

1. Company details

Name of entity:	Mad Paws Holdings Limited
ABN:	39 636 243 180
Reporting period:	For the year ended 30 June 2022
Previous period:	For the year ended 30 June 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	244.2% to	9,825,788
Loss from ordinary activities after tax attributable to the owners of Mad Paws Holdings Limited	down	13.3% to	(10,344,652)
Loss for the year attributable to the owners of Mad Paws Holdings Limited	down	13.3% to	(10,344,652)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the Group after providing for income tax amounted to \$10,344,652 (30 June 2021: \$11,934,981).

Refer to the 'Review of operations' in the Directors' report for further commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.111)	4.704

Right-of-use assets and lease liabilities have been excluded from net tangible assets.

4. Control gained over entities

Name of entities (or group of entities)	Animal Magnesium Pty Ltd and its subsidiary Aussie Pet Meds Pty Ltd
Date control gained	1 April 2022

	\$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	(168,277)
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	97,842

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unmodified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Report of Mad Paws Holdings Limited for the year ended 30 June 2022 is attached.

12. Signed

Signed  _____

Jan Pacas
Chairman

Date: 29 August 2022



madpaws

FY2022 Annual Report

Mad Paws Holding (ASX: MPA)

ABN 39 636 243 180

Contents

3
FY21 Highlights

23
Chairperson's Letter



27
Board of Directors

52
Auditor's
Independence
Declaration



58
Notes to the
Financial
Statements

98
Independent
Auditor's Report



11
Mad Paws
Overview



25
CEO Review

28
Directors' and
Remuneration
Report



53
Financial
Statements

97
Directors'
Declaration



103
Shareholder
information

105
Corporate
Directory

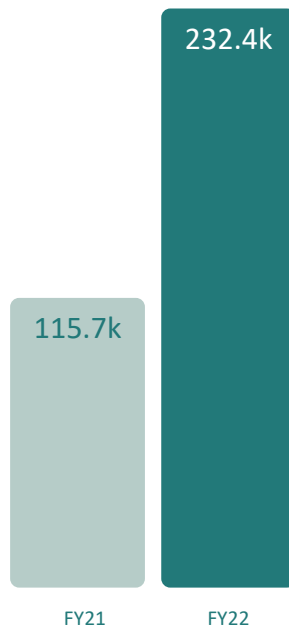


FY22 Scorecard:

Transformative year for Mad Paws

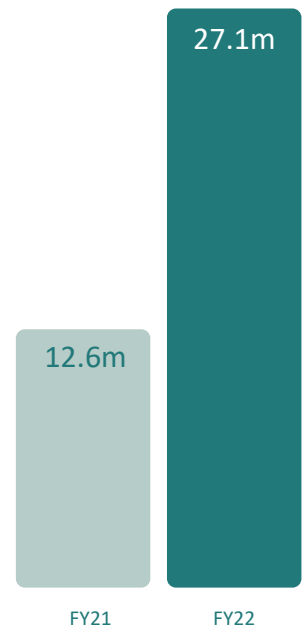
↑101%

Bookings



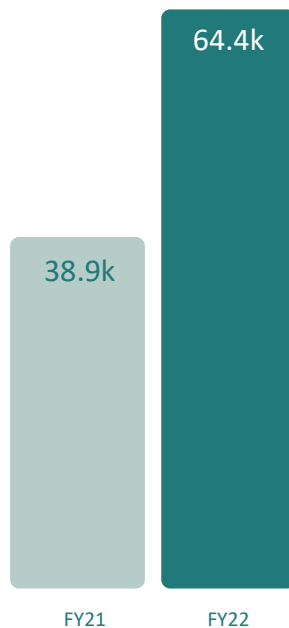
↑115%

GMV



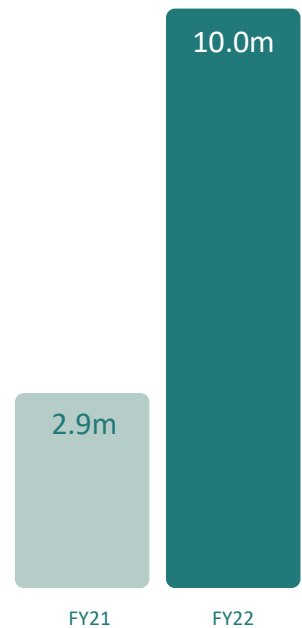
↑66%

New Customers



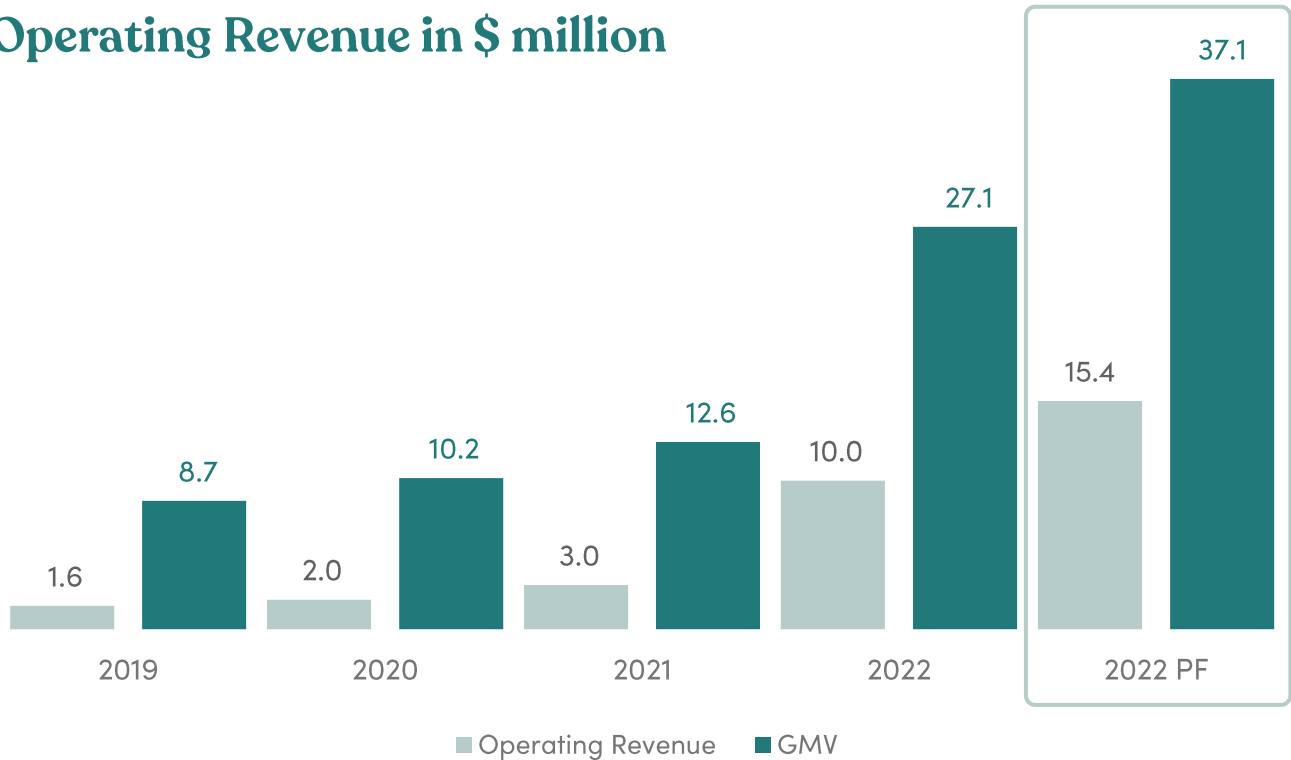
↑251%

Operating Revenue



FY22 Scorecard: Transformative year for Mad Paws

FY19 – FY22 GMV and Operating Revenue in \$ million



Mad Paws exits FY22 a substantially larger business, with significant momentum for the future

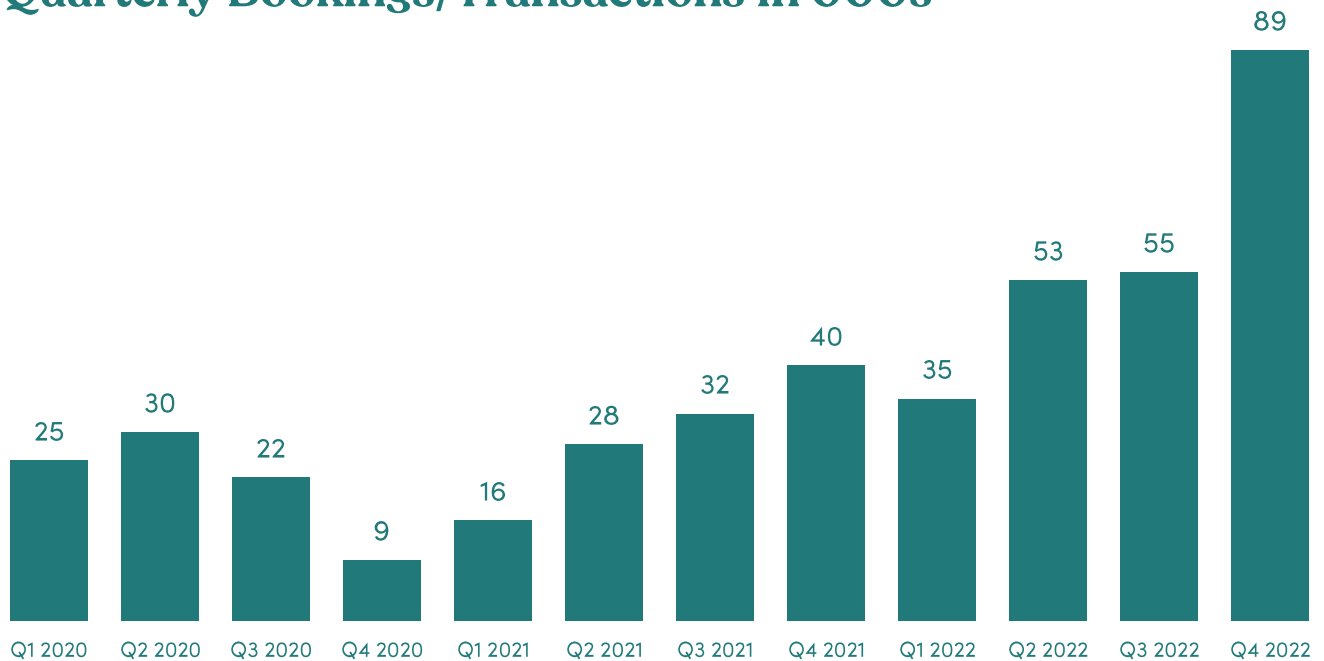


*GMV is the total value of transactions processed by Mad Paws, on a cash basis, before deducting pet service provider payments, cancellations and refunds, chargebacks, discounts and GST
PF – Pro forma results for the Mad Paws Group assuming 12 months ownership of Pet Chemist. Pet Chemist pre-acquisition numbers are unaudited

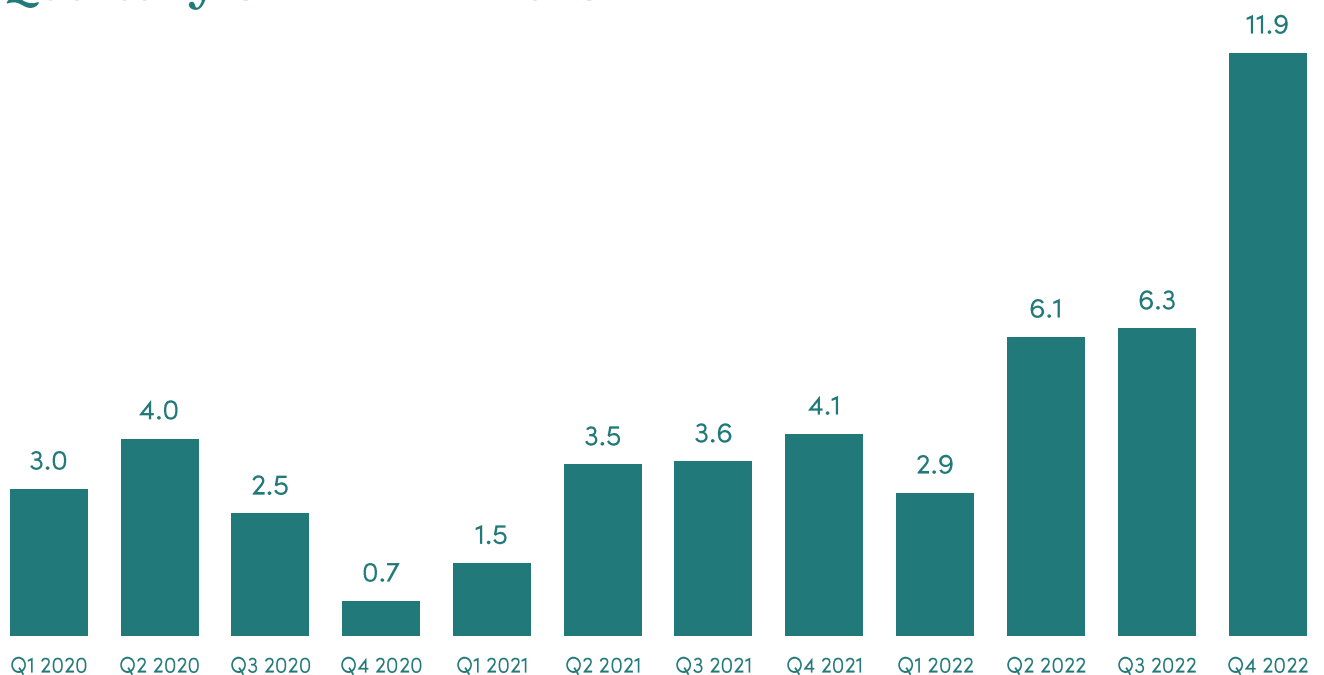
FY22 Group Highlights

Execution of our pet life cycle strategy is gaining share of the pet owner's wallet and accelerating growth throughout FY22 resulting in significantly growing number of bookings and GMV

Quarterly Bookings/Transactions in 000s



Quarterly GMV* in millions

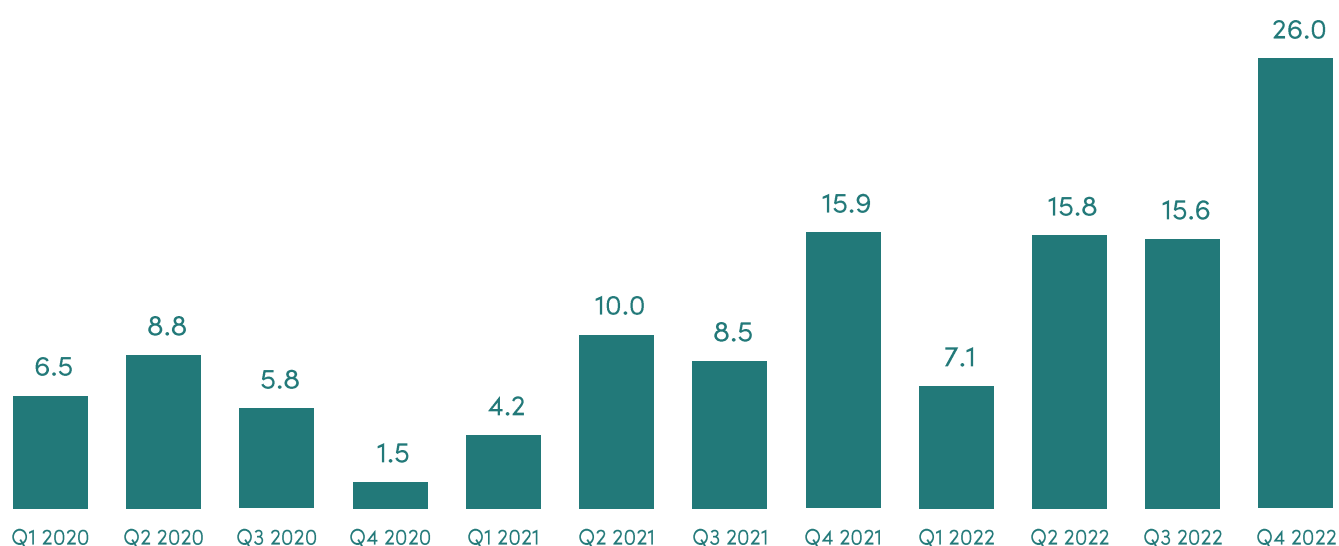


*GMV is the total value of transactions processed by Mad Paws, on a cash basis, before deducting pet service provider payments, cancellations and refunds, chargebacks, discounts and GST

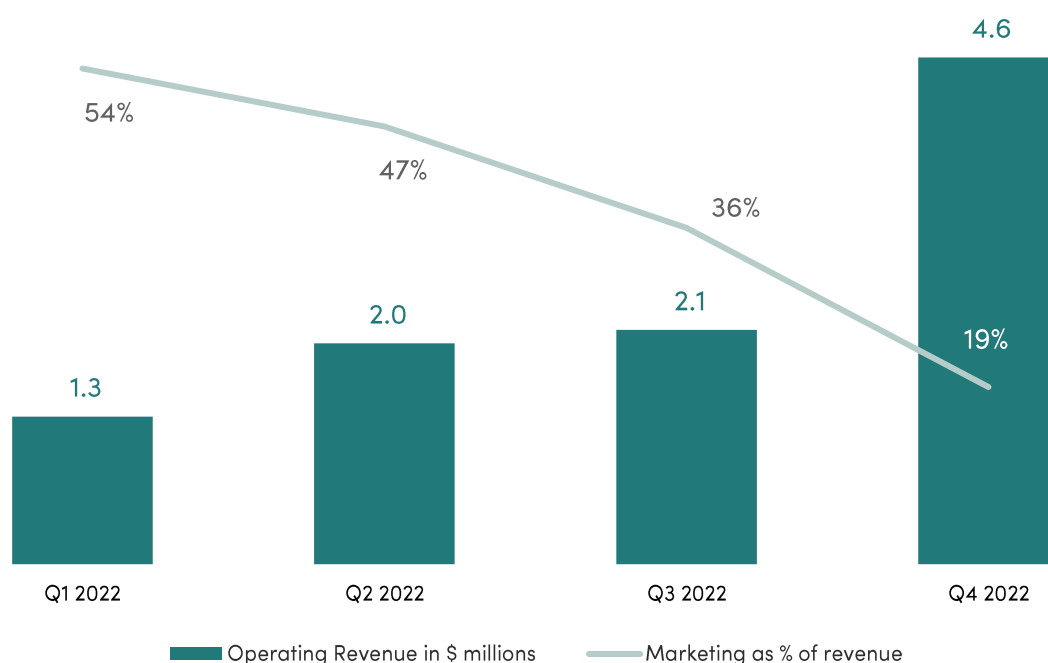
FY22 Group Highlights

Record new customers acquired at a lower cost of acquisition drives marketing efficiency

Quarterly New Customers in 000s



FY22 Quarterly Marketing as a % of Revenue

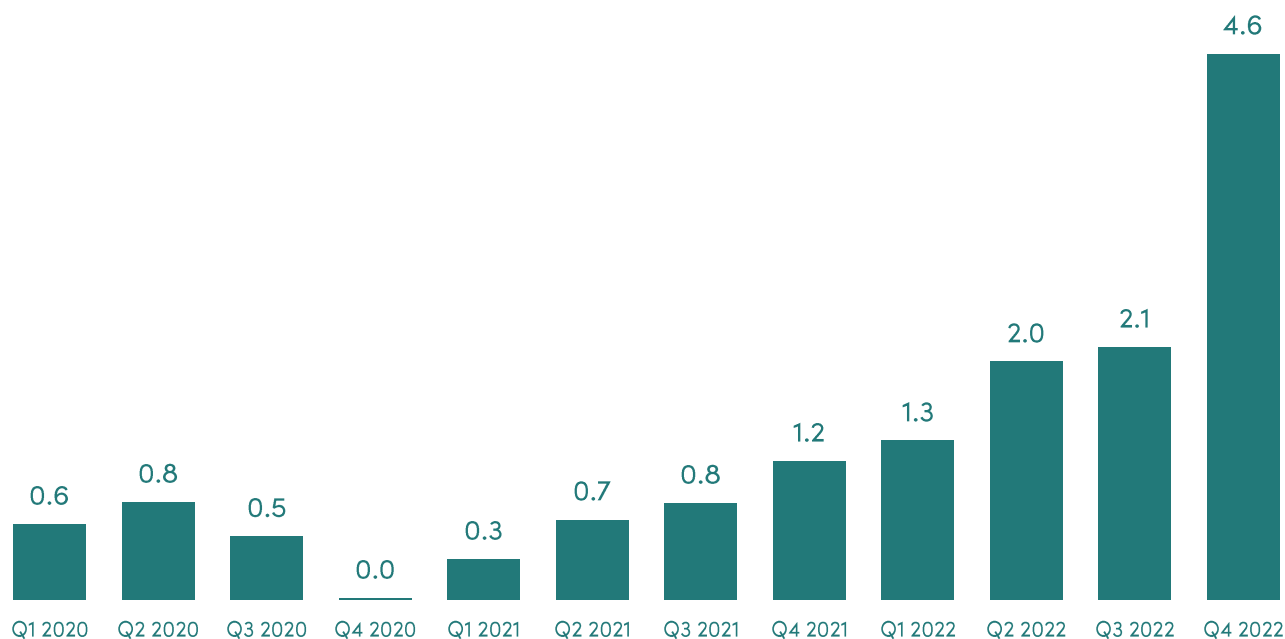


*GMV is the total value of transactions processed by Mad Paws, on a cash basis, before deducting pet service provider payments, cancellations and refunds, chargebacks, discounts and GST

