product development	**-**	-
	502,996	239,301
Movement during the year:		
Rights and licenses		
Balance at the beginning of the year	**239,301**	315,340
Amounts written off	**-**	(63,446)
Foreign exchange adjustment	**55,129**	(12,593)
Carrying amount at the end of the year	**294,430**	239,301
Software		
Balance at the beginning of the year	**-**	-
Additions	**220,132**	-
Amortisation	**(40,844)**	-
Foreign exchange adjustment	**29,278**	-
Carrying amount at the end of the year	**208,566**	**-**
Product development		
Balance at the beginning of the year	**-**	250,475
Additions	**152,728**	662,453
Amounts written off	**(152,728)**	(954,479)
Foreign exchange adjustment	**-**	41,551
Carrying amount at the end of the year	**-**	-

The carrying value of intangible assets was tested using a discounted cash flow model and it was determined that no impairment is required. However, discretionary write-offs of $152,728 relating to capitalised product development costs were recognised in the statement of profit or loss.

14. TRADE AND OTHER PAYABLES

	Consolidated 2015 $	2014 $
Current		
Trade payables and accruals	**1,190,793**	934,299
Other (Note A)	**859,000**	-
	2,049,793	934,299

Note A: Relates to cash received in advance from investors for the exercise of both listed and unlisted options where shares were allotted subsequent to year end.

Trade creditor amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. The Group's exposure to risks are summarised in note 3.

15. CONTRIBUTED EQUITY AND RESERVES

(a) Issued capital

	Consolidated	
	2015	2014
	$	$
Ordinary shares, fully paid	**28,683,716**	19,041,398

(b) Movements in share capital

	$	Number
As at 30 June 2013	5,077,714	70,594,871
Prospectus – July 2013	1,907,418	12,716,117
Prospectus – December 2013	3,500,001	20,588,235
Placement – March 2014	9,100,000	13,000,000
Exercise of options	185,000	925,000
Share issue costs	(728,735)	-
As at 30 June 2014	**19,041,398**	**117,824,223**
Placement – February 2015	10,000,000	20,000,000
Exercise of options[1]	281,195	1,405,976
Share issue costs	(638,877)	-
As at 30 June 2015	**28,683,716**	**139,230,199**

[1] This does not include $859,000 that the Company received in advance from investors pursuant to the exercise of listed options where shares were allotted subsequent to year end.

(c) Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

15. CONTRIBUTED EQUITY AND RESERVES (continued)

(d) Nature and purpose of reserves

Share-based payment reserve

The share-based premium reserve is used to recognise the value of options issued as share-based payments.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation balances of foreign subsidiaries.

	Consolidated 2015 $	Consolidated 2014 $
Share-based payment reserve	**3,624,340**	2,536,888
Foreign currency translation reserve	**(1,290,802)**	94,199
	2,333,538	2,631,087

(e) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. The Company under the direction of management may issue new shares to provide for future development activity. The Group currently has no debt other than trade payables.

16. SHARE-BASED PAYMENTS

The expense arising from share-based payments was $1,087,452 (2014: $123,564), relating to director, employee and consultant options expensed to profit and loss over the option vesting period.

The following table illustrates the number and weighted average exercise prices (WAEP) of share options granted as share-based payments on issue during the year.

	2015 Number	2015 WAEP ($)	2014 Number	2014 WAEP ($)
Outstanding at 1 July	10,205,000	0.28	11,605,000	0.25
Granted during the year	8,250,000	0.881	500,000	0.99
Exercised during the year	-	-	-	-
Lapsed/forfeited during the year	-	-	(1,900,000)	0.27
Outstanding as at 30 June	18,455,000	0.551	10,205,000	0.28

16. SHARE-BASED PAYMENTS (continued)

The weighted average remaining contractual life for the share-based payment options outstanding as at 30 June 2015 was 1.8 years (2014: 2.2 years).