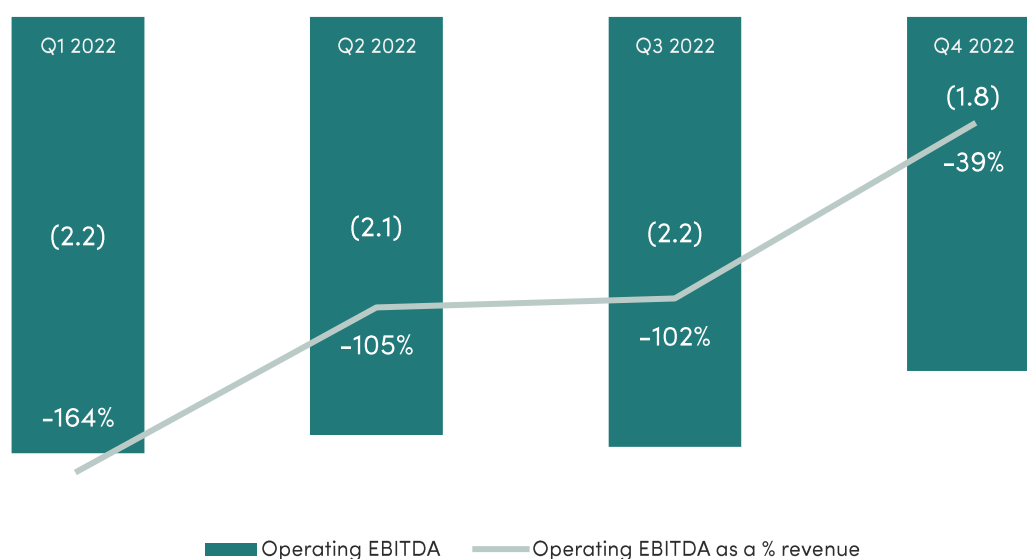
FY22 Group Highlights

Mad Paws focus on profitable revenue growth, marketing efficiency and prudent cost management across FY22 means we exit FY22 with strong momentum and a clear path to operating EBITDA breakeven

Quarterly Operating Revenue in Millions



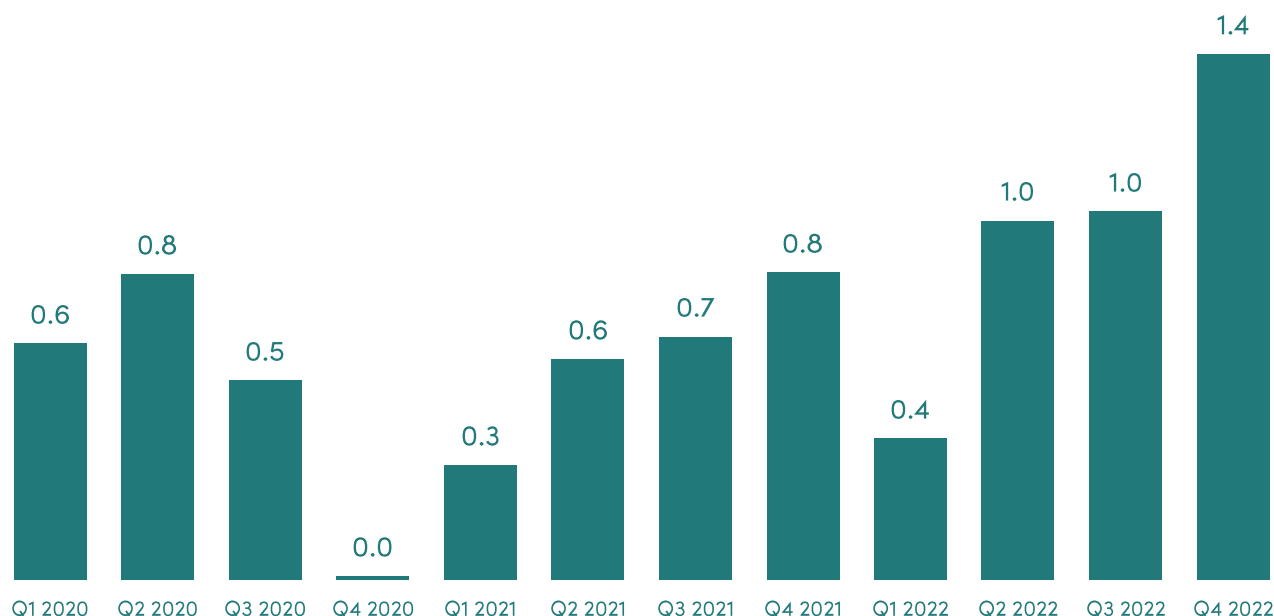
FY22 Quarterly Operating EBITDA in Millions



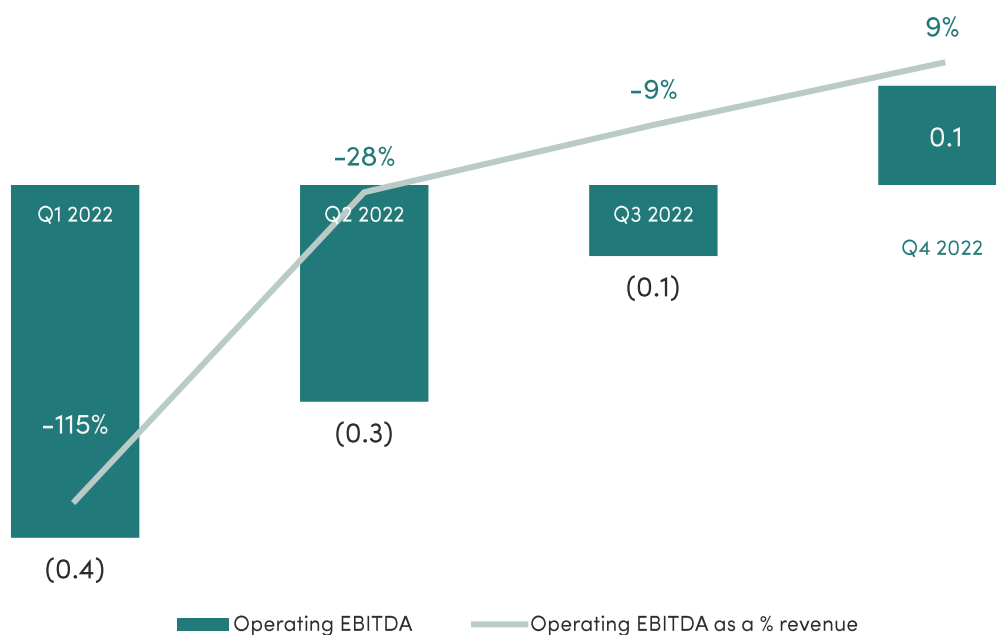
Marketplace Performance

Marketplace performance rebounded strongly with the easing of Covid restrictions. Strong operating leverage and improving marketing efficiency are the drivers for our first EBITDA profitable quarter.

Quarterly Operating Revenue in Millions



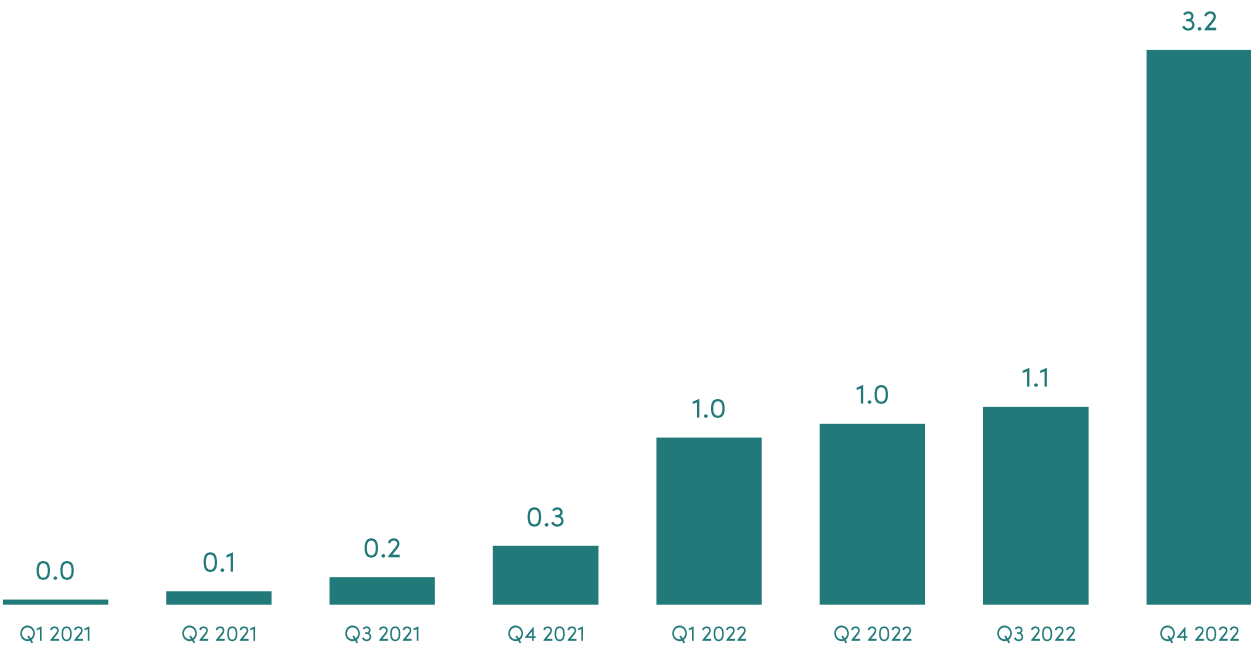
FY22 Quarterly Operating EBITDA in millions



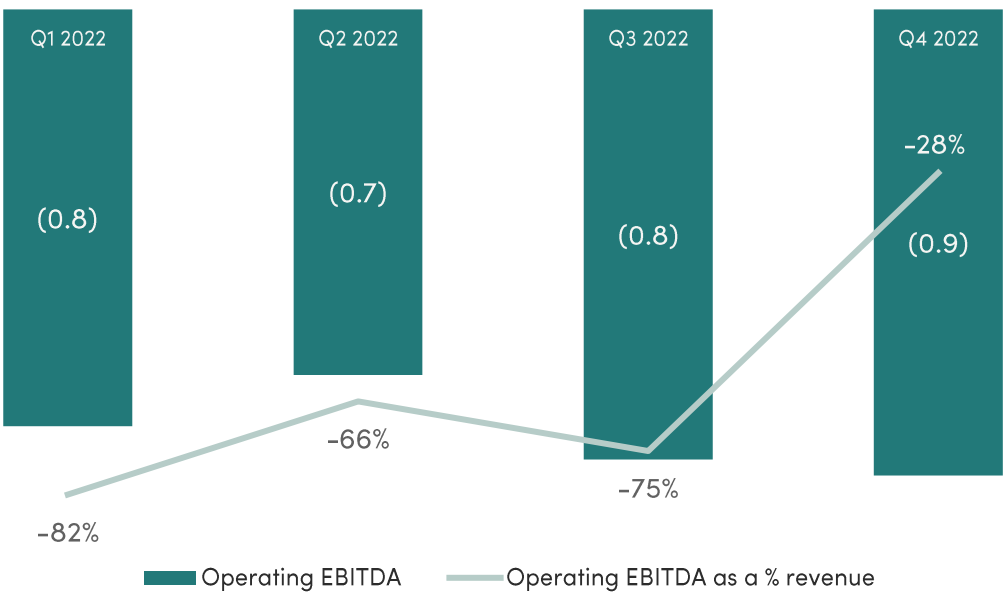
eComm & Subscription Performance

Focus on gross margin improvements and lower customer acquisition costs are driving significant improvements in operating EBITDA margins with strong momentum for FY23

Quarterly Operating Revenue in Millions



FY22 Operating EBITDA in Millions



FY22 Execution Milestones

Pet Services Marketplace

- Achieved **profitability** in Q4 FY22
- Optimised acquisition cost while still delivering record months
- Continuous improvements to our search algorithm resulted in **improved conversion, retention rates and lifetime values**
- **Data integration** – single data layer from all businesses
- Foundational work for our **central pet database** – to be used by all verticals

eCommerce & Subscriptions

FOOD

- **New and improved production facility** for Dinner Bowl now operational
- Laser focus on improving operational efficiencies

JOY

- Found a new level of **growth for the subscription** business at significantly reduced acquisition cost
- Improved buying to **improve margins**
- Website improvements

HEALTH

- **Increased scale** through acquisition of **Pet Chemist**
- Completed Pet Chemist integration
- Data integration
- Operations integration
- Customer support improvements
- In-housing marketing functions and setting channels up for rapid growth

HOME

- Expanded product range resulting in **5x growth in revenue** from acquisition run rate
- Website improvements resulted in **increasing site conversion rates**, reducing acquisition costs



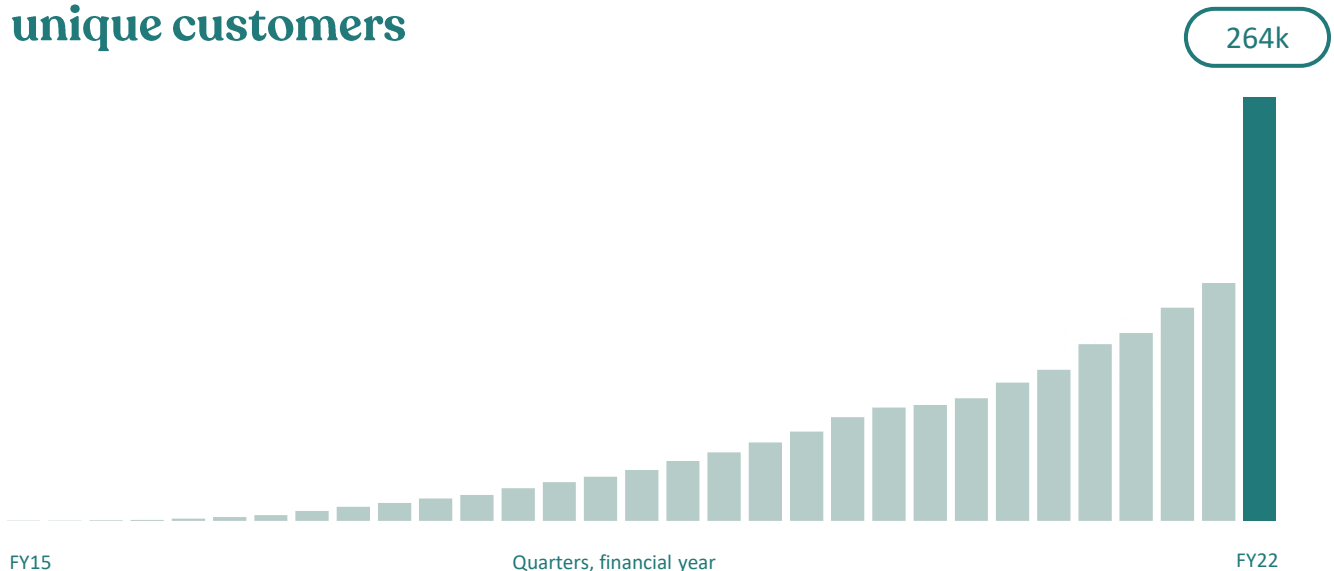


Mad Paws Overview

Mad Paws at a Glance

Mad Paws provides a safe and convenient digital platform that connects pet owners with high quality services and products. Mad Paws has built a loyal and growing community of pet owners and sitters, focused on enabling their loved pets to live their lives to the fullest.

**264k Cumulative
unique customers**



Mad Paws proudly serves pet owners and pet sitters in the following verticals:

Mad Paws Care: Sitting, Walking, Day Care, Grooming

Launched 2015

Mad Paws Food

Dinner Bowl launched Q1 2021

Mad Paws Health

Insurance launched Q3 2021, acquired Pet Chemist April 2022

Mad Paws Joy

Toys and Treats – Waggly acquisition Q4 2021

Mad Paws Home

Curated Ecommerce – Launched in Q2 FY22 with Sash acquisition



**Over 1.5 million
pet care services
provided**



**Product Review
Best Raw Dog Food
of 2021**



**Qantas Partnership
& Access to
Qantas FF**

4.7★

Average review
score

c.600k

Monthly
web users

Our Purpose

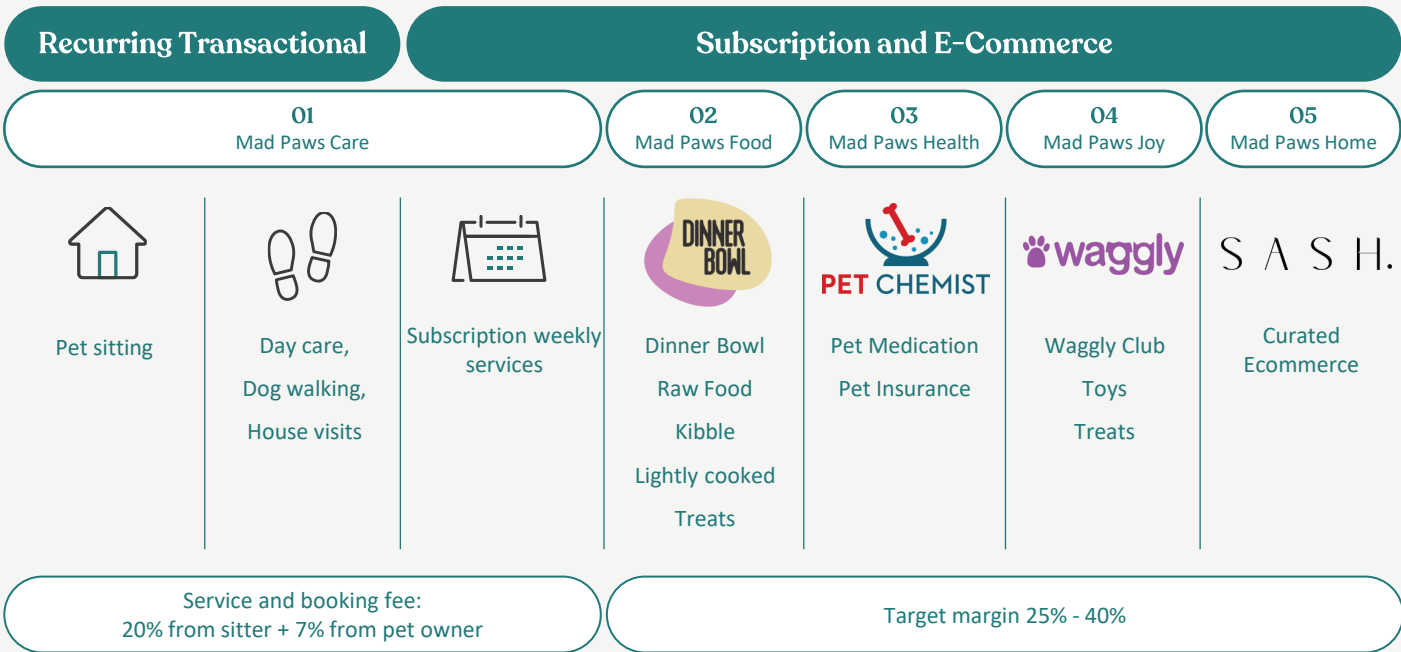
We exist to enable pets to live their lives to the fullest.

Our Vision

Being the most trusted and convenient brand to rely on for all pet-related needs.



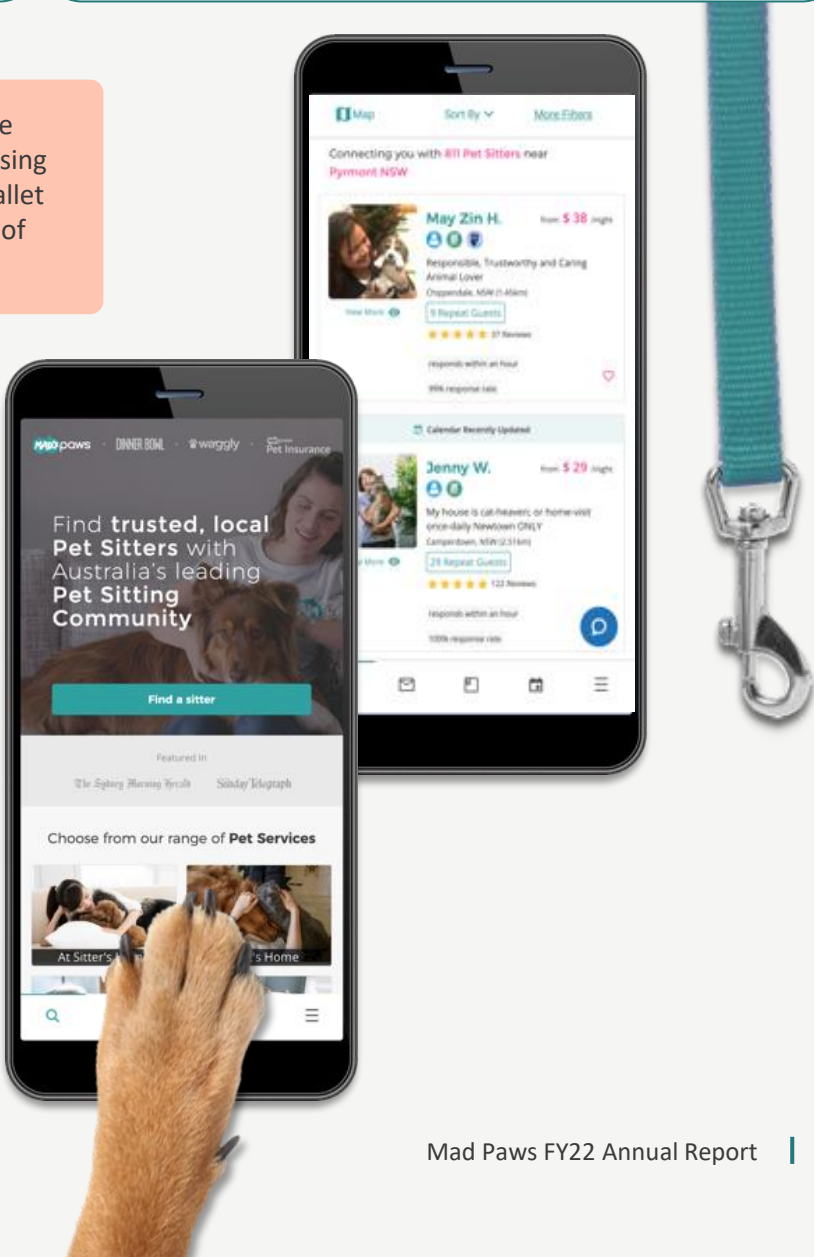
Five Distinct Revenue Streams and a Powerful Network Effect



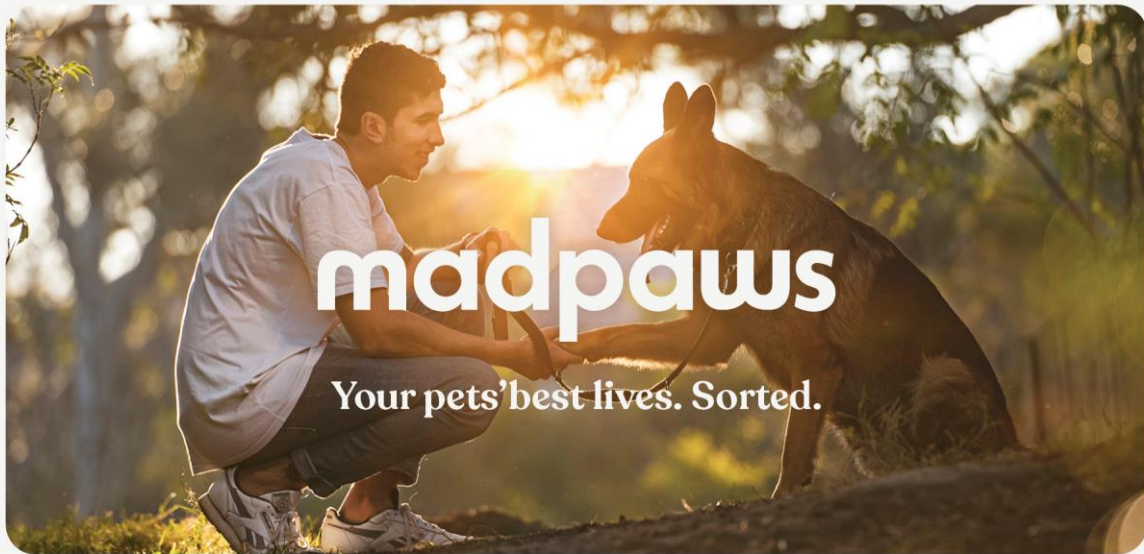
Mad Paws is set up perfectly to cross sell the right product/service at the right time, realising huge expansion potential of our share of wallet through enriched customer data and usage of our platform.

Mad Paws is building a powerful fly-wheel, with more and more owners and sitters enjoying the benefits of the Mad Paws ecosystem.

Through advocacy and customer demand for existing and new products and services Mad Paws continues to gain business traction reducing the amount of time, effort & marketing spend required over time.



The Mad Paws Family of Brands



Brand Evolution

FY23 we are working on our master brand strategy. Bringing together the different offerings from a branding as well as customer experience perspective. Below gives you an idea of where the Mad Paws brand is heading.

madpaws

Best Pet CarersBest Pet Care

I'm looking for

Pet Hosting at Sitter's Home

Near

Sydney

From

05/12/22

To

05/12/22

For my

Small Dog

Your pets' best lives. Sorted.

Find trusted local pet sitters.

Save on your pet medications

Shop calming dog beds

Discover nutritious dog food, delivered.

madpaws

Best Pet CarersBest Pet Care

DRINKER BOWLS

Raw

Kibble

Cooked

Treats

Supplement

Australia's favourite dog food, delivered.

BUILD YOUR BOWL

Quality kibble that you can trust.

EXPLORE KIBBLE

Raw, real, human-grade meals.

EXPLORE RAW

Fresh, gourmet meals.

EXPLORE COOKED

madpaws

Best Pet CarersBest Pet Care

WAGGLY

Find Your Box

Puppy

Power Chewer

Active

Older

Customised boxes of toys and treats, delivered every month.

FIND YOUR BOX

Discover what's in the Original Box

PUPPY BOX

Explore what's in the Active Box

ACTIVE BOX

Uncover the Power

POWER CHEWER BOX

madpaws

Best Pet CarersBest Pet Care

HOME

Beds

Bundles

Calming Beds for Anxious Pups

SHOP NOW

Shop calming bed with Boucle cover

Shop original calming bed

madpaws

Best Pet CarersBest Pet Care

PET CHEMIST

Medication

Vet Diets

Dog

Cat

Horse

Birds

Brands

Medicine for your pets made easy and affordable

EXPLORE THE RANGE

Shop for your dog

SHOP DOG

Shop for your cat

SHOP CAT

Shop for your horse

SHOP HORSE

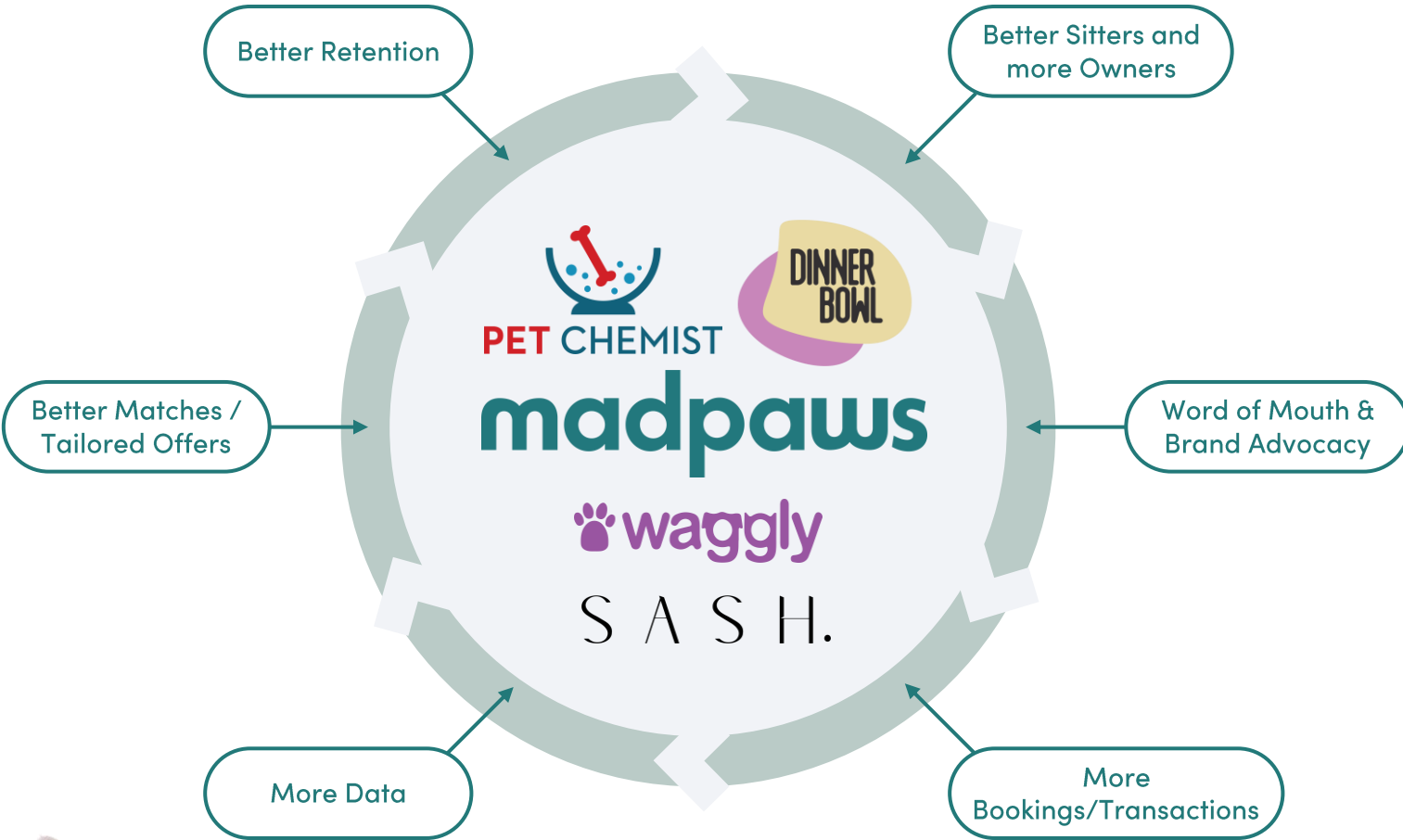
Master Mad Paws brand, with a variety of categories, housed in the same product ecosystem.

Mad Paws Is Building A Powerful Network Effect

The Mad Paws platform is driving powerful momentum as more owners and sitters enjoy benefits and advocate acceptance and usage.

Advocacy and customer demand for existing and new products and services continue to gain traction reducing the amount of effort and marketing spend required over time.

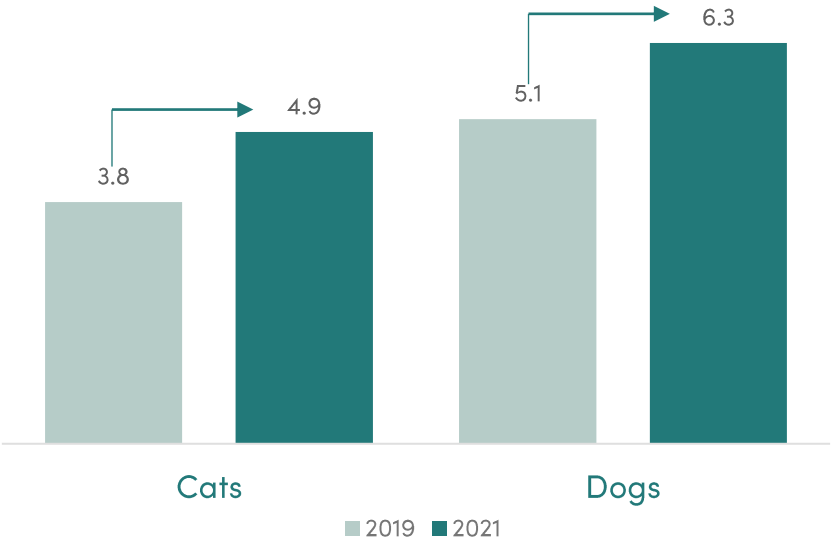
Ultimately leading to greater loyalty, repeat rates and a larger share of wallet for Mad Paws.



The Pet Market has BOOMED during COVID

The Australian pet market is huge and growing with health care a key vertical

¹30.4 million pets in Australia with significant growth in pets relevant to our focus areas



¹Average household spend for dogs and cats represents a large wallet size

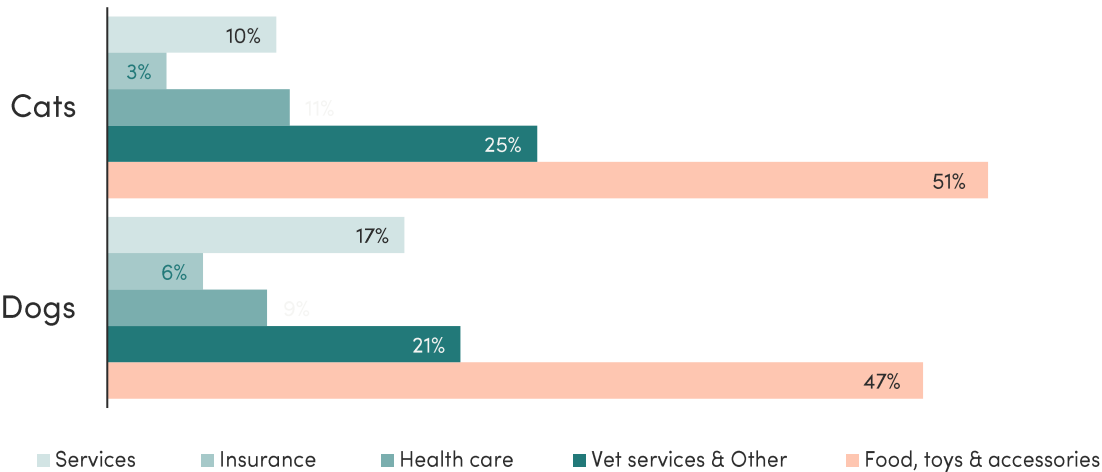


Dogs
\$3,237 pa



Cats
\$2,074 pa

Our strategy is focussed on the largest components of the spend



Implied TAM for Dogs and Cats of \$30.3 billion

¹Animal Medicines Australia, Pets and the Pandemic: A social research snapshot of pets and people in Australia

Pet's and their Impact on Australian's Lives



Pet ownership is a way of life

for the majority of Australians, an estimated 7.3 millions households (73% of all households) would like to add a pet to their family



70% of pet owners

say their pets have improved their lives during the pandemic

Owners now have different, **more human like relationships with pets**, more inelastic spend



Pet Humanisation and Premiumisation Driving Spend



Prioritisation of Pet Needs



Increasing Spend Per Pet



Increasing Spend on Pet Products and Services



Recession resilience

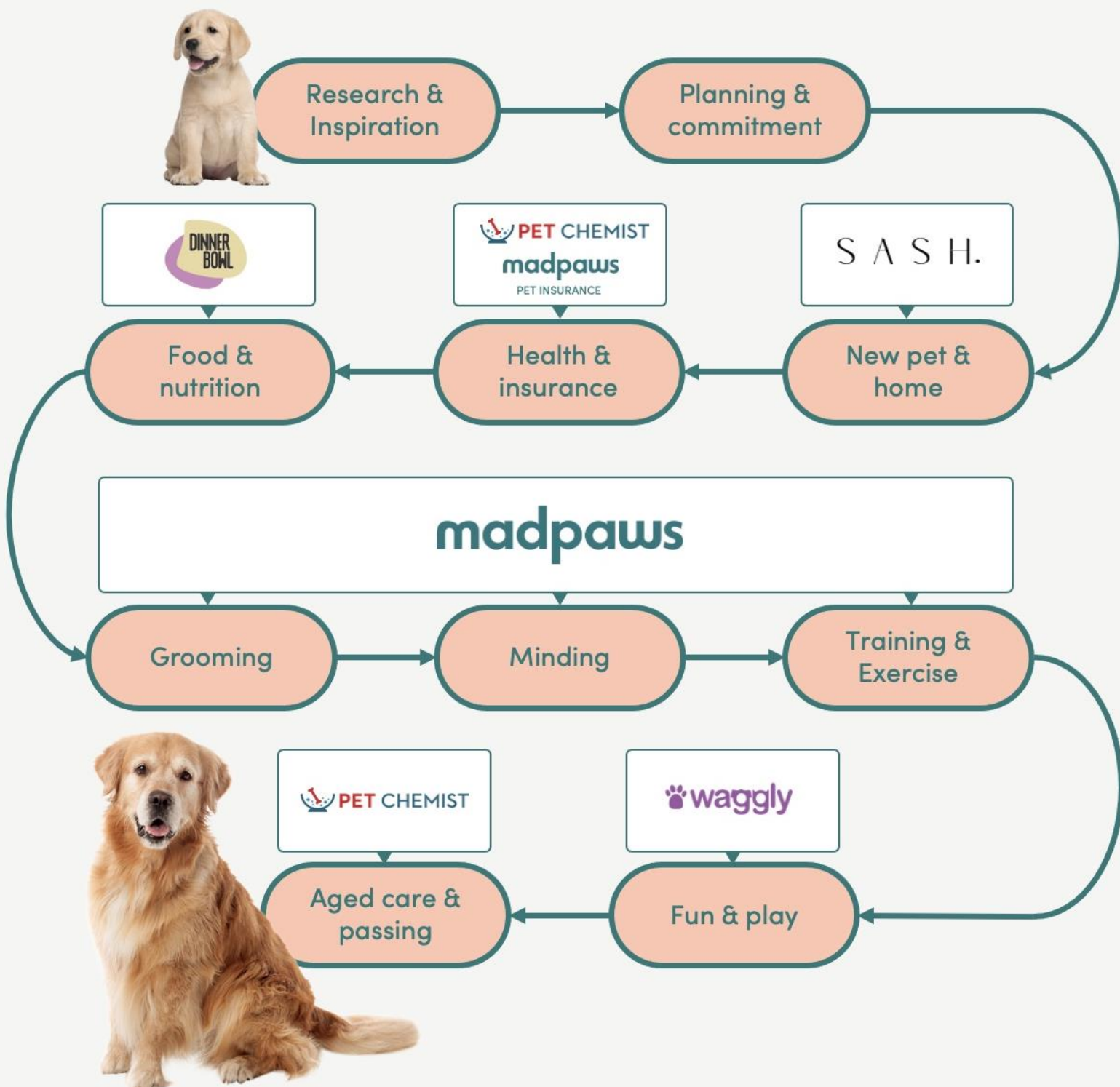


Pet owners have multiple needs across the pet life cycle

Mad Paws is already providing products and services in most categories.

Mad Paws can play a role throughout the pet life cycle, leveraging its trusted positioning, expanding data set and love of Pet's.

Leading too lower customer acquisition costs and strong customer loyalty and high customer repeat rates throughout the lifecycle.



Mad Paws Has Never Been Better Placed For Accelerated Growth And Recovery

Pet ownership has dramatically increased with 62% of all Australians now owning at least one pet, 48% of which are dog owners and 37% cat owners¹.

Pet humanization and premiumisation is driving an increase in spend on pet services and pet needs.

Pet Industry is now worth \$30B in Australia and the popularity of gourmet meals continues to rise¹.

Covid has accelerated the shift from offline to online validating the future demand and growth in pet care services and subscription services.

Pent up demand for travel is building; tailwinds ahead for pet sitting once lockdown restrictions ease – demand for pet sitters.

Growing Recurring Revenue from Pet Chemist, Dinner Bowl and Waggly subscription services supplementing core business and diversifying revenue streams.

Strong balance sheet with \$5.6m of cash at 30th of June, with revenue growth and prudent cost management expected to deliver cash flow breakeven and profitability



¹Source: Animal Medicines, Pets and the Pandemic: A social research snapshot of pets and people in the COVID-19 era.

ESG

Our stakeholders are passionately committed to our cause, and the Mad Paws ecosystem was built with social good in mind. We believe it is our obligation to make sure that our offerings are ethically and socially responsible.

Mad Paws has started the journey to becoming a leader not just in pet offerings but a leader in socially and ethically responsible pet offerings.

We are committed to play our role in reducing our carbon footprint as well as finding innovative

ways to further improve the sustainability of our products and offerings.

Mad Paws now has appointed its first official sustainability officer who is working on finalizing our first sustainability roadmap which will be presented at or before the next AGM.

Key Targets

COMMUNITY IMPACT

- Mad Paws is guided by our community and employees to support initiatives that give back to the community we live and prosper in
- These activities included
 - Ukraine War – supported with employee and executive sponsored donations
 - NSW/QLD floods – supported local kennels with food, products and money
 - Mad Paws supported local pet owners in flood impacted locations with free access to pet sitters

CARBON FOOTPRINT

- Mad Paws went through an extensive project with an external party to identify the companies current carbon footprint, which has been finalised
- Mad Paws is committed to reducing the measured carbon footprint by the end of FY23 and to offset any amount that can not be reduced by FY24

PEOPLE

At Mad Paws we are guided by our values and principles and firmly believe the teams varied and unique skills combined will drive growth in the future

Team metrics:

Overall: 48% Female – 52% Male

Exec: 27% Female – 73% Male

Board: 20% Female – 80% Male



Chairperson's Letter

FY22 Performance



Dear Shareholders,

I am pleased to present Mad Paws Holdings Limited's second Annual Report as a public listed company. FY22 was another step changing year for your company as we continued to execute our vision to become Australia's leading pet platform.

Our goal is to provide a broad range of products and services to make pet owners' lives and, more importantly, their pets' lives more enjoyable.

While the wider macro downturn towards the end of the financial year created some challenging market conditions, we stayed focused and executed on our growth strategy delivering record results.

The team worked hard and has achieved significant milestones to scale our e-commerce and subscription revenues to complement growing marketplace revenues. We have also successfully completed the acquisition of Pet chemist which expands our offering into the pet health space a market now worth over \$4.3 billion a year in Australia. And with only 14% of customer spend currently spend online, we expect this sector see some accelerated growth over the next couple of years.

With our portfolio of offerings: Mad Paws marketplace, our e-commerce and subscription segments including Mad Paws toys and treats, Mad Paws Food and Mad Paws health – all digitally connected for the end user - Mad Paws has gained relevancy in the consumers mind and is touching the lives of Australia's pets at multiple points of the pet lifecycle.

+101%



Bookings

232.4k

+24%



GMV*

\$27.1m

+251%



Revenue

\$10.0m

+66%



New Customers

64.4k

+1,222%



Ecomm & Subs

\$6.3m

Chairperson's Letter

We expect to leverage further synergies from those offerings, consolidating our brands and creating a seamless user experience, while at the same time driving efficiencies and cost savings. We have demonstrated this strategy is working with the growth we have seen for Waggly and Sash Beds over the last 12 months with both businesses now achieving record customer acquisitions per month at record low customer acquisition cost.

This positions us extremely well for accelerated growth many years to come and it creates a unique moat for the business which is hard to replicate. With the Pet Chemist acquisition our addressable market has expanded now to a greater proportion of the \$30 billion pet market and by utilising our customer base of over 264,000 pet customers, we are set up to cross sell the right product or service at the right time delighting our customers.

The results of FY22 are a sign our strategy is working with record revenues of \$10 million while at the same time improving our marketing as a % of revenue from 54% in Q1 FY22 to 19% in Q4 FY22.

From the first day's of founding the company, we believed there was a significant opportunity in the Australian pet market, and we are only scratching the surface. With structural tailwinds of the accelerating shift online, the large increase in pet ownership since Covid, as well as changing consumer trends – e.g. humanisation of pets where owners spend more money on their pets, and the pent up travel demand, we have profitability clearly in our sight while still maintaining high levels of growth.

We are very confident about FY23 as we continue to execute our growth strategy building Australia's leading pet ecosystem, capitalizing on the synergies ahead of us.

I would like to thank our hard-working team for their commitment and outstanding efforts every day, CEO, Justus Hammer, for his passionate leadership and the executive team for their valued contribution.

I am grateful to my fellow directors for their counsel and the support of our shareholders. Finally, I would like to thank all of our customers, subscribers and sitters for their trust and engagement.

I look forward to reporting on our ongoing success.