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Vesting Date	Expiry Date	Exercise Price	Share options 30 June 2015	Share options 30 June 2014
15 October 2014	30 September 2015	31 December 2017	0.900	100,000	-
15 October 2014	30 September 2016	31 December 2017	1.050	200,000	-
28 November 2014	28 November 2014	31 December 2017	0.766	2,000,000	-
30 January 2015	30 January 2015	31 December 2017	0.766	300,000	-
30 January 2015	30 September 2015	31 December 2017	0.900	75,000	-
30 January 2015	30 September 2016	31 December 2017	1.050	125,000	-
12 March 2015	1 May 2015	31 December 2017	0.766	1,000,000	-
12 March 2015	1 September 2015	31 December 2017	0.900	1,000,000	-
12 March 2015	1 February 2016	31 December 2017	1.050	1,000,000	-
9 April 2015	30 September 2015	31 December 2017	0.900	100,000	-
9 April 2015	30 September 2016	31 December 2017	1.050	200,000	-
9 June 2015	31 December 2015	31 December 2017	0.766	550,000	-
9 June 2015	31 December 2016	31 December 2017	0.900	750,000	-
9 June 2015	30 June 2017	31 December 2017	1.050	850,000	-
30 June 2014	30 June 2014	31 December 2017	0.900	50,000	50,000
30 June 2014	30 April 2015	31 December 2017	0.900	150,000	150,000
30 June 2014	30 April 2016	31 December 2017	1.050	300,000	300,000
18 December 2012	18 December 2012	15 December 2015	0.200	2,005,000	2,005,000
20 June 2013	20 June 2013	15 December 2015	0.230	3,500,000	3,500,000
20 June 2013	30 June 2014	30 June 2017	0.285	4,200,000	4,200,000

The range of exercise prices for share-based payment options outstanding as at the end of the year was $0.20 to $1.05 (2014: $0.20 to $1.05).

Expenses arising from share-based payment transactions

	Consolidated 2015 $	Consolidated 2014 $
Options issued to directors	**488,000**	-
Options issued to employee	**18,299**	
Options issued to consultants	**581,153**	123,564
	1,087,452	123,564

Options issued to employee and consultants were issued as remuneration for future services. As the fair value of the services provided could not be reliably determined, the Group fair valued the instruments granted.

16. SHARE-BASED PAYMENTS (continued)

Share-based payments during the year ended 30 June 2015

The following options were issued to directors, employees and consultants as incentives for future services. The fair value of the options was calculated using a binomial model and the following assumptions:

Number of options	3,850,000	2,025,000	2,375,000
Exercise price ($)	0.766	0.90	1.05
Expiry date	31 Dec 2017	31 Dec 2017	31 Dec 2017
Dividend yield (%)	Nil	Nil	Nil
Expected volatility (%)	79%-90%	79%-90%	79%-90%
Risk-free interest rate (%)	1.77%-2.40%	1.77%-2.62%	1.77%-2.62%
Expected life (years)	1.9 - 2.3	1.9 - 2.4	1.9 - 2.4
Share price at grant date ($)	0.565-0.799	0.565-0.799	0.565-0.799
Fair value per option ($)	0.20-0.35	0.18-0.31	0.16-0.28

The expected price volatility is based on historic volatility, adjusted for any changes to future volatility expected based on publicly available information.

Share-based payments during the year ended 30 June 2014

Three classes of options were issued to consultants on 30 June 2014 as incentives for future services. The fair value of the options was calculated using a binomial model and the following assumptions:

	Class 1	Class 2	Class 3
Number of options	50,000	150,000	300,000
Exercise price ($)	0.90	0.90	1.05
Expiry date	31 Dec 2017	31 Dec 2017	31 Dec 2017
Dividend yield (%)	Nil	Nil	Nil
Expected volatility (%)	100%	100%	100%
Risk-free interest rate (%)	2.75%	2.75%	2.75%
Expected life (years)	2.6	2.6	2.6
Share price at grant date ($)	0.54	0.54	0.54
Fair value per option ($)	0.26	0.26	0.25

The expected price volatility is based on historic volatility, adjusted for any changes to future volatility expected based on publicly available information.