Thank you



JAN PACAS

Chairman, and co-founder



CEO's Review



Dear Shareholders,

At Mad Paws, we live and breathe all things pets. Our purpose is to enable pets to live their lives to the fullest. We see first-hand the positive effect pets can have on their Owners' lives; mental and physical health, companionship, sense of purpose and responsibility...the benefits are endless!

That's why the team and I strive to be the most trusted and innovative brand to rely on for all pet related needs. Or, put simply, "Your pets' best lives. Sorted".

During FY22 we made significant progress towards this goal. Coupling the rebound of our pet services marketplace with the growth in our e-commerce and subscription businesses, we're connecting with more and more Pet Owners across Australia. We've now served over 264,000 customers and facilitated over 558,000 bookings/transactions.

The first half of FY22 saw Australians subject to further COVID-19 lockdowns, significantly impacting our pet services marketplace. Despite these challenges, we have continually broken GMV records month after

month. We ended FY22 with marketplace GMV of \$18.5 million - a 53% increase year on year - cementing our position as the #1 pet services marketplace in Australia.

Although faced with many challenges in our core business, we continued to strive for more. We expanded our pet food offering by adding high quality kibble and human grade, lightly cooked options to our range. The convenience of healthy, home delivery of pet food empowers Australian Dog Owners to feed their pets as well as they feed themselves!

And, in November 2021 we acquired SASH Beds. Distinctively premium pet bedding, they also serve to reduce anxiety and encouraging calm in dogs. Building on our pet marketing expertise, and focusing on cross-selling, we have since increased revenue by over 5 times compared with the acquisition revenue run rate.



**FY22 Bookings/
Transactions up
101%**

**FY22 GMV up
115% to \$27.1
million**

**Group Operating
Revenue up 251%
to \$10.0 million**

**Marketplace
positive Operating
EBITDA
for Q4 FY22**

**Marketing and
operating cost
efficiency
improvements**

**Entered the Pet
Health and
Curated
e-commerce
markets**

CEO's Review

Pet health has also been a strategic area the Mad Paws team have been looking to enter, and in April 2022, we acquired Pet Chemist. Pet Chemist provides an affordable and convenient way for Pet Owners to purchase pet medication. They also stock other specialist health products, supplements and pet food, offering significant savings on hundreds of well-known retail brands. I am truly excited for Howard and Mel to join the Mad Paws team and further enhance the effect we can have on pets' lives in Australia.

The acquisition of these businesses has also increased our footprint across Australia, now with locations in Melbourne and Tweed Heads, and enabling us to maximise the efficiency of operations.

Looking back, FY22 has been a monumental year. Despite the challenges of a global pandemic during the first half of the year, Mad Paws delivered record results with GMV of \$27.1 million and operating revenue of \$10 million; increases of 115% and 251% respectively. With the growth in our underlying businesses as well as the acquisition of Pet Chemist and SASH, Mad Paws has transformed in FY22 with pro forma GMV of \$37.1 million.

Our growth is testament to our laser-focused strategy of expanding our product and services offering further along the Pet Owners' lifecycle. Aiming always to create 'wow' moments for Pet Owners, we now have the ability to seamlessly cross-sell to specific audiences in the most effective medium and at the right time. Even more encouraging is the success in achieving this level of growth while at the same time reducing our customer acquisition cost to all-time lows.

We couldn't have come this far in FY22 without the magnificent Mad Paws team who continue to amaze me everyday!

FY23 the team is focused on bringing our current brands closer together and providing our customers with an even more coherent experience. This focus, combined with efficient revenue growth, prudent cost management and disciplined management of capital will help us to continuously grow our share of the Australian pet market while achieving profitability in the medium term, driving the best outcome for shareholders.

We had a great start to FY23 with the marketplace continuously performing ahead of target, becoming our first profitable business unit within the group. Our other business verticals are equally performing ahead of plan, delivering strong growth at record low acquisition cost. All this makes us extremely optimistic for the future of Mad Paws and the positive impact we can have on millions of pets and their owners.

Thanks for being part of the Mad Paws journey.



JUSTUS HAMMER

Group CEO and Co-Founder



Board of Directors



Jan Pacas

Chairman & Co-founder

15+ years of experience in both large multinational corporations as CEO leading up to \$1 Billion dollar businesses as well as founder of 2 digital technology companies.

Currently founder of All G Foods a food tech company.



Justus Hammer

Group CEO, Executive Director & Co-founder

15 years of retail and e-Commerce experience, specialising in online marketplaces, business processes, fund raising and start-up investing.

Advisor and early investor to Airtasker, Advisor to VICE Golf. Previously Advisor to Docbook, Non-Executive Director to Tempur and CMO of Mint Wireless

Previously co-founded and successfully exited Spreets.



Mike Hill

Director

Mike is a co founder of Bombora Group, a pre IPO and listed equities boutique growth investor based in Sydney. He was a former Operational Partner of Ironbridge from 2004 to 2014, a private equity firm with \$1.5bn funds under management. Prior to this, he was a Partner at Ernst & Young.

Mike is currently on a number ASX and non ASX board's including Chair of Janison Education Group (ASX: JAN), Pacific Knowledge Systems Limited (ASX: PKS), Design Milk Co Ltd (ASX: DMC), Orbx Limited, and Mobecom Limited.



Josh May

Director

Josh has over 20 years' corporate advisory experience including working for Ernst & Young in Sydney. Josh is a portfolio manager of the Bombora Special Investment Growth Fund.

Josh currently serves as Chair of LVX Global, is a non executive Director of Valory Resources Inc (Canada), a Director of Bombora Investment Management Pty Ltd.



Vicki Aristidopoulos

Non-Executive Director

20 years in executive roles specialising in Marketing, Brand and Communications in e-commerce.

Previous roles include CMO at Afterpay, Group Director at NewsCorp, CMO at Fairfax Media, Head of Brand and Media at CommSec and FOXTEL.

Vicki currently sits on the advisory board of Zurich Travel Insurance App Freely and is a strategic advisor to a variety of e-commerce, private & ASX listed companies.



Howard Humphreys

Executive Director

Howard founded Pet chemist in 2016, in addition he has owned and operated vet clinics for 7+ years and has deep veterinary and pet market expertise.

Prior to this Howard has over 5 years' experience within investment research and corporate finance with Martin Place Securities, Seismic Research and Wentworth Global Capital Partners.



Director's & Remuneration Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Mad Paws Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

The following persons were directors of Mad Paws Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Joshua May
Jan Pacas
Justus Hammer
Michael Hill
Vicki Aristidopoulos
Howard Humphreys (appointed on 1 April 2022)

Principal activities

During the financial year the principal continuing activities of the Group consisted of:

- the provision of an online pet platform, making the process of owning and caring for a pet more accessible, convenient and cheaper. The Group's platforms enable Pet Owners to find Pet Sitters who provide pet board and other services;
- the distribution and sale of pet food as well as toys and treats;
- the distribution and sale of pets beds, through the acquisition of Sash Beds during the financial year; and
- the provision of an online pet business focused on health care related products, through the acquisition of Pet Chemist during the financial year.

Review of operations

The financial year ended 30 June 2022 ('FY 22') has been a significant year for the Mad Paws Group. We weathered the COVID 19 impacts in the first half of FY22 ('1H FY22'), completed on 2 acquisitions as well as the Waggly integration.

The FY22 results reflect our clear purpose and vision. We exist to enable pets to live their lives to the fullest. We strive to be the most trusted and convenient brand to rely on for all your pet-related needs. In short, "Your pets' best live. Sorted"

The loss for the Group after providing for income tax amounted to \$10,344,652 (30 June 2021: \$11,934,981).

The directors and management review the Group's performance using Operational EBITDA, which for FY22 was a loss of \$8.208 million (Financial year ended 30 June 2021 or FY21: \$4.704 million). The Group has outlined its performance under this metric and provided a reconciliation to the reported loss after tax in the results summary below and in note 4.

Operational EBITDA (earnings before interest, tax, depreciation, amortisation and non-operating, non-recurring income and costs) is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-specific non-cash and significant items. The directors consider operational EBITDA to reflect the core earnings of the Group.

	2022 \$'000	2021 \$'000	Change \$'000	Change %
Marketplace	3,740	2,378	1,362	57%
Ecommerce & Subscription	6,291	476	5,815	1222%
Operating revenue	10,031	2,854	7,177	251%
Cost of goods sold	(5,036)	(668)	(4,368)	(654%)
Gross Margin	4,995	2,186	2,809	128%
% of revenue	50%	77%		
Marketing	(3,316)	(2,123)	(1,193)	(56%)
Employment costs	(4,215)	(1,740)	(2,475)	(142%)
Other operating expense	(1,331)	(459)	(872)	(190%)
Segment operating EBITDA	(3,867)	(2,136)	(1,731)	(81%)
% of revenue	(39%)	(75%)		
Central/Corporate costs	(4,341)	(2,568)	(1,773)	(69%)
Group Operating EBITDA	(8,208)	(4,704)	(3,504)	(74%)
% of revenue	(82%)	(165%)		
Non-operating, non-cash and non-recurring items	(2,170)	(7,231)	5,061	70%
Loss before income tax benefit	(10,378)	(11,935)	1,557	13%
Income tax benefit	33	-	33	-
Loss after income tax benefit	(10,345)	(11,935)	1,590	13%

Group Key Performance Metrics

	2022	2021	Change #	Change %
GMV \$'000s	27,119.9	12,628.0	14,491.9	115%
Bookings/Transactions 000s	232.4	115.7	116.7	101%
New customer acquisition 000s	64.4	38.7	25.7	66%

Notes:

- 1 In the MPA Group operating Profit or loss promotional discounts are added back to revenue and treated as a marketing expense. A reconciliation is detailed below to their statutory treatment.
- 2 Gross Merchandising Value ('GMV') is a non-GAAP measure that represents the total value of transactions processed by all Mad Paws Businesses, on a cash basis, before deduction of pet service provider payments, cancellations, refunds, chargebacks, discounts and GST.

Reconciliation:

The following table shows a reconciliation between revenue and marketing expenses reported in the review of operations and the Statement of profit or loss and other comprehensive income:

	Revenue \$'000	Marketing expenses \$'000
As reported above	10,031	(3,316)
Adjustment of promotional discounts	(205)	205
As reported in the statement of profit or loss	9,826	(3,111)

FY22 Operating revenue grew 251% to \$10.0 million, with marketplace revenue increasing 57% to \$3.7 million due to the relaxation of COVID19 travel restrictions and the opening of domestic and international borders towards the end of FY22 as well as internal product and marketing initiatives.

Our e-Commerce and subscription revenues grew by 1222% to \$6.3 million, an increase of \$5.8 million versus FY21. This is because of the full year contribution from the Waggly acquisition, the acquisition of Sash Beds and the contribution of the Pet Chemist acquisition from 1 April 2022. In addition, we saw organic growth for these acquisitions well above their performance pre-acquisition which is a reflection of our cross-selling efforts and marketing excellence.

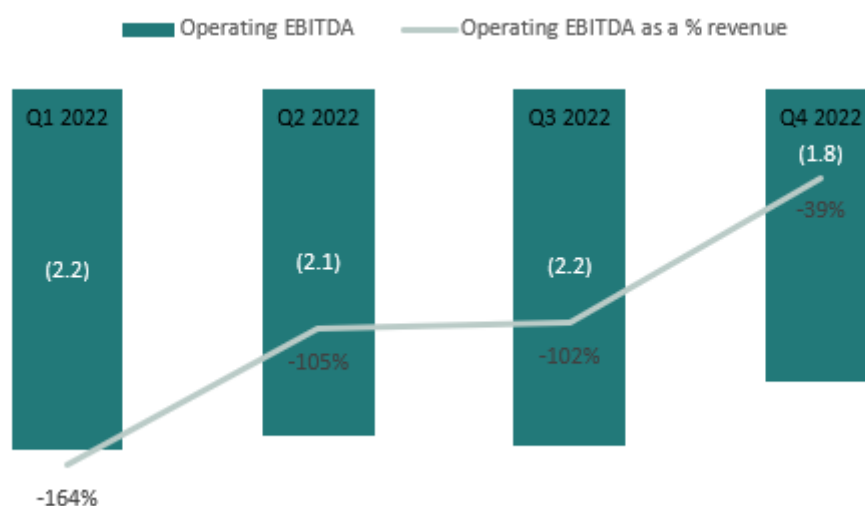
Gross margin increased by \$2.8 million to \$5.0 million in FY22 a 128% improvement versus FY21. The change in the Group's gross margin in FY22 is due to a greater contribution of the e-commerce and subscription segment versus the prior year. At a segment level we have seen improving margins across FY22 and expect to see further margin improvements in FY23 from operational initiatives, direct sourcing, and increased scale.

Group Operating EBITDA loss for FY22 was \$8.2 million, an increase of \$3.5 million from FY21. The increase relates to the following factors:

- Segment Operating EBITDA loss was \$3.9 million an increase of \$1.7 million from FY21. This is due to higher marketing costs across both segments as we continued to invest in customer acquisition due to the strong return on investments and customer acquisition costs trending lower. Employee costs were \$2.5 million higher with the integration of the Waggly, Sash and Pet Chemist acquisitions as well as the build out of the segment product, technology and marketing teams. Other segment operating costs ('opex costs') increased \$0.9 million due to higher technology platform running costs such as messaging and hosting as well as additional property costs from the expansion of our warehousing facilities to support growth.
- Central and corporate costs increased \$1.8 million largely due to higher employment costs from the build out of the central management team post the company's IPO in March 2022, as well as public company costs.

Mad Paws has focused on efficient revenue growth, prudent cost management and disciplined capital management which has improved Group Operating EBITDA and Operating EBITDA margins throughout FY22 with more to come in FY23.

FY22 Quarterly Operating EBITDA profile in millions



Marketplace

	2022 \$'000	2021 \$'000	Change \$'000	Change %
Operating revenue	3,740	2,378	1,362	57%
Cost of goods sold	(254)	(165)	(89)	(54%)
Gross margin	3,486	2,213	1,273	58%
% of revenue	93%	93%		
Marketing	(1,408)	(1,547)	139	9%
Employment costs	(2,042)	(1,559)	(483)	(31%)
Other operating costs	(701)	(383)	(318)	(83%)
Segment Operating EBITDA	(665)	(1,276)	611	48%
% of revenue	(18%)	(54%)		

Marketplace Key Performance Metrics

	2022	2021	Change #	Change %
GMV \$000s	18,487.8	12,065.3	6,422.5	53.20%
Take rate %	24.7%	24.1%		2%
Bookings	127.4	106.2	21.2	20%

Our pet services marketplace delivered 57% operating revenue growth to \$3.7 million in FY22. The first half of FY22 was a challenging period with the impact of the Omicron variant resulting in a return to restrictions with continued closure of international borders and the reintroduction of domestic border closures. After the relaxation of restrictions during Q2 FY22, the marketplace performance has accelerated, regularly exceeding monthly GMV benchmarks.

Across our key marketplace drivers, we have seen a strong rebound in booking activity and average booking values. Total bookings increased 20% versus FY21. Year over year booking growth is impacted by changes in customer booking behaviour in FY21 due to international border closures. During FY21 customers made shorter bookings due to the COVID 19 market uncertainty. This trend reversed in H2 FY22 as customers had greater confidence in booking domestic and international travel due to higher vaccination rates. Comparing the number of time units' customers booked in FY22 versus FY21 we see a 31% increase year over year.

The marketplace take rate improved 0.6ppt to 24.7% on a booked basis.

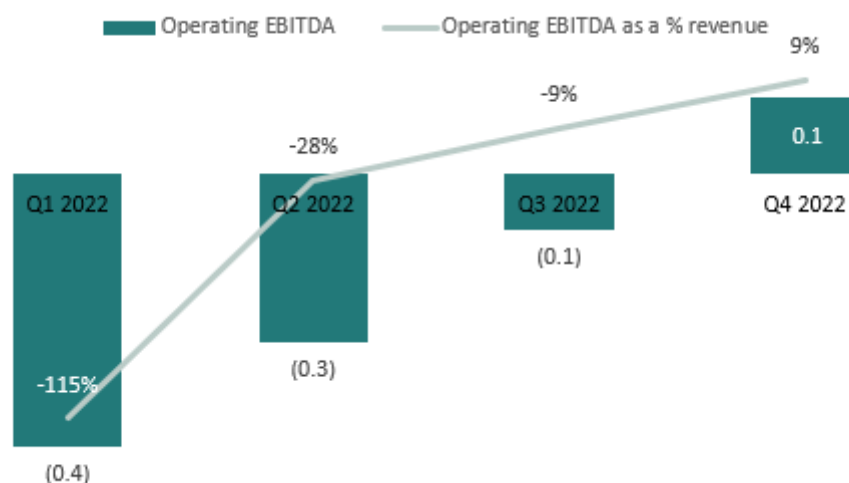
Marketplace segment operating EBITDA loss was \$0.7 million an improvement of 48% or \$0.6 million compared to FY21. The marketplace has strong operating leverage as revenue grows the cost base increases at a much lower rate. However, during FY22 employment costs increased \$0.5 million from, the build out of segment product, marketing and technology teams. Other opex costs increased \$0.3 million due to higher platform messaging and hosting costs.

Marketplace marketing costs decreased \$0.1 million versus FY21, with the greater use of our central data and analytics team as well improved direct traffic sources such as SEO. We have seen a 30% decrease in our performance customer acquisition costs versus FY21. We expect this trend to continue as we enter FY23.

As a result of the bookings, revenue and customer acquisition trends the profitability of the marketplace has been improving through FY22. In Q4 FY22 the marketplace segment achieved operational EBITDA profitability for the first time achieving \$0.1 million.

As a result of the bookings, revenue and customer acquisition trends the profitability of the marketplace has been improving through FY22. In Q4 FY22 the marketplace segment achieved operational EBITDA profitability for the first time achieving \$0.1 million.

Marketplace quarterly Operating EBITDA performance



The marketplace segment is well placed to continue its trajectory of profitable growth in FY23.

Ecommerce and subscription

Our eCommerce & Subscription segment include Pet Chemist, Waggly, Dinner bowl and Sash businesses.

	2022 \$'000	2021 \$'000	Change \$'000	Change %
Operating revenue	6,291	476	5,815	1222%
Cost of goods sold	(4,782)	(503)	(4,279)	(851%)
Gross margin	1,509	(27)	1,536	5689%
% of revenue	24%	(6%)		
Marketing	(1,908)	(576)	(1,332)	(231%)
Employment costs	(2,172)	(181)	(1,991)	(1100%)
Other operating costs	(630)	(77)	(553)	(718%)
Segment Operating EBITDA	(3,201)	(861)	(2,340)	(272%)
% of revenue	(51%)	(181%)		

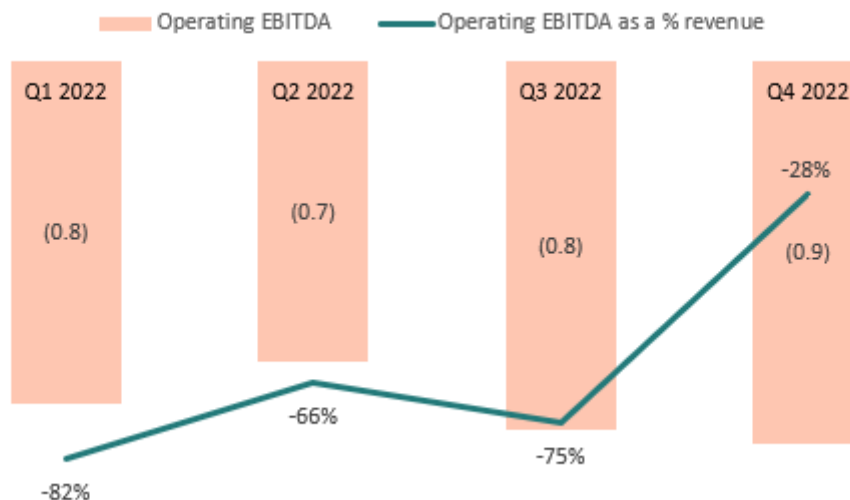
Ecommerce & Subscription revenue increased 1222% or \$5.8 million in FY22. Most of the growth is attributable to full year impact of the Waggly acquisition and contributions from acquiring Sash beds in November 21 and Pet Chemist in Q4 FY22. Despite the considerable impact of the strategic acquisitions, we have seen acceleration in performance of these acquisitions once they are fully integrated. Waggly subscribers increased 96% from acquisition, and Sash monthly revenue has increased 5 times from acquisition date. With the learnings from these acquisitions, we expect to see similar trends following the Pet Chemist integration.

Gross margin increased \$1.5 million in FY22 with gross margin improving to 24%. Our pet food business was impacted in the period by rising input costs, sub scale operations and transition costs in centralizing our operations in Melbourne. Dinnerbowl is exiting the FY22 with stronger gross margins across its product suite. Waggly gross margins were steady throughout the period at 35%, Waggly is exiting FY22 with a higher subscription revenue mix and this coupled with a number of sourcing initiatives should see margin improvement during FY23.

Marketing costs were \$1.3 million in FY22 due to a full year of investment for Waggly and Dinnerbowl (launched during FY21). Several new customer acquisition approaches were tested during the year resulting in significantly improving our performance marketing metrics. During the second half of FY22 the launch of a new subscriber journey as well as the launch of a multi offer strategy for Waggly have resulted in significant increase in new customer acquisitions at significantly lower cost of acquisition.

Employment costs increased \$2.0 million in FY22 due to the integration of the teams following the acquisition, additional warehouse labour costs from higher orders as well as labour costs from the launch of the lightly cooked product for Dinnerbowl.

eCommerce & Subscription Quarterly Operating EBITDA performance



The Group exits FY22 in a significantly different position than reflected in the FY22 full year results:

- The marketplace segment exit's FY22 with a profitable fourth quarter, driven by reducing customer acquisition costs, high customer repeat rates and strong operating leverage. With a positive outlook for the year ahead.
- Our e-commerce and subscription segment has transformed throughout FY22 with the full integration of the Waggly business, operational efficiencies in Dinnerbowl and the acquisition of Sash Beds and Pet Chemist.