No options were issued to directors during the year ended 30 June 2014.

17. CASH FLOW RECONCILIATION

(a) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank and deposits at call.

Cash and cash equivalents at the end of the year as shown in the cash flow statement are reconciled to the related item in the statement of financial position as follows:

	Consolidated	
	2015	**2014**
	$	**$**
Cash at bank[1]	**3,429,671**	2,995,634
Short-term deposits	**7,628,078**	5,250,000
	11,057,749	8,245,634

[1] Includes $859,000 received in advance from investors pursuant to the exercise of listed options where shares were allotted subsequent to year end.

The Group's exposure to risks are summarised in note 3. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

(b) Reconciliation of operating loss after income tax to net cash used in operating activities

	Consolidated	
	2015	**2014**
	$	**$**
Operating loss after income tax	**(3,491,454)**	(6,437,129)
Adjusted for:		
Depreciation and amortisation as per profit or loss	**51,276**	11,858
Depreciation and amortisation in cost of sales	**4,119**	23
Depreciation and amortisation in closing inventories	**25,020**	9,737
Share-based payments	**1,087,452**	123,564
Unrealised foreign exchange (gain) loss	**(3,273,996)**	280,691
Loss on disposal of office equipment	**-**	5,207
Write-off of capitalised product and Yowie World development costs	**152,728**	954,479
Write-off of other intangible assets	**-**	63,446
Write-off of commissioning costs	-	345,047
Changes in operating assets and liabilities		
Decrease/(Increase) in receivables	**(342,311)**	(35,238)
Decrease/(Increase) in prepayments	**888,711**	(512,563)
Increase in inventories	**(4,002,373)**	(2,786,846)
Increase in creditors	**1,074,809**	337,338
Net cash used in operating activities	**(7,826,019)**	(7,640,386)

18. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel

	Consolidated	
	2015	**2014**
	$	**$**
Short-term benefits	**621,151**	720,000
Post-employment benefits	**54,959**	66,600
Share-based payments expensed	**488,000**	110,382
Share-based payments charged to equity	**-**	-
	1,164,110	896,982

(b) Other transactions with key management personnel

There are no other transactions with key management personnel.

19. COMMITMENTS AND CONTINGENCIES

(a) Commitments

Under a Patent and Technology License Agreement with Mr Henry Whetstone, the Group is committed to pay the minimum fees listed below to maintain its exclusive rights to use Whetstone's patents in the United States.

Date	Amount
31 December 2015	A$1,175,641 (US$900,000)
31 December 2016 - 2019	A$1,789,586 (US$1,370,000)

(b) Contingencies

The Group had no contingent liabilities as at 30 June 2015.

20. AUDITOR'S REMUNERATION

The auditor of the Group is BDO Audit (WA) Pty Ltd.

	Consolidated	
	2015	**2014**
	$	**$**
Amounts received or due and receivable:		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	**57,225**	54,307
Tax consulting	**79,610**	68,710
Total remuneration of BDO Audit (WA) Pty Ltd	**136,835**	123,017
Other audit firms		
Audit and review of financial reports	**11,000**	8,000
Tax consulting	**29,532**	-
Total remuneration of other audit firms	**40,532**	8,000

21. PARENT ENTITY AND SUBSIDIARY INFORMATION

Yowie Group Ltd is the legal parent entity.