In FY23 Mad Paws is laser focused on continuing to grow its share of the Australian pet market while achieving profitability in the medium term. The group is focussing on efficient revenue growth, prudent cost management and disciplined management of capital to drive the best outcome for shareholders.

Key risks

This section sets out some of the potential risks associated with Mad Paws' business and the industry in which it operates. Mad Paws is subject to risk factors that are both specific and those that are more general in nature. Any of these risk factors may, if they eventuate, have an adverse effect on Mad Paws' business, financial position, operating and financial performance, growth and/or the value of its shares. Many of the circumstances giving rise to these risks and the occurrence of consequences associated with each risk are partially or completely outside of Mad Paws' control.

Failure to retain existing customers and attract new customers of Mad Paws' products and services

Mad Paws' financial performance depends on its ability to retain customers and users (both existing pet owners and pet service providers), its ability to convert those customers and users to users of its other products and its ability to generate new business by attracting new customers and users to its marketplace or other pet industry category products and services. If Mad Paws is unable to retain existing customers and users, and/or to attract new users to the marketplace or to its other pet industry category products and services at the rate, and with the same pricing, revenues and costs Mad Paws currently expects, this may have a materially adverse impact on Mad Paws' operations and financial performance and/or growth.

Customer Acquisition Costs

Customer demand for Mad Paws' products and services is currently generated, in part, from paid online media sources such as Facebook and Google. Customer acquisition costs, in particular from online media sources may rise in the future and in such circumstances the Company could find it difficult to acquire customers at a price sufficient to make a profit.

Growth and Profitability Depend on an Active Community

The level of active users of the Mad Paws marketplace is subject to various factors, including the availability of pet service providers or active pet owners in a given area. There is a risk that, in a given location, there is an insufficient number of pet service providers to satisfy the demand of pet owners, or an insufficient number of pet owners to meet the availability of pet service providers. If the Mad Paws marketplace does not meet the expectations of its users there is a risk of those users leaving the marketplace. This could in turn adversely impact on Mad Paws' operational and financial performance and/or growth.

Liability to users of the Mad Paws marketplace

As Mad Paws manages and facilitates pet care services, such as pet sitting and pet walking through its marketplace, there is a risk that some pet service providers will not provide their services to pet owners to an acceptable standard, resulting in damage to property, or loss, injury or death of a pet. Whilst the terms and conditions of use of the Mad Paws marketplace provide that pet owners contract directly with the pet service provider, and that Mad Paws is not liable for any loss or damage to property or the wellbeing of pets, there is always the risk that a pet owner may wish to take action against Mad Paws as the marketplace provider. While Mad Paws seeks to manage its exposure to risk by means of insurance, there is a risk that such insurance will not respond to a claim against Mad Paws, or that Mad Paws suffers reputational damage as the result of a claim against it. This could adversely impact on Mad Paws' financial performance and/or growth.

Liability to consumers of Mad Paws Dinner Bowl products

There is also a risk that pet food supplied to customers of the Mad Paws Dinner Bowl product may not be of an acceptable standard, including where pet food is tainted during production or delivery, resulting in it being unsuitable for consumption by pets. While Mad Paws seeks to manage its exposure to liability by means of insurance, there is a risk that such insurance will not respond to a claim against Mad Paws, or that Mad Paws suffers reputational damage as the result of a claim against it. This could adversely impact on Mad Paws' financial performance and/or growth.

Contractual risk

Mad Paws has contractual obligations and rights with respect to a number of agreements it is a party to. These agreements may include provisions which allow for termination for convenience or otherwise. No assurance can be given that all such agreements will be fully performed by all contracting parties or that Mad Paws will be successful in securing compliance with the terms of each agreement by the relevant contracting party. If a contracting party were to breach or terminate a material agreement, Mad Paws' business, operations and financial performance could be adversely affected.

In particular, in relation to the Pet Chemist business, Pet Chemist is not a pharmacy but facilitates the supply of prescription medications by an Australian registered pharmacist through the Pet Chemist website. The acceptance and sale of all prescription medication through the Pet Chemist website is by the registered pharmacy, and Pet Chemist acts as the customer's agent in facilitating the supply by the pharmacist. In relation to this arrangement, Pet Chemist is a party to a fulfilment services agreement with Sunny Chemist Pty Ltd (Sunny Chemist) (an entity associated with Melissa Cronin (a vendor of Pet Chemist, and head of Pet Chemist operations)) who has been contracted by Pet Chemist to provide pharmacy services to Pet Chemist and supply, process and dispense prescription medication to Pet Chemist customers as an Australian registered pharmacy. Whilst this agreement is contracted for a fixed three year term commencing from completion of the Acquisition, there are circumstances where the agreement can be terminated for certain events, including party default or breaches. No assurance can be given that all obligations under the fulfilment services agreement will be fully performed by the contracting parties or that Mad Paws will be successful in securing compliance with the terms of the agreement by Sunny Chemist. If a contracting party were to breach or terminate the fulfilment services agreement, Pet Chemist's (and that of Mad Paws') business, operations and financial performance could be adversely affected. There are also no guarantees that the agreement will be renewed for a further period following the expiry of the contracted term, or that if expired/terminated, Mad Paws will be able to locate a replacement pharmacy to provide the required services within a reasonable time or without additional cost to the business.

Reliance on third parties and the Internet

The operation of the Mad Paws' market place, and the Pet Chemist platform, is reliant on the performance and availability of Mad Paws' and Pet Chemist technology and communication systems and that of its suppliers and other third parties, including mobile app stores, pet service providers, pet food product manufacturer and insurance partner. In addition, the Mad Paws and Pet Chemist platforms depend on the availability of the internet and to a lesser extent on the quality of users' access to the internet. Internet access is frequently provided by companies that have significant market power that could take actions that degrade, disrupt, or increase the cost of user access to Mad Paws and/or Pet Chemist platform which would negatively impact Mad Paws.

Competition

Mad Paws operates in an industry that is subject to significant change, driven by factors including advancements in technology and changing consumer behaviours. The barriers to entry into the industries that Mad Paws operates in are not high, and there is a risk that increased competition from new or existing competitors (some of which have access to more resources and scale than Mad Paws) emerges in the Australian market in the future.

Management believe that Mad Paws' product and service offerings have a strong competitive advantage, with its marketplace infrastructure and features which are advanced compared to its competitors. Expansion to new products, including via Pet Chemist, will also ensure the minimisation of competitive trends and its impact on penetration and revenues.

Cyber security and Data Protection

Mad Paws collects and holds a significant amount of personal information and data about pet service providers and pet owners. Mad Paws is reliant on third party suppliers for data processing and payment services, and Mad Paws and such suppliers collect, store and transmit significant amounts of customer information. Mad Paws' systems, or those of its third-party service providers, may fail, or be subject to disruption as a result of external threats or system errors. Cyber-attacks could also compromise or breach the safeguards implemented by Mad Paws to maintain confidentiality of such information and could result in significant disruption to Mad Paws' systems, including its marketplace, reputational damage, loss of system integrity, or breaches of Mad Paws' obligations under applicable laws. While Mad Paws and its suppliers have implemented strategies to protect the security and integrity of customer data, there can be no assurance that unauthorised or inadvertent use or disclosure will occur or that Mad Paws or its suppliers will not be subject to hacking attacks, malware, viruses or other measures, resulting in breaches of information security.

Key Personnel Risk

An investment in Mad Paws is in large an investment in the Mad Paws key management team and personnel. The loss of key members of management, a change in the senior management team or the failure to attract additional skilled individuals to key management roles, could have a material adverse effect on Mad Paws' operations and may hinder the ability of on Mad Paws to achieve its business strategy and growth objectives. A failure to attract and retain other executive, operational, technical and other personnel could limit the Company's ability to grow.

Changes in law and regulations

Mad Paws may be adversely impacted by the introduction or changes in governmental policy, regulation or legislation applying to the services it provides, including via the Pet Chemist business.

COVID-19

The ongoing COVID-19 pandemic has had a significant impact on the Australian and global economy and the ability of individuals, businesses, and governments to operate. The COVID-19 pandemic has had and continues to have an impact on Mad Paws' business. In particular, Australian Federal and State government have implemented restrictions and closures, to varying degrees to assist with slowing the spread of COVID-19, which has had an impact on Mad Paws' operations and financial performance.

There is continued uncertainty as to the further impact of the COVID-19 pandemic including in relation to governmental action, work stoppages, lockdown, quarantines, travel restrictions and the impact on the Australian economy and share markets. The impact of some or all of these factors, which are beyond Mad Paws' control, could cause significant disruption to Mad Paws' operations and financial performance.

Mad Paws' share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. In addition, the effects of COVID-19 on Mad Paws' share price and global financial markets generally may also affect Mad Paws' ability to raise equity or debt or require Mad Paws to issue capital at a discount, which may in turn cause dilution to shareholders.

Intellectual Property may be Compromised or Lost

Mad Paws has developed proprietary software which supports the operation of the Mad Paws marketplace. The commercial value of Mad Paws' intellectual property is reliant, in part, on operational procedures to maintain the confidentiality and legal protections provided by a combination of confidentiality obligations on employees and third parties and other intellectual property rights. There is a risk that Mad Paws' intellectual property may be compromised in a number of different ways, which could erode Mad Paws' competitive position and could have a materially adverse impact on Mad Paws' operations, financial performance and/or growth.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Significant changes in the state of affairs

On 10 November 2021, the Group acquired the business of Sash Beds for a total initial consideration of \$125,000. The business operates in the pet bed market and was acquired as part of the Group's entry into the Home market of pet accessories.

On 1 April 2022, the Group acquired 100% of the ordinary shares of Animal Magnesium Pty Ltd and its wholly owned subsidiary Aussie Pet Meds Pty (collectively 'Pet Chemist') for the total consideration transferred of \$16,882,609. This is Australia's leading online supplier of pet medication and premium healthcare products. It was acquired to expand the Group's products and offerings into the health vertical.

In conjunction with the acquisition, the Group completed a private placement with new and existing institutional, sophisticated and professional investors raising \$5,590,000 at \$0.18 which resulted in 31,055,560 new shares issued.

In addition to the private placement, the Group offered existing eligible shareholders the opportunity to participate in a share purchase plan ('SPP'). Under the SPP \$465,000 was raised, when 2,586 095 ordinary shares were issued at \$0.18 per share.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The Group will continue to pursue growth in revenue in the next financial year as it seeks to further expand its business and build the scale of its operations. Focus areas will include organic growth in the markets within which it operates, including capitalising on the opportunities for revenue and cost synergies associated from the businesses already acquired, and considering further acquisition growth over time.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Information on the directors below is current as at the date of this report:

Name:	Jan Pacas
Title:	Chair and Non-Executive Director
Qualifications:	MSc, MBA, GAICD
Experience and expertise:	Jan has a proven track record in creating shareholder value as a founder of tech-start-ups scaling from 0 to IPO, as a CEO of a 1000+ employees company as well as scaling a global \$1Bn+ business. Jan has experience in leading publicly listed companies as well as private companies and was CEO of the year winner in Australia (2015 AHRI). Jan is Best of the Best #1 Employer in Australia (AON Hewitt) achieving exceptional business results through a highly engaged workforce aligned with company vision. Jan also has industry experience across digital technology (SaaS fin-tech/HR-tech, E-commerce, B2C market places), consumer (pet industry, consumer durables, retail, food & beverage) and financial services (wealth management). Jan has global experience and has worked in 5 countries, speaking 6 languages.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Nomination and Remuneration Committee and member of Audit and Risk Committee
Interests in shares:	6,353,669 ordinary shares
Interests in options:	4,082,656 options over ordinary shares
Interests in rights:	None

Name:	Justus Hammer
Title:	CEO, Managing Director and Executive Director
Qualifications:	Diploma Macro Economics, MCom (IT)
Experience and expertise:	Justus is a seasoned entrepreneur who has been working in in the technology space for over a decade. He is passionate about everything online and particularly knowledgeable in all areas marketing with a special interest in performance marketing and the lean-start-up methodology. Born in Munich, Germany, he played professional basketball while finishing his master in Economics before moving to Australia where he received a master of Information Technology from Macquarie University. He founded Spreets in 2011 and grew it to be Australia's leading Group Buying company with over 1.5 million members and over 100 employees in less than 12 months, exiting the company successfully to Yahoo7! for \$40 million just 10 months after it was founded. Recently, Justus has been working as the CMO for ASX listed company Mint Payments, a mobile payments company that provides white label solutions for companies such as MYOB and Bank of New Zealand. Justus is also an active investor and advisor to over 10 start-ups in Australia and overseas. He has been a member and mentor of Sydney's Founder Institute where he was recently voted mentor of the year. Currently Justus has founded a new business venture in the real estate sector working on revolutionising the real estate experience, partnering with Ray White and others.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Nomination and Remuneration Committee and member of Audit and Risk Committee
Interests in shares:	6,800,359 ordinary shares
Interests in options:	10,596,707 options over ordinary shares
Name:	Joshua May
Title:	Non-Executive Director
Qualifications:	BA (Accountancy), Member CAANZ
Experience and expertise:	Josh was previously a Director at Ernst & Young's M&A Advisory Practice in Sydney, before co-founding Oaktower Partnership in 2005, an independent corporate advisory business based in Sydney and Melbourne. His advisory transaction experience includes private equity, entrepreneurial clients seeking growth capital, succession planning for large established private businesses, and the sale of non-core assets for large corporations.
Other current directorships:	None
Former directorships (last 3 years):	Acrow Formwork and Construction Limited (ASX:ACF)
Special responsibilities:	Chair of Audit and Risk Committee
Interests in shares:	364,779 ordinary shares
Interests in options:	1,950,000 options over ordinary shares
Interests in rights:	None

Name:	Michael Hill
Title:	Non-Executive Director
Qualifications:	BA (Accountancy), Member CAANZ
Experience and expertise:	Formerly a Partner of Ernst & Young, Mike has been involved in working with management teams and boards across a number of companies and industries for more than 20 years. He is the MD & CIO, Founder of the Bombora Special Investment Growth Fund. Prior to Bombora he was an Investment Partner with Ironbridge, a private equity investment fund which invested \$1.5bn. Mike has served as Chairman of multiple ASX-listed companies over the past nine years. He is a member of Chartered Accountants Australia and New Zealand.
Other current directorships:	Non-Executive Chairman of Design Milk Co Limited (ASX: DMC), Non-Executive Chairman of Janison Education Group Limited (ASX: JAN) and Non-Executive Director Gratifi Limited (ASX: GTI)
Former directorships (last 3 years):	Non-Executive Chairman of Rhipe Limited (ASX:RHP) (resigned on 26 March 2019) and Non-Executive Director of Acrow Formwork and Construction Limited (ASX:ACF) (resigned on 19 September 2019).
Special responsibilities:	Chair of Nomination and Remuneration Committee and member of Audit and Risk Committee
Interests in shares:	940,719 ordinary shares
Interests in options:	1,950,000 options over ordinary shares
Interests in rights:	None
Name:	Vicki Aristodopoulos
Title:	Non-Executive Director
Qualifications:	BA
Experience and expertise:	Vicki has spent more than 20 years in senior executive roles across a range of listed Australian companies bringing her significant experience in brand, customer growth and e-commerce. Most recently Vicki was the founding Chief Marketing Officer for Afterpay where she played a key role supporting buy-now-pay-later provider through its hyper-growth phase. Prior to her time at Afterpay, Vicki also held senior executive roles at NewsCorp, Fairfax Media, CommSec and FOXTEL where she was recognised for her ability to deliver digital transformation programs to defend brands facing disruption while also designing customer experience strategies to fuel innovation and disruption. Vicki currently sits on the global board of App-based travel insurance provider Freely, a Cover-More Zurich-owned digital venture, and is also an independent advisor to financial services firm Wilsons.
Other current directorships:	Janison Education Group Limited (ASX: JAN)
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit and Risk Committee and member of Nomination and Remuneration Committee
Interests in shares:	336,262 ordinary shares
Interests in options:	1,950,000 options over ordinary shares
Interests in rights:	None
Name:	Howard Humphreys (appointed on 1 April 2022)
Title:	Executive Director
Qualifications:	B. Economic, M. Economics (Hons)
Experience and expertise:	Howard founded Pet chemist in 2016, in addition he has owned and operated vet clinics for 7+ years and has deep veterinary and pet market expertise. Prior to this, Howard has over 5 years' experience within investment research and corporate finance with Martin Place Securities, Seismic Research and Wentworth Global Capital Partners.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Nomination and Remuneration Committee
Interests in shares:	35,304,348 ordinary shares
Interests in options:	None
Interests in rights:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Belinda Cleminson has held the role of Company Secretary since 8 February 2021. She was previously the Company Secretary of Merton Corporate Services for 5 years and Assistant Company Secretary of Australian Company Secretaries Pty Ltd for 13 years.

Belinda has over 18 years' experience as a Company Secretary of Australian listed and unlisted companies including ASX 200 clients. Belinda is the company secretary of various public and private companies, including ASX, NZX and OTC listed companies across a range of industries including investment management, biotechnology, healthcare and e-commerce.

Belinda is a member of the Governance Institute of Australia, and a Member of the Australian Institute of Company Directors. She is known for her partnering approach, insight and ability to proactively get into the detail to strategically advise and support boards and management. Before joining Automic Group, Belinda led the company secretarial team at Australian Company Secretaries and represented many of its domestic and global clients. Prior to this Belinda held roles within the legal and banking industry.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Jan Pacas	10	10	1	1	4	4
Justus Hammer	10	10	1	1	4	4
Joshua May	10	10	-	-	3	4
Michael Hill	9	10	-	1	3	4
Vicki Aristidopoulos	10	10	-	-	-	-
Howard Humphreys*	3	3	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

* Appointed on 1 April 2022.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' below), the Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

The Board may in its discretion approve that non-executive directors receive shares and share options as part of their remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 30 November 2020, where the shareholders approved a maximum annual aggregate remuneration of \$500,000 (inclusive of superannuation guarantee charge contributions). The cap excludes any share option grants which are separately approved by shareholders. The Board may in its discretion approve that directors may receive shares as part of their remuneration.

Non-executive director fees proposed for the year ending 30 June 2023 are summarised as follows:

Role/Function	Fees*
Chair	\$80,000
Non-Executive Director	\$60,000

* Fees are in Australian dollars and expressed as exclusive of superannuation. Non-executive directors do not receive additional fees for their appointment to any board committees.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework comprise of the following components:

- (i) Base pay and non-monetary benefits;
- (ii) Short-term performance incentives; and
- (iii) Long-term performance incentives.

The combination of these comprises the executive's total remuneration.

(i) Base pay and non-monetary benefits

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

(ii) Short-term performance incentives

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include Gross Merchandising Value ('GMV') growth, revenue growth, bookings and customer growth, leadership contribution and product management.

The Board has established a short-term incentive plan to give executives an opportunity to earn a bonus in addition to their fixed annual remuneration calculated as a percentage of the eligible participant's fixed base salary. The quantum of, and terms applying to, any short-term incentives offered to eligible employees in any financial year will be determined by the Board.

The short-term incentive plan seeks to promote individual accountability and performance during the applicable performance period, tested against key performance indicators and other milestones set by the Board. In addition, the short-term incentive awards may be offered as a cash and equity award paid as follows:

- 50% as a cash payment paid upon satisfaction or waiver of the applicable milestones; and
- 50% delivered in options granted under the Company's Equity Incentive Plan ('STI Options').

Unless determined otherwise by the Board, STI options:

- (a) have an exercise price of \$nil;
- (b) will vest in two equal tranches, with 50% vesting on the first anniversary after the date of grant, and the remaining 50% vesting on the second anniversary after the date of grant, subject to the participant's continued employment at the applicable vesting date; and
- (c) options will expire 5 years after grant date.

(iii) Long-term performance incentives

The long-term incentives ('LTI') include long service leave and share-based payments offered under the Equity Incentive Plan.

Equity Incentive Plan

Options may be granted under the Equity Incentive Plan ('LTI Options') to align the executives' interests with those interests of the shareholders. The quantum of, and terms applying to, any LTI offered to executives in any financial year are determined by the Board. It is the Board's intention that any LTI plan that is implemented will seek to promote individual accountability and performance during the applicable performance period, tested against key performance indicators and other milestones set by the Board and that grants may be made annually in line with executive performance and remuneration reviews.

Unless determined otherwise by the Board, LTI options granted:

- (a) have an exercise price which is set at a 70% premium to the Company Share's on the ASX at the date of grant;
- (b) will be subject to service-based vesting conditions up to three years from the date of grant, subject to the participant's continued employment at the applicable vesting date, and subject to the satisfaction of performance hurdles set by the board in the participant's offer letter; and
- (c) options will expire 6 years after grant date.

Legacy ESOP

Prior to the acquisition of Mad Paws Pty. Ltd. by Mad Paws Holdings Limited that occurred during the financial year ending 30 June 2021, certain key management personnel were granted shares options in Mad Paws Pty. Ltd. as part of their remuneration package plan ('Legacy ESOP'). The options vest between 2 and 3 years, subject to the executive remaining employed by the Group, and have no expiry date. Following the acquisition of Mad Paws Pty. Ltd. on 23 December 2020, all share options that existed under Mad Paws Pty. Ltd.'s share option plan were cancelled and replaced with new share options in Mad Paws Holdings Limited ('modification'). Each share option held under Mad Paws Pty. Ltd.'s share option plan was replaced with 158.83331 share options in Mad Paws Holdings Limited. The exercise price was reduced by the corresponding factor.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Group. A portion of the short term incentive and incentive payments are dependent on defined financial targets being met. For the financial year ended 30 June 2022 ('FY22'), revenue is the financial target. Any remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee. For FY21, the financial target metric was Gross Merchandising Value ('GMV').

Operating revenue and GMV between the financial years ended 30 June 2019 and 30 June 2022 are summarised below:

In \$'millions	FY19 \$m	FY20 \$m	FY21 \$m	FY22 \$m
Operating revenue	1.6	2.0	2.9	10.0
GMV	8.7	10.2	12.6	27.1

The Nomination and Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants

During the financial year ended 30 June 2022, the Group did not engage remuneration consultants to review its remuneration policies.