	2015 $	2014 $
Current assets	**9,454,049**	6,734,136
Total assets	**19,772,357**	12,874,748
Current liabilities	**1,208,930**	164,774
Total liabilities	**1,208,930**	164,774
Contributed equity	**30,350,888**	20,708,570
Share-based payment reserve	**1,498,340**	410,889
Option premium reserve	**1,424,233**	1,424,233
Accumulated losses	**(14,710,034)**	(9,833,718)
	18,563,427	12,709,974
Loss of the parent entity	**(4,876,316)**	**(6,343,171)**
Total comprehensive loss of the parent entity	**(4,876,316)**	**(6,343,171)**

Subsidiaries

Name	Country of Incorporation	Percentage interest 2015 %	Percentage interest 2014 %	Principal Activities
Yowie Enterprises Pty Ltd	Australia	100	100	Receives royalties
Yowie North America, Inc.	USA	100	100	Production and sales of Yowie product
Yowie Natural World, Inc.	USA	100	-	Investment
Yowie Hong Kong Holdings Limited	Hong Kong (China)	100	100	Holds intellectual property
Yowie Hong Kong Enterprises Limited	Hong Kong (China)	100	100	Procures capsule, inclusion and leaflet

22. SUBSEQUENT EVENTS

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.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Yowie Group Ltd, I state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001,* including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

      (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

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

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2015.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

On behalf of the Board

Wayne Loxton
Chairman

8 September 2015

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INDEPENDENT AUDITOR'S REPORT

To the members of Yowie Group Ltd

Report on the Financial Report

We have audited the accompanying financial report of Yowie Group Ltd, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Yowie Group Ltd is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Yowie Group Ltd for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Ian Skelton

Director

Perth, 8 September 2015

ASX Additional Information

Additional information as required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this report is set out below. This information is current as at 2 September 2015.

Distribution of quoted securities

Ranges	No. of Holders of Ordinary Shares	No. of Ordinary Shares	No. of Holders of Options (15/12/15; 20c)	No. of Options (15/12/15; 20c)
1 - 1,000	1,231	385,497	3	2,640
1,001 - 5,000	971	2,834,817	109	527,473
5,001 - 10,000	616	5,144,291	22	193,300
10,001 – 100,000	1,092	33,961,634	116	3,688,531
100,000 and over	165	106,181,811	36	15,506,075
Total	**4,075**	**148,508,050**	**286**	**19,918,019**

There were 976 shareholders holding less than a marketable parcel of ordinary shares.

Quoted and unquoted equity securities

Equity Security	Quoted	Unquoted
Ordinary Shares	148,508,050	-
Options (20 cent – 15 Dec 2015 expiry)	19,918,019	-
Director Incentive Options (23 cent – 15 Dec 2015 expiry)	-	2,500,000
Director Incentive Options (28.5 cents – 30 Jun 2017 expiry)	-	4,200,000
Employee/Consultant Incentive Options (76.6 cents – 31 Dec 2017 expiry)	-	3,350,000
Employee/Consultant Incentive Options (90 cent – 31 Dec 2017 expiry)	-	2,125,000
Employee/Consultant Incentive Options ($1.05 – 31 Dec 2017 expiry)	-	2,475,000
Employee/Consultant Incentive Options ($1.15 – 31 Dec 2017 expiry)	-	260,000
Employee/Consultant Incentive Options ($1.25 – 31 Dec 2017 expiry)	-	520,000

Unlisted Employee/Consultant Options

Exercise Price	Expiry Date	Number of Options	Number of Holders
$0.23	15 December 2015	2,500,000	3
$0.285	30 June 2017	4,200,000	3
$0.766	31 December 2017	3,350,000	5
$0.90	31 December 2017	3,125,000	9
$1.05	31 December 2017	2,475,000	8
$1.15	31 December 2017	260,000	3
$1.25	31 December 2017	520,000	3

ASX Additional Information

Twenty largest holders of Ordinary Shares

	Name	Shares Held	Percentage %
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,573,647	5.77
2	NATIONAL NOMINEES LIMITED	8,161,532	5.50
3	MR KEITH PHILLIP HUDSON	6,464,353	4.35
4	JP MORGAN NOMINEES AUSTRALIA LIMITED	6,217,615	4.19
5	ABDULLAH HANI ABDALLAH	5,666,667	3.82
6	CITICORP NOMINEES PTY LTD	4,682,963	3.15
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	4,460,628	3.00
8	DALEFORD WAY PTY LTD	3,425,000	2.31
9	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <WAM A/C>	3,330,194	2.24
10	HIDDEN VALLEY HOLDINGS (AUST) PTY LTD <SOUTHBANK INVESTMENT A/C>	2,930,000	1.97
11	MR WAYNE GREGORY LOXTON <THE LOXTON INVESTMENT A/C>	2,627,500	1.77
12	UBS NOMINEES PTY LTD	2,614,043	1.76
13	AMP LIFE LIMITED	2,317,232	1.56
14	BNP PARIBAS NOMS PTY LTD	2,302,290	1.55
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – GSCO ECA	2,116,113	1.42
16	MR SCOTT MAURICE DONNELLAN & DR ADAOBI OGENNA UDECHUKU	1,719,590	1.16
17	THIRTY-FIFTH CELEBRATION PTY LTD	1,482,471	1.00
18	MR CRAIG ANTHONY LUBICH & MRS LEEANNE KELLY LUBICH <C&L LUBICH FAM PENSION A/C>	1,346,437	0.91
19	TALAL ADEL HAMMOUD	1,144,280	0.77
20	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,105,028	0.74
	TOTAL	**72,687,583**	**48.95%**

ASX Additional Information

Twenty largest holders of Quoted Options (15 Dec 2015; 20 cents)

	Name	Shares Held	Percentage %
1	DALEFORD WAY PTY LTD	2,000,000	10.04
2	KAOS THEORY TRADING PTY LTD	1,570,000	7.88
3	MR CRAIG ANTHONY LUBICH & MRS LEEANNE KELLY LUBICH <C&L LUBICH FAM PENSION A/C>	1,000,000	5.02
4	RICHSHAM NOMINEES PTY LTD	987,500	4.96
5	MR SCOTT MAURICE DONNELLAN & DR ADAOBI OGENNA UDECHUKU	826,525	4.15
6	ALITIME NOMINEES PTY LTD <HONEYHAM FAMILY A/C>	750,000	3.77
7	BOND STREET CUSTODIANS LIMITED	600,000	3.01
8	JFD ENTERPRISES PTY LTD	535,734	2.69
9	MR MARK AVERY	534,350	2.68
10	NATIONAL NOMINEES LIMITED	523,783	2.63
11	DINNIS PTY LTD	425,000	2.13
12	MS FIONS NICOLE VAN DEN BERG	400,000	2.01
13	MR JOHN ALBERT JAMES RYAN	380,000	1.91
14	CRAIG LUBICH <LUBICH INVESTMENT A/C>	375,000	1.88
15	MR JOHN ALBERT JAMES RYAN & MRS CHANTHA RYAN <JOHN A J RYAN SUPER FUND A/C	350,000	1.76
16	SISTARO PTY LTD	312,500	1.57
17	CATALYST KP PTY LTD	312,500	1.57
18	DR MARK EDWIN BADCOCK	310,000	1.56
19	WISEPLAN INVESTMENTS PTY LTD <LEON DAVIES INVESTMENT A/C>	310,000	1.56
20	BIGGINS SUPER PTY LTD <BIGGINS S/F A/C>	300,000	1.51
	TOTAL	**12,802,892**	**64.29%**

Voting rights

Ordinary shares carry one vote per share. There are no voting rights attached to the options in the Company.

Stock Exchange

The Company is listed on the Australian Securities Exchange and has been allocated the code “YOW”. The “Home Exchange” is Perth.

On-market buy-back

There is no current on-market buy-back.

Other information

Yowie Group Ltd is incorporated and domiciled in Australia, and is publicly listed company limited by shares