Voting and comments made at the Company's 2021 Annual General Meeting ('AGM')

At the 2021 AGM, 99.81% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Mad Paws Holdings Limited:

- Jan Pacas - Chair and Non-Executive Director
- Justus Hammer - CEO, Managing Director and Executive Director
- Joshua May - Non-Executive Director
- Michael Hill - Non-Executive Director
- Vicki Aristidopoulos - Non-Executive Director
- Howard Humphreys - Executive Director (appointed on 1 April 2022)

And the following persons:

- Alexis Soulopoulos - CEO of New Business
- Graham Mason - CFO

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees	Cash bonus	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	Total
	\$	\$	\$	\$	\$	\$	\$
2022							
<i>Non-Executive Directors:</i>							
Jan Pacas	60,001	-	7,000	-	21,332	135,721	224,054
Joshua May	45,000	-	5,250	-	15,999	-	66,249
Michael Hill	45,000	-	5,250	-	15,999	-	66,249
Vicki Aristidopoulos	32,500	-	4,750	-	25,505	148,782	211,537
<i>Executive Directors:</i>							
Justus Hammer	180,000	-	21,000	1,615	121,456	332,283	656,354
Howard Humphreys*	46,667	-	4,667	-	-	-	51,334
<i>Other Key Management Personnel:</i>							
Alexis Soulopoulos	177,500	-	19,250	651	54,235	19,811	271,447
Graham Mason**	241,594	-	23,739	840	60,471	76,333	402,977
	<u>828,262</u>	<u>-</u>	<u>90,906</u>	<u>3,106</u>	<u>314,997</u>	<u>712,930</u>	<u>1,950,201</u>

* Represents remuneration from the date of appointment

** Options granted to Graham Mason as part of his financial year 2022 ('FY22') long-term incentives ('LTI') were approved during the year ended 30 June 2022, however were issued in FY23

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
2021							
<i>Non-Executive Directors:</i>							
Jan Pacas*	40,000	-	-	3,772	-	492,928	536,700
Joshua May*	30,000	-	-	2,829	-	166,737	199,566
Michael Hill *	30,000	-	-	2,829	-	166,737	199,566
<i>Executive Directors:</i>							
Justus Hammer*	172,313	22,831	-	18,539	-	1,278,428	1,492,111
<i>Other Key Management Personnel:</i>							
Alexis Soulopoulos	161,028	22,831	-	17,440	9,836	432,224	643,359
Graham Mason*	6,320	-	-	-	581	42,753	49,654
	<u>439,661</u>	<u>45,662</u>	<u>-</u>	<u>45,409</u>	<u>10,417</u>	<u>2,579,807</u>	<u>3,120,956</u>

* Represents remuneration from the date of appointment

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2022	2021	2022	2021	2022	2021
<i>Non-Executive Directors:</i>						
Jan Pacas	39%	50%	-	-	61%	50%
Joshua May	100%	100%	-	-	-	-
Michael Hill	100%	100%	-	-	-	-
Vicki Aristidopoulos	30%	-	-	-	70%	-
<i>Executive Directors:</i>						
Justus Hammer	31%	53%	9%	2%	60%	45%
Howard Humphreys	100%	-	-	-	-	-
<i>Other Key Management Personnel:</i>						
Alexis Soulopoulos	73%	78%	11%	4%	16%	18%
Graham Mason	66%	100%	9%	-	25%	-

The proportion of the STI paid/payable or forfeited is as follows:

Name	STI bonus paid/payable		STI bonus forfeited	
	2022	2021	2022	2021
<i>Executive Directors:</i>				
Justus Hammer	65%	89%	35%	11%
<i>Other Key Management Personnel:</i>				
Alexis Soulopoulos	65%	89%	35%	11%
Graham Mason	65%	-	35%	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Justus Hammer
Title:	CEO, Managing Director and Executive Director
Agreement commenced:	23 December 2020
Term of agreement:	No fixed term
Details:	Mr Hammer will receive a fixed annual remuneration of approximately \$240,000 per annum (exclusive of any statutory superannuation contributions). In addition to base salary, Mr Hammer is eligible to receive other employment benefits in connection with the duties under his employment agreement, including short and long-term incentives, comprising both cash bonuses and equity awards under the Equity Incentive Plan.

Mr Hammer is entitled to annual STI of \$80,000 per annum, subject to the achievement of financial and individual KPI's.

Participation in future short or long-term incentives is at the discretion of the Board.

Mr Hammer's employment is ongoing, with a termination notice period of six months in all cases (where notice is given by Mr Hammer) and three months in all cases (where notice is given by Mad Paws) other than where terminated by Mad Paws for cause in which case Mr Hammer can be terminated without notice. Following cessation of employment, Mr Hammer will be subject to customary non-compete and non-solicit covenants for a maximum restraint period of up to 12 months following cessation of employment within in any country in which the Mad Paws business is carried on, and otherwise within a cascading geographical area within Australia. Mr Hammer's executive services agreement contains other standard terms and conditions expected to be included in contracts of this nature.

Name:	Howard Humphreys
Title:	Executive Director and CEO of Aussie Pet Meds Pty Ltd
Agreement commenced:	1 April 2022
Term of agreement:	No fixed term
Details:	Mr Humphreys will receive a fixed annual remuneration of approximately \$180,000 per annum (exclusive of any statutory superannuation contributions).

Mr Humphreys may from time to time be entitled to other incentives and/or remuneration as determined by the Group.

Mr Humphreys employment is ongoing, with a termination notice period of six months in all cases (where notice is given by Mr Humphreys) and three months in all cases (where notices is given by Mad Paws) other than where terminated by Mad Paws for cause in which case Mr Humphreys can be terminated without notice. Following cessation of employment, Mr Humphreys will be subject to customary non-compete and non-solicit covenants for a maximum restraint period of up to 12 months following cessation of employment within any country in which the Mad Paws business is carried on, and other within a cascading geographical area within Australia. Mr Humphreys executive services agreement contains other standard terms and conditions expected to be included in the contracts of this nature.

Name: Alexis Soulopoulos
Title: CEO of New Business
Agreement commenced: 23 December 2020
Term of agreement: No fixed term
Details: Mr Soulopoulos will receive a fixed annual remuneration of approximately \$200,000 per annum (exclusive of any statutory superannuation contributions). In addition to base salary, Mr Soulopoulos' is eligible to receive other employment benefits in connection with the duties under his employment agreement, including short and long-term incentives, comprising both cash bonuses and equity awards under the Equity Incentive Plan.

Mr Soulopoulos is entitled to an annual STI of \$40,000 per annum, subject to the achievement of financial and individual KPI's.

Mr Soulopoulos' employment is ongoing, with a termination notice period of six months in all cases (where notice is given by Mr Soulopoulos) and three months in all cases (where notice is given by Mad Paws) other than where terminated by the Mad Paws for cause in which case Mr Soulopoulos can be terminated without notice. Following cessation of employment, Mr Soulopoulos will be subject to customary non-compete and non-solicit covenants for a maximum restraint period of up to 12 months following cessation of employment within in any country in which the Mad Paws business is carried on, and otherwise within a cascading geographical area within Australia. Mr Soulopoulos' executive services agreement contains other standard terms and conditions expected to be included in contracts of this nature.

Name: Graham Mason
Title: Chief Financial Officer
Agreement commenced: 21 June 2021
Term of agreement: No fixed term
Details: Mr Mason will receive a fixed annual remuneration of approximately \$256,250 per annum (exclusive of any statutory superannuation contributions). In addition to base salary, Mr Mason is eligible to receive other employment benefits in connection with the duties under his employment agreement, including short and long-term incentives, comprising both cash bonuses and equity awards under the Equity Incentive Plan.

Mr Mason is entitled to an annual STI of \$50,000 per annum, subject to the achievement of financial and individual KPI's.

Participation in future short or long-term incentives is at the discretion of the Board.

Mr Mason's employment is ongoing, with a termination notice period of six months in all cases (where notice is given by Mr Mason) and three months in all cases (where notice is given by Mad Paws) other than where terminated by the Mad Paws for cause in which case Mr Mason can be terminated without notice. Following cessation of employment, Mr Mason will be subject to customary non-compete and non-solicit covenants for a maximum restraint period of up to 12 months following cessation of employment within in any country in which the Mad Paws business is carried on, and otherwise within a cascading geographical area within Australia. Mr Mason's executive services agreement contains other standard terms and conditions expected to be included in contracts of this nature.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Name	Date	Shares	Issue price	\$
Alexis Soulopoulos	27/09/2021	61,449	\$0.168	10,319
Justus Hammer	15/11/2021	122,897	\$0.168	20,606
Joshua May	26/11/2021	41,328	\$0.180	7,439
Alexis Soulopoulos	26/11/2021	82,658	\$0.180	14,878
Graham Mason	26/11/2021	70,603	\$0.180	12,709
Jan Pacas	29/11/2021	55,105	\$0.180	9,919
Justus Hammer	29/11/2021	165,314	\$0.180	29,757
Michael Hill	29/11/2021	41,328	\$0.180	7,439
Vicki Aristidopoulos	29/11/2021	41,328	\$0.180	7,439
Joshua May	30/06/2022	54,113	\$0.139	7,500
Alexis Soulopoulos	30/06/2022	54,113	\$0.139	7,500
Graham Mason	30/06/2022	69,332	\$0.139	9,609

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting and exercisable date	Expiry date	Exercise price	Fair value per options at grant date	Number of options exercised
Jan Pacas ¹	1,482,656	01/07/2020	01/07/2023	Nil expiry date	\$0.018	\$0.18	-
Vicki Aristidopoulos ²	1,950,000	15/11/2021	15/11/2021	04/11/2027	\$0.340	\$0.08	-
Justus Hammer ¹	3,646,707	01/07/2020	01/07/2023	Nil expiry date	\$0.018	\$0.18	-
Alexis Soulopoulos ¹	921,233	09/01/2019	01/01/2022	Nil expiry date	\$0.023	\$0.12	-
Graham Mason ^{2/3}	770,600	08/08/2022	08/08/2023	07/08/2026	\$0.284	\$0.06	-
	770,601	08/08/2022	08/08/2024	07/08/2026	\$0.284	\$0.06	-
	770,600	08/08/2022	08/08/2025	07/08/2026	\$0.284	\$0.06	-

- 1 All options were granted over unissued fully paid ordinary shares in the Company under the Legacy ESOP which is described above in the section 'Long-term performance incentives'.
- 2 All options were granted over unissued fully paid ordinary shares in the Company under the Group's Equity Incentive Plan which is described above in the section 'Long-term performance incentives'.
- 3 Options granted to Graham Mason as part of his financial year 2022 ('FY22') LTI were approved during the year ended 30 June 2022, however were issued in FY23

Options granted carry no dividend or voting rights.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Jan Pacas	6,065,302	55,105	161,112	-	6,281,519
Justus Hammer	5,602,272	288,211	693,426	-	6,583,909
Joshua May	269,338	95,441	-	-	364,779
Michael Hill	466,389	41,328	378,889	-	886,606
Vicki Aristidopoulos	-	41,328	240,821	-	282,149
Alexis Soulopoulos	2,908,397	198,220	-	-	3,106,617
Howard Humphreys*	-	-	35,304,348	-	35,304,348
Graham Mason	-	139,935	-	-	139,935
	15,311,698	859,568	36,778,596	-	52,949,862

* Additions for Howard Humphreys represent shares issued as part of the share consideration for the Pet Chemist acquisition.

Option holding

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ Forfeited/ other	Balance at the end of the year	Vested and exercisable	Unvested
Options over ordinary shares							
Jan Pacas	4,082,656	-	-	-	4,082,656	2,600,000	1,482,656
Justus Hammer	10,596,707	-	-	-	10,596,707	6,950,000	3,646,707
Joshua May	1,950,000	-	-	-	1,950,000	1,950,000	-
Michael Hill	1,950,000	-	-	-	1,950,000	1,950,000	-
Vicki Aristidopoulos	-	1,950,000	-	-	1,950,000	-	1,950,000
Alexis Soulopoulos	8,594,036	-	-	-	8,594,036	8,594,036	-
Graham Mason*	500,000	-	-	-	500,000	500,000	-
	27,673,399	1,950,000	-	-	29,623,399	22,544,036	7,079,363

* 2,311,801 options granted to Graham Mason as part of his FY22 LTI were approved during the year ended 30 June 2022, however were issued in FY23.

** All vested options were exercisable

Other transactions with key management personnel and their related parties

There were no transaction with key management personnel and their related parties during the financial year ended 30 June 2022.

During the previous financial year, payments for transaction support services from Bombora Investment Management Pty Limited (director-related entity of Michael Hill and Josh May, Non-Executive Directors of the Group) of \$240,000 were made. The Group has also made a cash payment of \$25,000 to each of Justus Hammer and Alexis Soulopoulos in recognition of the significant contribution made by each of them progressing the Mad Paws business to the stage of Listing. The trade payable balance as at 30 June 2021 was \$88,000. All transactions were made on normal commercial terms and conditions and at market rates.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Mad Paws Holdings Limited under option at the date of this report are as follows:

Grant date	Exercise price	Number under option
01/07/2015	\$0.002	300,036
01/10/2015	\$0.002	1,667,750
15/11/2015	\$0.002	212,837
01/02/2016	\$0.002	212,837
26/04/2016	\$0.093	427,262
01/07/2017	\$0.002	584,665
01/09/2018	\$0.023	207,119
17/09/2018	\$0.023	36,108
09/01/2019	\$0.023	2,763,700
15/01/2019	\$0.023	198,542
01/02/2019	\$0.023	100,647
03/06/2019	\$0.016	103,559
08/07/2019	\$0.016	622,944
01/07/2020	\$0.018	5,127,775
01/10/2020	\$0.018	2,162,514
18/12/2020	\$0.200	10,000,000
23/03/2021	\$0.300	2,000,000
23/03/2021	\$0.340	18,150,000
21/06/2021	\$0.340	500,000
15/11/2021	\$0.161	1,950,000
08/08/2022	\$0.284	1,323,529
		<u>48,651,824</u>

Shares issued on the exercise of options

The following ordinary shares of Mad Paws Holdings Limited were issued during the year ended 30 June 2022 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
08/12/2022	\$0.018	148,244
01/02/2022	\$0.018	134,956
		<u>283,200</u>

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), 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 as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved 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 (including Independence Standards) and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Crowe Audit Australia

There are no officers of the Company who are former partners of Crowe Audit Australia.

Auditor's independence declaration

A copy of the auditor's independence declaration is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors.

On behalf of the directors



Jan Pacas
Chairman



Justus Hammer
Chief Executive Officer

29 August 2022

29 August 2022

The Board of Directors
Mad Paws Holdings Limited
L3, 55 Pyrmont Bridge Road
Pyrmont, NSW 2009

Dear Board Members

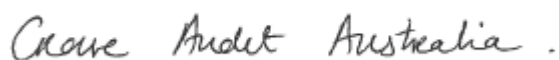
Mad Paws Holdings Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Mad Paws Holdings Limited.

As lead audit partner for the audit of the financial report of Mad Paws Holdings Limited for the financial year ended 30 June 2022, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



Crowe Audit Australia



Barbara Richmond
Partner

Liability limited by a scheme approved under Professional Standards Legislation.

The title 'Partner' conveys that the person is a senior member within their respective division and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately-owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Audit Australia, an affiliate of Findex (Aust) Pty Ltd.

© 2022 Findex (Aust) Pty Ltd



Financial Statements

Mad Paws Holdings Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022



	Note	Consolidated 2022 \$	2021 \$
Revenue	5	9,825,788	2,854,647
Other income	6	834,773	649,425
Interest revenue calculated using the effective interest method		3,440	2,701
Expenses			
Raw materials and consumables used		(3,286,092)	(394,481)
Delivery expenses		(1,542,753)	(159,472)
Employee benefits expense		(6,930,924)	(3,254,828)
Contractors expense		(515,362)	(148,795)
Depreciation and amortisation expense	7	(610,391)	(247,611)
Share-based payments expense	7	(1,398,519)	(6,553,737)
IT expenses		(1,169,403)	(761,777)
Marketing expenses		(3,111,262)	(2,116,926)
Merchant fees		(388,128)	(174,479)
Occupancy costs		(232,651)	(108,469)
Professional and consultancy expenses		(739,758)	(775,678)
Travel expenses		(36,219)	(12,594)
Share registry and listing expenses		(385,481)	(373,178)
Other expenses		(656,621)	(228,765)
Finance costs	7	(37,859)	(130,964)
Loss before income tax benefit		(10,377,422)	(11,934,981)
Income tax benefit	8	32,770	-
Loss after income tax benefit for the year attributable to the owners of Mad Paws Holdings Limited		(10,344,652)	(11,934,981)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Mad Paws Holdings Limited		<u>(10,344,652)</u>	<u>(11,934,981)</u>
		Cents	Cents
Basic earnings per share	35	(4.19)	(8.40)
Diluted earnings per share	35	(4.19)	(8.40)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated 2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	9	5,562,394	12,486,625
Trade and other receivables	10	195,862	141,183
Inventories	11	921,374	180,797
Income tax refund due		1,073	-
Research and development tax incentive		341,920	226,457
Other	12	396,634	137,974
Total current assets		<u>7,419,257</u>	<u>13,173,036</u>
Non-current assets			
Property, plant and equipment	13	230,501	68,567
Right-of-use assets	14	1,251,990	-
Intangibles	15	22,006,356	3,697,680
Other	12	10,336	-
Total non-current assets		<u>23,499,183</u>	<u>3,766,247</u>
Total assets		<u>30,918,440</u>	<u>16,939,283</u>
Liabilities			
Current liabilities			
Trade and other payables	16	4,126,190	1,316,346
Contract liabilities	17	451,236	67,709
Borrowings	18	160,042	28,497
Lease liabilities		192,227	-
Employee benefits		402,073	294,363
Other	19	2,695,418	1,113,708
Total current liabilities		<u>8,027,186</u>	<u>2,820,623</u>
Non-current liabilities			
Borrowings	18	36,159	-
Lease liabilities		1,114,983	-
Deferred tax	8	58,230	91,000
Employee benefits		84,240	51,651
Total non-current liabilities		<u>1,293,612</u>	<u>142,651</u>
Total liabilities		<u>9,320,798</u>	<u>2,963,274</u>
Net assets		<u>21,597,642</u>	<u>13,976,009</u>
Equity			
Issued capital	20	54,270,660	36,903,944
Reserves	21	(657,868)	(1,257,437)
Accumulated losses		<u>(32,015,150)</u>	<u>(21,670,498)</u>
Total equity		<u>21,597,642</u>	<u>13,976,009</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	10,102,685	700,118	(9,735,517)	1,067,286
Loss after income tax expense for the year	-	-	(11,934,981)	(11,934,981)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(11,934,981)	(11,934,981)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 20)	21,678,056	-	-	21,678,056
Share-based payments (note 21)	-	3,165,648	-	3,165,648
Other capital reserve - acquisition of Mad Paws Pty. Ltd. (note 21)	5,123,203	(5,123,203)	-	-
Balance at 30 June 2021	36,903,944	(1,257,437)	(21,670,498)	13,976,009
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	36,903,944	(1,257,437)	(21,670,498)	13,976,009
Loss after income tax benefit for the year	-	-	(10,344,652)	(10,344,652)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(10,344,652)	(10,344,652)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 20)	17,366,716	-	-	17,366,716
Share-based payments (note 21)	-	599,569	-	599,569
Balance at 30 June 2022	54,270,660	(657,868)	(32,015,150)	21,597,642

The above statement of changes in equity should be read in conjunction with the accompanying notes

	Note	Consolidated 2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		23,227,096	11,225,306
Payments to suppliers - sitters payment		(10,869,898)	(7,562,874)
		12,357,198	3,662,432
IPO and acquisition costs		-	(903,921)
Interest received		3,440	2,701
Government grants received		362,869	342,207
Payments to suppliers and employees (inclusive of GST)		(19,442,092)	(7,126,392)
Research and development tax incentive		356,359	296,877
Interest and other finance costs paid		(37,859)	-
Income taxes paid		(1,073)	-
Net cash used in operating activities	32	(6,401,158)	(3,726,096)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	29	(125,000)	-
Payment for purchase of subsidiary, net of cash acquired	29	(5,118,837)	(1,985,078)
Cash acquired as part of the acquisition of Mad Paws Pty. Ltd.		-	975,241
Payments for property, plant and equipment	13	(165,758)	(79,567)
Payments for intangibles	15	(879,903)	(253,314)
Net cash used in investing activities		(6,289,498)	(1,342,718)
Cash flows from financing activities			
Proceeds from issue of shares		6,102,799	12,047,190
Share issue transaction costs		(210,540)	(1,050,208)
Proceeds from convertible notes		-	5,593,000
Proceeds from borrowings		-	11,440
Repayment of borrowings		(59,794)	-
Repayment of lease liabilities		(66,040)	(30,805)
Net cash from financing activities		5,766,425	16,570,617
Net increase/(decrease) in cash and cash equivalents		(6,924,231)	11,501,803
Cash and cash equivalents at the beginning of the financial year		12,486,625	984,822
Cash and cash equivalents at the end of the financial year	9	<u>5,562,394</u>	<u>12,486,625</u>

The above statement of cash flows should be read in conjunction with the accompanying notes



Notes to the Financial Statements

Note 1. General information

The financial statements cover Mad Paws Holdings Limited as a Group consisting of Mad Paws Holdings Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Mad Paws Holdings Limited's functional and presentation currency.

Mad Paws Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 5, 126-130 Phillip Street
Sydney NSW 2000

Principal place of business

3/55 Pyrmont Bridge Road
Pyrmont NSW 2009

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

Going concern

The Group has prepared the financial statements for the year ended 30 June 2022 on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2022, the Group recorded a net loss of \$10,344,652 (2020: \$11,934,981) and had net cash outflows from operating activities of \$6,401,158 (2020: \$3,726,096). At 30 June 2022, the Group had cash and cash equivalents of \$5,562,394 (2020: \$12,486,625) and net assets of \$21,597,642 (2020: \$13,976,009).

The following matters have been considered by the directors when determining the appropriateness of the going concern assumption:

- The Directors are of the view the Group will continue to experience revenue growth for the 30 June 2023 financial year. It is expected that, as the monthly revenue levels increase, the Group's operating segments will be in a position to contribute positive cash flows;
- A significant portion of marketing expense and employee benefit expense relates to expenditure on activities to drive future growth in the business, as opposed to maintaining current levels of operations. The Group has the ability to flexibly manage such expenses as and when required.
- The Group has the ability to conduct future capital raises as and when required to meet operational and investment requirements.
- The cashflow forecast for the Group for the next 12 months demonstrates the ability of the Group to continue as a going concern.

In making their assessment, the Directors acknowledge that the ability of the Group to continue as a going concern is dependent on meeting sales and profitability forecasts and reducing the current cash burn rate of the Group. Should these forecasts not be achieved and mitigation strategies not sufficient, the Group will require the continued support of shareholders and the raising of additional share capital as and when required in the future.

Note 2. Significant accounting policies (continued)

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Acquisition accounting applied during the financial year ended 30 June 2021

Mad Paws Holdings Limited (the 'Company') was incorporated on 17 September 2019. On 23 December 2020 the shareholders of the Company acquired 100% of the share capital of Mad Paws Pty. Ltd. ('Mad Paws') via a share exchange transaction ('Acquisition'). Under the agreement, the existing shareholders of Mad Paws exchanged their shares in Mad Paws for shares in the Company. Mad Paw's original shareholders obtained a majority share interest in the Company after the Acquisition. Prior to the Acquisition, the Company was a non-operating investment vehicle and did not have any material assets (with the exception of cash and cash equivalents).

This transaction did not represent a business combination in accordance with AASB 3 'Business Combinations'. The transaction was therefore accounted for in the consolidated financial statements in accordance with AASB 2 'Share-based Payment' and as a continuation of the financial statements of Mad Paws, together with a deemed issue of shares, equivalent to the shares held by the former shareholders of the Company. The deemed issue of shares was, in effect, a share-based payment transaction whereby Mad Paws was deemed to have received the net assets of the Company. The overall accounting effect was very similar to that of a reverse acquisition in AASB 3. Accordingly, the financial statements are a continuation of Mad Paws and the principles and guidance on the preparation and presentation of the consolidated financial statements in a reverse acquisition set out in AASB 3 have been applied:

- fair value adjustments arising at acquisition were made to the Company's assets and liabilities, not those of Mad Paws;
- the cost of the acquisition, and amount recognised as issued capital to affect the transaction, is based on the notional amount of shares that Mad Paws would have needed to issue to acquire the same shareholding percentage in the Company at the acquisition date;
- retained earnings and other equity balances in the consolidated financial statements at acquisition date are those of Mad Paws;
- a share-based payment transaction arises whereby Mad Paws is deemed to have issued shares in exchange for the net assets of the Company and has therefore been expensed in profit or loss as a share-based payment;
- the equity structure in the consolidated financial statements (the number and type of equity instruments issued) at the date of the acquisition reflects the equity structure of the Company, including the equity instruments issued by the Company to effect the acquisition;
- an adjustment of \$5,123,203 was posted to issued capital and an other capital reserve to reflect the issued capital of the Company at the date of the transaction; and
- the results for the year ended 30 June 2021 comprise the consolidated results for the full year of Mad Paws together with the results of the Company from 23 December 2020 to 30 June 2021.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 30.

Note 2. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mad Paws Holdings Limited ('Company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Mad Paws Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Mad Paws Holdings Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Note 2. Significant accounting policies (continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Judgment is required in determining whether the Company is the principal or agent in the delivery of the services. The Company has determined that it is an agent, and therefore recognises revenue on a net basis, for the following reasons:

- (i) The Company does not pre-purchase or otherwise obtain control of the services prior to the transfer to the end-user.
- (ii) The Company does not direct the pet sitters to perform the service on the Company's behalf, and the pet sitters have the sole ability to decline a transaction request.
- (iii) The Company does not set the price for the services.

Booking fee

Booking fee revenue is recognised at the point in time of booking the sitting service. This is non-refundable should pet owners cancel the booking.

Service fee

Service fee revenue is recognised at the point in time of commencement of the sitting service.

Subscription and ecommerce revenue

Subscription and ecommerce revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Pet medication order management fees

Pet medication order management fees are recognised at the point in time when the medication has been dispatched to the customer, as this is where all the Company's contractual service conditions to the third party pharmacy are satisfied.

Interest

Interest 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 income 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.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Research and development tax incentive

The Group has adopted the income approach to accounting for research and development tax incentive pursuant to AASB 120 'Accounting for Government Grant and Disclosure of Government Assistance' whereby the incentive is recognised in profit or loss on a systematic basis over the periods in which the Group recognises the eligible expenses. Where the research and development costs are capitalised as an intangible asset, the Group recognises the incentive as income in profit or loss on a systematic basis matching the useful life of the asset.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or 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 nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities 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.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Note 2. Significant accounting policies (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3 years
Plant and equipment	3 years
Computer equipment	3 years
Office equipment	3 years

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Right-of-use assets that meet the definition of investment property are measured at fair value where the Group has adopted a fair value measurement basis for investment property assets.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and it is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Website and software development

Website and software development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Note 2. Significant accounting policies (continued)

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

Trade and other payables amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Sitter deposit accounts

Sitter deposit accounts represent liabilities to sitters comprising the following:

- Payments for bookings made where the sitting event has not yet occurred; or
- Amounts due to sitters post the sitting event, which have not yet been redeemed.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Convertible notes are classified as debt until the time of conversion to equity. The corresponding interest on convertible notes is expensed to profit or loss.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 2. Significant accounting policies (continued)

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees and other parties in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees and other parties to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee/other parties, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee/other parties and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital

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.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

Note 2. Significant accounting policies (continued)

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration linked to post acquisition employment services is accounted for as remuneration.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Mad Paws Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax 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 receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Note 2. Significant accounting policies (continued)

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the services offered, customers, supply chain, staffing and geographic in which the Group operates. Revenue in FY22 was partially affected by the pandemic with lockdowns and state and international border closures, during the first half of FY22. In the second half of FY22 the business rebounded positively once domestic and international restrictions were removed and vaccination rates increased.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Capitalised development software

Capitalised development software costs have been capitalised on the basis that the software project to which they relate will be a success considering its commercial and technical feasibility, from which time the costs will be amortised. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered through the successful commercialisation of the software assets. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Research and development tax incentives

The Group determines the estimated research and development tax incentive. These calculations incorporate a number of key assumptions and estimates to determine the expenditure that is eligible for the research and development tax incentive.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Business combinations

As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Fair value measurement of customer contracts

The fair value of customer contracts acquired in a business combination is determined using valuation techniques, taking into consideration all available information at the acquisition date. The Group uses its judgement to select the valuation method and make assumptions in determining the fair value at the date of acquisition.

Note 4. Operating segments

Identification of reportable operating segments

The Group is organised into two operating segments, being marketplace and ecommerce and subscription. The operating segment is identified based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Other segments represent the activities of the corporate headquarters and central costs.

The CODM reviews operational EBITDA (earnings before interest, tax, depreciation, amortisation and non-operating, non-recurring income and costs).

The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements, except for the presentation of promotion discounts on subscription products. In the statement of profit or loss and other comprehensive income, revenue is presented net of promotion discounts on subscription products. For internal reporting purposes, promotion discounts on subscription products are presented as an expense.

The information reported to the CODM is on a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Marketplace An Australian based pet services marketplace that match and connects pet owners seeking pet care services, such as walking, day care and grooming with pet sitters, walkers and other pet services providers, vetted and registered by Mad Paws.

Ecommerce and Subscription Represents the groups of various pet product verticals including medication, over the counter pet related products, pet food and toys and treats.

Major customers

During the years ended 30 June 2022 and 30 June 2021, no customer contributed more than 10% to the Group's external revenue.

	Marketplace \$	Ecommerce and subscription \$	Other segments \$	Total \$
Consolidated - 2022				
Revenue				
Sales to external customers	3,739,604	6,291,009	-	10,030,613
Promotion discounts on subscription products	-	(204,825)	-	(204,825)
Total sales revenue	3,739,604	6,086,184	-	9,825,788
Interest revenue	-	-	3,440	3,440
Total revenue	3,739,604	6,086,184	3,440	9,829,228
Operational EBITDA	(665,409)	(3,201,533)	(4,341,260)	(8,208,202)
R&D grant and COVID government support				834,691
Acquisition costs				(268,594)
Share-based payments expense				(1,398,519)
Depreciation and amortisation				(610,391)
Deferred consideration - linked to remuneration				(635,560)
Other non-recurring items				(56,428)
Interest revenue				3,440
Finance costs				(37,859)
Loss before income tax benefit				(10,377,422)
Income tax benefit				32,770
Loss after income tax benefit				(10,344,652)

Note 4. Operating segments (continued)

	Marketplace \$	Ecommerce and subscription \$	Other segments \$	Total \$
Consolidated - 2021				
Revenue				
Sales to external customers	2,373,220	481,427	-	2,854,647
Promotion discounts on subscription products*	-	-	-	-
Total sales revenue	2,373,220	481,427	-	2,854,647
Interest revenue	-	-	2,701	2,701
Total revenue	2,373,220	481,427	2,701	2,857,348
Operational EBITDA	(1,274,944)	(861,349)	(2,568,125)	(4,704,418)
R&D grant and COVID government support				649,425
Capital raising/IPO costs				(922,955)
Share-based payments				(6,553,737)
Depreciation and amortisation				(247,611)
Other non-recurring items				(27,422)
Interest revenue				2,701
Finance costs				(130,964)
Loss before income tax expense				(11,934,981)
Income tax expense				-
Loss after income tax expense				(11,934,981)

All assets and liabilities, including taxes are not allocated to the operating segments as they are managed on an overall group basis.

Note 5. Revenue

	Consolidated	
	2022	2021
	\$	\$
Rendering of services - booking fee	1,182,023	658,701
Rendering of services - service fee	2,557,581	1,714,519
Subscription revenue	2,892,781	389,906
Ecommerce revenue	2,945,352	91,521
Pet Medication order management fees	248,051	-
Revenue	9,825,788	2,854,647

Disaggregation of revenue

Revenue from contracts with customers is derived from:

- booking fees;
- service fees;
- sale of goods; and
- pet medication order management fees.

Booking fee

Booking fee revenue is recognised at the point in time of booking the sitting service. This is non-refundable should pet owners cancel the booking.

Service fee

Service fee revenue is recognised at the point in time of commencement of the sitting service.

Note 5. Revenue (continued)

Subscription and ecommerce revenue

Subscription and ecommerce revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Pet medication order management fees

Pet medication order management fees are recognised at the point in time when the medication has been dispatched to the customer. As this is where all the Group's contractual service conditions to the third party pharmacy are satisfied.

All revenue from contracts with customers is generated in Australia.

Note 6. Other income

	Consolidated	
	2022	2021
	\$	\$
Government grants (COVID-19)	362,869	342,207
Research and development rebate	471,822	290,740
Other income	82	16,478
	<hr/>	<hr/>
Other income	834,773	649,425
	<hr/>	<hr/>

Government grants (COVID-19) represents grants received from the Federal and State Governments in response to the COVID-19 pandemic. During the year ended 30 June 2022, government grants comprised of JobSaver and JobMaker support payments. During the year ended 30 June 2021, government grants comprised of JobKeeper support payments and Cash Boost support payments.

Note 7. Expenses

	Consolidated 2022 \$	2021 \$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	20,210	-
Computer equipment	31,678	11,000
Office equipment	1,118	-
Buildings right-of-use assets	121,260	-
Total depreciation	174,266	11,000
<i>Amortisation</i>		
Customer contracts	131,083	-
Website and software development	305,042	236,611
Total amortisation	436,125	236,611
Total depreciation and amortisation	610,391	247,611
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	-	130,964
Interest and finance charges paid/payable on lease liabilities	37,859	-
Finance costs expensed	37,859	130,964
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	29,547	1,212
<i>Leases</i>		
Short-term lease payments	248,311	81,047
Loss on termination of lease	-	27,422
	248,311	108,469
<i>Superannuation expense</i>		
Defined contribution superannuation expense	537,260	243,764
<i>Share-based payments expense</i>		
Share-based payments - employee share option plan	713,000	3,001,648
Share-based payments - bonus accrued in lieu of options granted after year end	243,671	-
Share-based payments - acquisition of Mad Paws Pty. Ltd.	-	3,552,089
Share-based payments - to employees in lieu of cash remuneration	356,848	-
Share-based payments - to third parties in lieu of services provided	85,000	-
	1,398,519	6,553,737

Share-based payments - acquisition of Mad Paws Pty. Ltd.

In the year-ended 30 June 2021, the share-based payment expense of \$3,552,089 is a non-cash acquisition share-based payment expense relating to the Share Sale Agreement on 23 December 2020, as detailed in note 2.

Note 8. Income tax

	Consolidated 2022 \$	2021 \$
<i>Income tax benefit</i>		
Deferred tax - origination and reversal of temporary differences	(32,770)	-
Aggregate income tax benefit	<u>(32,770)</u>	<u>-</u>
Deferred tax included in income tax benefit comprises:		
Decrease in deferred tax liabilities	(32,770)	-
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(10,377,422)	(11,934,981)
Tax at the statutory tax rate of 26%	(2,698,130)	(3,103,095)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences	620,648	1,802,178
	(2,077,482)	(1,300,917)
Current year tax losses not recognised	<u>2,044,712</u>	<u>1,300,917</u>
Income tax benefit	<u>(32,770)</u>	<u>-</u>

	Consolidated 2022 \$	2021 \$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	20,602,076	12,737,797
Potential tax benefit @ 26%	<u>5,356,540</u>	<u>3,311,827</u>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Following the IPO during the year ended 30 June 2021 and the subsequent business combinations, there is uncertainty around the quantum and availability of these tax losses, which is currently under review.

	Consolidated 2022 \$	2021 \$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Employee benefits	191,038	95,154
Total deferred tax assets not recognised	<u>191,038</u>	<u>95,154</u>

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 8. Income tax (continued)

	Consolidated 2022 \$	2021 \$
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Customer contracts	58,230	91,000
Deferred tax liability	<u>58,230</u>	<u>91,000</u>
Movements:		
Opening balance	91,000	-
Credited to profit or loss	(32,770)	-
Additions through business combinations (note 29)	<u>-</u>	<u>91,000</u>
Closing balance	<u>58,230</u>	<u>91,000</u>

Note 9. Cash and cash equivalents

	Consolidated 2022 \$	2021 \$
<i>Current assets</i>		
Cash on hand	177	177
Cash at bank	5,562,217	12,486,448
	<u>5,562,394</u>	<u>12,486,625</u>

Note 10. Trade and other receivables

	Consolidated 2022 \$	2021 \$
<i>Current assets</i>		
Trade receivables	96,260	-
Other receivables	6,115	2,027
GST receivable	<u>93,487</u>	<u>139,156</u>
	<u>195,862</u>	<u>141,183</u>

Allowance for expected credit losses

The Group has recognised a loss of \$nil (2021: \$nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2022.

Note 11. Inventories

	Consolidated 2022 \$	2021 \$
<i>Current assets</i>		
Stock in transit - at cost	24,500	-
Stock on hand - at cost	896,874	180,797
	<u>921,374</u>	<u>180,797</u>

Note 12. Other

	Consolidated 2022 \$	2021 \$
<i>Current assets</i>		
Prepayments	396,634	137,974
	<u>396,634</u>	<u>137,974</u>
<i>Non-current assets</i>		
Other deposits	10,336	-
	<u>10,336</u>	<u>-</u>

Note 13. Property, plant and equipment

	Consolidated 2022 \$	2021 \$
<i>Non-current assets</i>		
Leasehold improvements - at cost	22,162	-
Less: Accumulated depreciation	(20,377)	-
	<u>1,785</u>	<u>-</u>
Plant and equipment - at cost	371,201	-
Less: Accumulated depreciation	(211,860)	-
	<u>159,341</u>	<u>-</u>
Computer equipment - at cost	116,044	91,983
Less: Accumulated depreciation	(55,094)	(23,416)
	<u>60,950</u>	<u>68,567</u>
Office equipment - at cost	24,596	15,053
Less: Accumulated depreciation	(16,171)	(15,053)
	<u>8,425</u>	<u>-</u>
	<u>230,501</u>	<u>68,567</u>

Note 13. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements \$	Plant and equipment \$	Computer equipment \$	Office equipment \$	Total \$
Balance at 1 July 2020	-	-	-	-	-
Additions	-	-	79,567	-	79,567
Depreciation expense	-	-	(11,000)	-	(11,000)
Balance at 30 June 2021	-	-	68,567	-	68,567
Additions	1,003	179,551	24,061	9,259	213,874
Additions through business combinations (note 29)	782	-	-	284	1,066
Depreciation expense	-	(20,210)	(31,678)	(1,118)	(53,006)
Balance at 30 June 2022	1,785	159,341	60,950	8,425	230,501

Note 14. Right-of-use assets

	Consolidated 2022 \$	Consolidated 2021 \$
<i>Non-current assets</i>		
Buildings - right-of-use	1,373,250	-
Less: Accumulated depreciation	(121,260)	-
	1,251,990	-

The Group leases a warehouse space under an agreement for 4 years and 4 months, which includes a 3 year option to extend. This option has been assumed as likely to be taken up and has therefore been incorporated into the value of the right of use asset.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Buildings - right-of-use \$
Balance at 1 July 2020	215,609
Termination of lease	(215,609)
Balance at 30 June 2021	-
Additions	1,373,250
Depreciation expense	(121,260)
Balance at 30 June 2022	1,251,990

Note 15. Intangibles

	Consolidated 2022 \$	2021 \$
<i>Non-current assets</i>		
Goodwill - at cost	20,424,493	2,559,595
Patents and trademarks - at cost	2,203	1,803
Customer contracts - at cost	363,000	363,000
Less: Accumulated amortisation	(131,083)	-
	231,917	363,000
Website and software development - at cost	2,234,694	1,355,191
Less: Accumulated amortisation	(886,951)	(581,909)
	1,347,743	773,282
	<u>22,006,356</u>	<u>3,697,680</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill \$	Patents and trademarks \$	Customer contracts \$	Website and software development \$	Total \$
Balance at 1 July 2020	-	1,803	-	756,579	758,382
Additions	-	-	-	253,314	253,314
Additions through business combinations (note 29)	2,559,595	-	363,000	-	2,922,595
Amortisation expense	-	-	-	(236,611)	(236,611)
Balance at 30 June 2021	2,559,595	1,803	363,000	773,282	3,697,680
Additions	-	400	-	879,503	879,903
Additions through business combinations (note 29)	17,864,898	-	-	-	17,864,898
Amortisation expense	-	-	(131,083)	(305,042)	(436,125)
Balance at 30 June 2022	<u>20,424,493</u>	<u>2,203</u>	<u>231,917</u>	<u>1,347,743</u>	<u>22,006,356</u>

Impairment testing

Goodwill acquired through business combinations have been allocated to the following cash-generating units:

	Consolidated 2022 \$	2021 \$
Waggly	2,559,595	2,559,595
Sash	106,927	-
Pet Chemist	17,757,971	-
	<u>20,424,493</u>	<u>2,559,595</u>

Note 15. Intangibles (continued)

Goodwill and the CGU to which it belongs is tested annually for impairment or at the end of each reporting date where an indicator of impairment exists. At 30 June 2022, management re-assessed the recoverable amount of all CGUs. An impairment exists when the carrying amount of each CGU at balance sheet date exceeds its recoverable amount.

Impairment testing - Sash and Pet Chemist CGU

No impairment testing was performed on the goodwill arising from the acquisitions of Animal Magnesium Pty Ltd and its wholly owned subsidiary ('Pet Chemist') on 8 June 2021 and Sash beds on 10 November 2021. Given the proximity of the acquisition dates to the financial year end for Pet Chemist and the financial performance of Sash since acquisition, management has assessed that the carrying value of goodwill at 30 June 2022 does not exceed its recoverable amount.

Impairment testing - Waggly CGU

The recoverable amount of the Waggly CGU has been determined based on the value-in-use ('VIU') methodology. The VIU calculations use cash flow projections based on a five-year discounted cash flow model, with a terminal value applied to the discounted cash flows after year five. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

Key assumptions

The key assumptions used in the VIU calculation are as follows:

Customer acquisition cost	\$88 - \$79
Monthly customer attrition rate	6%
Marketing cost growth rate	7% to 15%
Monthly Subscription order value including GST	\$45
Gross margins	44% to 49%
Pre tax Discount rate	15.32%
Terminal Growth rate	3%

Impairment test results:

Based on the VIU calculation methodology and assumptions stated above, the carrying amount of the Waggly CGU at balance sheet date does not exceed its recoverable amount. No impairment existed at 30 June 2022.

Impact of possible changes in assumptions:

The impairment breakeven for the Waggly VIU calculation is if customer acquisition costs and monthly customer attrition rates increased by 10% and 5% respectively over the lifetime of the projections.

Note 16. Trade and other payables

	Consolidated 2022 \$	2021 \$
<i>Current liabilities</i>		
Trade payables	2,010,110	765,030
Accrued expenses and other payables	2,116,080	551,316
	<u>4,126,190</u>	<u>1,316,346</u>

Refer to note 23 for further information on financial instruments.

Accrued expenses and other payables

Included in accrued expenses and other payables is deferred consideration of \$646,393 (2021: \$26,316) associated with the acquisition of Pet Chemist, Sash and Waggly which is payable subject to the vendors continuing employment with Mad Paws for a specified period of time after the acquisition. Due to its link to employment services, it is recorded as an employee benefit expense over the specified employment period. Refer to note 29.

Note 17. Contract liabilities

	Consolidated 2022 \$	2021 \$
<i>Current liabilities</i>		
Contract liabilities	451,236	67,709
<i>Reconciliation</i>		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	67,709	34,349
Payments received in advance	2,889,935	1,747,879
Additions through business combinations (note 29)	118,882	-
Transfer to revenue - included in the opening balance	(67,709)	(34,349)
Transfer to revenue (service) - performance obligations satisfied in current year	(2,557,581)	(1,680,170)
Closing balance	451,236	67,709

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$451,236 as at 30 June 2022 (\$67,709 as at 30 June 2021) and is expected to be recognised as revenue in future periods as follows:

	Consolidated 2022 \$	2021 \$
Within 6 months	451,236	67,709

Note 18. Borrowings

	Consolidated 2022 \$	2021 \$
<i>Current liabilities</i>		
Bank loan - asset finance	11,957	-
Insurance premium funding	148,085	28,497
	160,042	28,497
<i>Non-current liabilities</i>		
Bank loan - asset finance	36,159	-

Refer to note 23 for further information on financial instruments.

Bank loan - asset finance

The bank loan - asset finance has a term of 5 years and is secured over the financed assets. Interest is charged at 5.5% per annum. The principal and interest are repaid in monthly instalments.

Insurance premium funding

The facility, used to fund the Group's insurance premiums, has an term of 12 months and is repaid in monthly instalments.

Note 19. Other

	Consolidated 2022 \$	2021 \$
<i>Current liabilities</i>		
Sitter deposit accounts	2,401,418	1,113,708
Contingent consideration	294,000	-
	<u>2,695,418</u>	<u>1,113,708</u>

Contingent consideration

Contingent consideration represents contingent consideration associated with the acquisition of Pet Chemist which is payable subject to achievement of specified performance criteria. Refer to note 29.

Refer to note 24 for further information on the fair value measurement.

Note 20. Issued capital

	2022 Shares	Consolidated 2021 Shares	2022 \$	2021 \$
Ordinary shares - fully paid	<u>318,094,577</u>	<u>218,523,989</u>	<u>54,270,660</u>	<u>36,903,944</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2020	549,295		9,102,685
Conversion of preference shares to ordinary shares	23 December 2020	32,958	\$30.340	1,000,000
Issue of ordinary shares	23 December 2020	22,205,551	\$0.200	4,441,110
Capital adjustment on acquisition of Mad Paws Pty. Ltd.	23 December 2020	91,836,021	\$0.000	5,123,203
Conversion of convertible note to ordinary shares	23 March 2021	37,335,483	\$0.160	5,973,964
Ordinary shares issued on IPO	23 March 2021	60,000,000	\$0.200	12,000,000
Shares issued on the exercise of share options	23 March 2021	2,564,681	\$0.020	47,190
Shares issued on acquisition of subsidiary	28 June 2021	4,000,000	\$0.170	680,000
Less: share issue transaction costs, net of tax		-		(1,464,208)
Balance	30 June 2021	218,523,989		36,903,944
Issue of shares	6 August 2021	500,000	\$0.178	85,000
Issue of shares	27 September 2021	419,884	\$0.168	70,541
Issue of shares	15 November 2021	122,897	\$0.168	20,606
Issue of shares	26 November 2021	407,633	\$0.230	93,756
Issue of shares	26 November 2021	330,876	\$0.230	76,490
Issue of shares	26 November 2021	310,887	\$0.230	71,504
Issue of shares on exercise of options	8 December 2021	148,244	\$0.018	2,728
Issue of shares on exercise of options	1 February 2022	134,956	\$0.018	2,483
Issue of shares	1 March 2022	30,555,558	\$0.180	5,495,000
Issue of shares	31 March 2022	500,002	\$0.180	90,000
Issue of shares	1 April 2022	63,043,478	\$0.175	11,032,609
Issue of shares	14 April 2022	2,586,095	\$0.180	465,500
Issue of shares	6 June 2022	116,576	\$0.146	16,500
Issue of shares	30 June 2022	393,502	\$0.138	54,539
Less: share issue transaction costs, net of tax		-		(210,540)
Balance	30 June 2022	<u>318,094,577</u>		<u>54,270,660</u>

Note 20. Issued capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2021 Annual Report.

Note 21. Reserves

	Consolidated 2022 \$	2021 \$
Share-based payments reserve	4,465,335	3,865,766
Other capital reserve	(5,123,203)	(5,123,203)
	<u>(657,868)</u>	<u>(1,257,437)</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Other capital reserve

The other capital reserve is used to recognise the difference between the historical carrying value of the issued capital immediately prior to the acquisition of Mad Paws Holdings Pty. Ltd. and the issued capital of the Mad Paws Holdings Limited at the date of acquisition.

Note 21. Reserves (continued)

Consolidated	Share-based payments \$	Other capital reserve \$	Total \$
Balance at 1 July 2020	700,118	-	700,118
Share-based payments - employee share option plan	3,001,648	-	3,001,648
Share-based payments - broker options	164,000	-	164,000
Other capital reserve - acquisition of Mad Paws Pty. Ltd.	-	(5,123,203)	(5,123,203)
Balance at 30 June 2021	3,865,766	(5,123,203)	(1,257,437)
Share-based payments - employee share option plan	599,569	-	599,569
Balance at 30 June 2022	4,465,335	(5,123,203)	(657,868)

Note 22. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 23. Financial instruments

Financial risk management objectives

The Company's principal financial liabilities comprise trade and other payables derived directly from its operations. The Company's principal financial assets include cash and short-term deposits that derive directly from its operations.

The Company is primarily exposed to liquidity risk. The current activities of the Company do not expose it to any significant market risk (including foreign currency risk, price risk and interest rate risk) or credit risk. The Company's overall risk management strategy seeks to minimise potential adverse effects on the financial performance and financial position of the Company. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use cash deposits, capital raisings, lease contracts and through the issue of shares. The Company uses different methods to measure its liquidity risk including cash flow analysis.

Risk management is carried out by senior executives under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Company and appropriate procedures, controls and risk limits.

Market risk

The Company is not exposed to any significant foreign currency risk, price risk and interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Due to the nature of the Company's activities, the Company does not have any financial assets that are susceptible to credit risk (such as trade receivables) therefore, the Company is not exposed to any significant credit risk.

Liquidity risk

Vigilant liquidity risk management requires the Company to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 23. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2022	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	2,010,110	-	-	-	2,010,110
Accrued expenses and other	-	2,116,080	-	-	-	2,116,080
Sitter deposit accounts	-	2,401,418	-	-	-	2,401,418
Contingent consideration	-	294,000	-	-	-	294,000
<i>Interest-bearing - fixed rate</i>						
Bank loan - asset finance	5.50%	14,110	14,110	24,691	-	52,911
Insurance premium funding	6.10%	148,085	-	-	-	148,085
Lease liability	4.19%	241,755	917,077	319,317	-	1,478,149
Total non-derivatives		7,225,558	931,187	344,008	-	8,500,753
<hr/>						
Consolidated - 2021	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	765,030	-	-	-	765,030
Accrued expenses and other	-	551,316	-	-	-	551,316
Sitter deposit accounts	-	1,113,708	-	-	-	1,113,708
<i>Interest-bearing - fixed rate</i>						
Loan PayPal	6.10%	28,497	-	-	-	28,497
Total non-derivatives		2,458,551	-	-	-	2,458,551

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 24. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Liabilities</i>				
Contingent consideration	-	-	294,000	294,000
Total liabilities	-	-	294,000	294,000

Consolidated - 2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Liabilities</i>				
Contingent consideration	-	-	-	-
Total liabilities	-	-	-	-

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Contingent consideration has been valued using a probability weighted average payout approach.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Contingent consideration \$
Balance at 1 July 2020	-
Balance at 30 June 2021	-
Additions	294,000
Balance at 30 June 2022	294,000

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Contingent consideration	Expected revenue	FY23: \$12.0 million - \$22.8 million FY24: \$22.0 million - \$33.0 million	If expected revenue were 10% higher or lower, the fair value would increase/decrease by \$12,643

Note 25. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated 2022 \$	2021 \$
Short-term employee benefits	828,262	485,323
Post-employment benefits	90,906	45,409
Long-term benefits	3,106	10,417
Share-based payments	1,027,927	2,579,807
	<u>1,950,201</u>	<u>3,120,956</u>

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Crowe Audit Australia, the auditor of the Company:

	Consolidated 2022 \$	2021 \$
<i>Audit services - Crowe Audit Australia</i>		
Audit or review of the financial statements	<u>140,000</u>	<u>103,000</u>
<i>Other assurance services - Crowe Audit Australia</i>		
Other assurance services - Investigating Accountants Report	<u>-</u>	<u>55,300</u>
<i>Other services - Crowe Audit Australia</i>		
Tax - due diligence	45,350	41,265
Tax - compliance	50,600	35,000
	<u>95,950</u>	<u>76,265</u>
	<u>235,950</u>	<u>234,565</u>

Note 27. Contingent liabilities

There are no contingent liabilities as at 30 June 2022 and 30 June 2021.

Note 28. Related party transactions

Parent entity

Mad Paws Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 31.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Note 28. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated 2022 \$	2021 \$
Payment for goods and services:		
Payment for services from key management personnel	-	240,000

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated 2022 \$	2021 \$
Current payables:		
Trade payables to key management personnel	-	88,000

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 29. Business combinations

Acquisition of Aussie Pet Meds Pty ('Pet Chemist')

On 1 April 2022, the Group acquired 100% of the ordinary shares of Animal Magnesium Pty Ltd and its wholly owned subsidiary Aussie Pet Meds Pty Ltd (collectively 'Pet Chemist') for the total consideration transferred of \$16,882,609. This is Australia's leading online supplier of pet medication and premium healthcare products. It was acquired to expand the Group's products and offerings into the health vertical. The goodwill of \$17,757,971 represents revenue synergies from cross selling opportunities in the respective customer base as well as revenue growth and margin expansion. The acquired business contributed revenues of \$1,969,240 and a loss after tax of \$168,277 to the Group for the period from 1 April 2022 to 30 June 2022. If the acquisition occurred on 1 July 2021, the full year contributions would have been revenues of \$7,316,440 and a loss after tax of \$533,934. The values identified in relation to the acquisition of Pet Chemist are provisional as at 30 June 2022.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	437,163
Trade receivables	92,654
Other receivables	4,590
Inventories	257,287
Prepayments	3,618
Plant and equipment	1,066
Other deposits	4,286
Trade payables	(1,238,208)
Other payables	(291,182)
Contract liabilities	(118,882)
Employee benefits	(27,754)
Net liabilities acquired	(875,362)
Goodwill	17,757,971
Acquisition-date fair value of the total consideration transferred	<u>16,882,609</u>
Representing:	
Cash paid or payable to vendor	5,850,000
Mad Paws Holdings Limited shares issued to vendor	11,032,609
	<u>16,882,609</u>
Acquisition costs expensed to profit or loss	<u>186,913</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	16,882,609
Less: cash and cash equivalents	(437,163)
Less: contingent consideration	(294,000)
Less: shares issued by Company as part of consideration	(11,032,609)
Net cash used	<u>5,118,837</u>

Note 29. Business combinations (continued)

The acquisition includes a maximum earn out of \$5,000,000. The earn out is payable to the founding shareholders and non founding shareholders and consists of the following components:

- (i) An employment based earn out payable to founding shareholders of Pet Chemist who will continue employment with Mad Paws after the acquisition. Given the link to employment services, this portion of the earn out will be recorded as remuneration over the period.
- (ii) A performance based earn out payable to founding shareholders which is calculated based on revenue targets to be assessed over a two year period post acquisition.
- (iii) A performance based earn out payable to non-founding shareholders which is calculated based on revenue targets to be assessed over a two year period post acquisition.

Acquisition of Sash Beds

On 10 November 2021, the Group acquired the business of Sash Beds for a total initial consideration of \$125,000. The business operates in the pet bed market and was acquired as part of the Group's entry into the home market of pet accessories. The goodwill of \$106,927 represents revenue synergies arising from cross selling opportunities and expanding the Group's existing client base. The acquired business contributed revenues of \$438,559 and a loss after tax \$66,174 to the Group for the period from 10 November 2021 to 30 June 2022. If the acquisition occurred on 1 July 2021, the full year contributions from 1 July 2021 to 30 June 2022 would have been revenues of \$526,068 and profit after tax of \$43,827. The values identified in relation to the acquisition of Sash Beds are provisional as at 30 June 2022.

Details of the acquisition are as follows:

	Fair value \$
Inventories	18,073
Net assets acquired	18,073
Goodwill	106,927
Acquisition-date fair value of the total consideration transferred	<u>125,000</u>
Representing:	
Cash paid or payable to vendor	<u>125,000</u>
Acquisition costs expensed to profit or loss	<u>-</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	<u>125,000</u>

Additional consideration comprises of the following:

- (1) Deferred Consideration – The acquisition includes deferred consideration of \$150,000 payable in MPA shares issued at \$0.25. The shares are to be issued on a quarterly basis for 2 years post acquisition. Given the link to employment services, this will be recorded as remuneration over the period.
- (2) Contingent Profit Share Consideration – The vendor is entitled to a 50% profit share based on the quarterly EBITDA performance of the Sash business for a period of 12 months from completion. The profit share will be paid 50% in cash and 50% in shares. Given the link to employment services, this will be recorded as remuneration over the period.
- (3) Contingent Revenue Consideration – The vendor will be entitled to receive up two additional payments if the revenue run rate exceeds agreed hurdles as follows:
 - (a) First revenue payment – Achieves a revenue run rate of \$2.0 million, receive \$250,000 in Mad Paws shares; and
 - (b) Second revenue payment – Achieves a revenue run rate of \$4.0 million receives \$150,000 with 50% paid in shares and 50% in cash. Given the link to employment services, this will be recorded as remuneration over the period.

Note 29. Business combinations (continued)

Acquisition of Gassett Group Pty Ltd (prior year)

On 8 June 2021, the Group acquired 100% of the ordinary shares of Gassett Group Pty Ltd (trading as 'Waggly Club' or 'Waggly') for the total consideration transferred of \$2,680,000. This is a dog treat and toys subscription business. It was acquired to expand the service offering and accelerate the growth of the Group. The goodwill of \$2,559,595 represents revenue synergies arising from cross selling opportunities and expanding the Group's existing client base. The values identified in relation to the acquisition of Waggly Club are final as at 30 June 2022.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	14,922
Inventories	58,326
Other current assets	10,337
Customer contracts	363,000
Trade payables	(191,158)
Other payables	(16,476)
Deferred tax liability	(91,000)
Employee benefits	(10,489)
Borrowings	(17,057)
Net assets acquired	120,405
Goodwill	2,559,595
Acquisition-date fair value of the total consideration transferred	<u>2,680,000</u>
Representing:	
Cash paid or payable to vendor	2,000,000
Mad Paws Holdings Limited shares issued to vendor	(680,000)
	<u>1,320,000</u>
Acquisition costs expensed to profit or loss	<u>80,000</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	2,680,000
Less: cash and cash equivalents	(14,922)
Less: shares issued by Company as part of consideration	(680,000)
Net cash used	<u>1,985,078</u>

The acquisition includes a maximum earn out of \$500,000 payable based on revenue targets to be assessed over an 18 month period post acquisition. Given the link to employment services, this will be recorded as remuneration over the period of the earn out.

During the year ended the 30 June 2022, the valuation was completed and the acquisition date fair value of the customer contracts \$363,000, an increase of \$363,000 over the provisional value. The 2021 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was an increase in the deferred tax liability of \$91,000. There was also a corresponding reduction in goodwill of \$272,000, resulting in \$2,559,595 of total goodwill arising on the acquisition. The increased amortisation charge on the customer contracts from the acquisition date to 30 June 2021 was not material.

Note 30. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2022 \$	2021 \$
Loss after income tax	(1,488,762)	(1,935,759)
Total comprehensive income	(1,488,762)	(1,935,759)

Statement of financial position

	Parent 2022 \$	2021 \$
Total current assets	16,201,444	15,610,558
Total assets	54,247,717	36,763,223
Total current liabilities	1,169,377	23,407
Total liabilities	1,169,377	23,407
Equity		
Issued capital	54,270,660	36,903,944
Share-based payments reserve	3,245,512	2,645,943
Accumulated losses	(4,437,832)	(2,810,071)
Total equity	53,078,340	36,739,816

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 31. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2022 %	2021 %
Mad Paws Pty. Ltd.	Australia	100.00%	100.00%
Gassett Group Pty Ltd	Australia	100.00%	100.00%
Animal Magnesium Pty Ltd	Australia	100.00%	-
Aussie Pet Meds Pty Ltd	Australia	100.00%	-

Note 32. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2022 \$	2021 \$
Loss after income tax benefit for the year	(10,344,652)	(11,934,981)
Adjustments for:		
Depreciation and amortisation	610,391	247,611
Share-based payments	1,398,519	6,553,737
Non-cash finance costs	-	130,964
Other non-cash expenses	-	27,422
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	36,515	(123,183)
Increase in inventories	(465,217)	(122,471)
Increase in income tax refund due	(1,073)	-
Increase in prepayments	(255,042)	(108,694)
(Increase)/decrease in research and development tax incentive receivable	(115,463)	6,137
Increase in trade and other payables	2,390,444	1,382,625
Increase in contract liabilities	264,645	33,360
Decrease in deferred tax liabilities	(32,770)	-
Increase in employee benefits	112,545	181,377
Net cash used in operating activities	<u>(6,401,158)</u>	<u>(3,726,096)</u>

Note 33. Non-cash investing and financing activities

	Consolidated	
	2022 \$	2021 \$
Acquisition of plant and equipment by means of loans	48,116	-
Additions to the right-of-use assets	1,373,250	-
Shares issued in relation to business combinations	11,032,609	680,000
Shares issued on conversion of convertible notes	-	5,973,964
Shares issued on conversion of preference shares	-	1,000,000
Shares issued to employees as in lieu of cash remuneration	419,812	-
Shares issued to third party service provider in lieu of services provided	85,000	-
	<u>12,958,787</u>	<u>7,653,964</u>

Note 34. Changes in liabilities arising from financing activities

Consolidated	Convertible notes \$	Lease liabilities \$	Bank loan \$	Insurance premium funding \$	Total \$
Balance at 1 July 2020	-	218,992	-	-	218,992
Net cash from/(used in) financing activities	5,593,000	(30,805)	-	11,440	5,573,635
Interest accrued on convertible notes	130,964	-	-	-	130,964
Termination of lease	-	(215,609)	-	-	(215,609)
Conversion of convertible note to ordinary shares	(5,973,964)	-	-	-	(5,973,964)
Changes through business combinations (note 29)	-	-	-	17,057	17,057
Convertible Note issued to Broker	250,000	-	-	-	250,000
Other changes	-	27,422	-	-	27,422
Balance at 30 June 2021	-	-	-	28,497	28,497
Net cash used in financing activities	-	(66,040)	-	(59,794)	(125,834)
Settlement of expenses by means of loan	-	-	-	179,382	179,382
Acquisition of plant and equipment by means of loan	-	-	48,116	-	48,116
Acquisition of leases	-	1,373,250	-	-	1,373,250
Balance at 30 June 2022	-	1,307,210	48,116	148,085	1,503,411

Note 35. Earnings per share

	Consolidated 2022 \$	Consolidated 2021 \$
Loss after income tax attributable to the owners of Mad Paws Holdings Limited	(10,344,652)	(11,934,981)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	246,751,218	142,026,610
Weighted average number of ordinary shares used in calculating diluted earnings per share	246,751,218	142,026,610
	Cents	Cents
Basic earnings per share	(4.19)	(8.40)
Diluted earnings per share	(4.19)	(8.40)

Share options have been excluded from the above calculations as they were anti-dilutive.

Note 36. Share-based payments

Employee share options plan

Under the existing employee share options plan ('ESOP'), employee share options have been granted to certain employees as part of their remuneration package. Options vest over 3 years, subject to the employees satisfying the vesting condition, which is an employment condition. There are no other vesting conditions attaching to the share options. Options vest as follows: one third over 12 months after start date, one third over 24 months after start date and one third over 36 months after start date. The options have a 6 year expiration.

Note 36. Share-based payments (continued)

During the year ended 30 June 2022, employee share options were granted to certain employees as part of their remuneration package as follows:

- On 15 November 2021, 1,950,000 share options were granted. The options vested immediately, had an exercise price of \$0.34 and expire on 4 November 2027.

Other share-based payments

Share options were granted to services providers in exchange for services provided to the Group as follows:

- On 18 December 2020, 10,000,000 share options were granted to Bombora Investment Management Pty Limited as consideration for services provided to the Group in connection with the IPO ('Bombora options'). The share options are not subject to any vesting conditions and vest immediately. The share options had an exercise price of \$0.20. The options expire on 18 December 2023. The Bombora options were granted prior to the 23 December 2020 acquisition and therefore the fair value of these options are not reflected in the consolidated results for the year.
- On 23 March 2021, 2,000,000 share options were granted to brokers as consideration for services provided to the Group in connection with the IPO ('JLM options'). The share options are not subject to any vesting conditions and vest immediately. The share options had an exercise price of \$0.30. The options expire on 23 March 2027.

Set out below are summaries of options granted as at 30 June 2022:

2022

Grant date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/2015	\$0.0022	300,036	-	-	-	300,036
01/10/2015	\$0.0022	1,667,750	-	-	-	1,667,750
15/11/2015	\$0.0022	212,837	-	-	-	212,837
01/02/2016	\$0.0022	212,837	-	-	-	212,837
26/04/2016	\$0.0929	427,262	-	-	-	427,262
01/07/2017	\$0.0022	584,665	-	-	-	584,665
01/09/2018	\$0.0230	207,119	-	-	-	207,119
17/09/2018	\$0.0230	36,108	-	-	-	36,108
09/01/2019	\$0.0230	2,763,700	-	-	-	2,763,700
15/01/2019	\$0.0230	198,542	-	-	-	198,542
01/02/2019	\$0.0230	100,647	-	-	-	100,647
03/06/2019	\$0.0159	103,559	-	-	-	103,559
08/07/2019	\$0.0159	622,944	-	-	-	622,944
24/02/2020	\$0.0184	55,592	-	(55,592)	-	-
01/07/2020	\$0.0184	5,127,775	-	-	-	5,127,775
01/10/2020	\$0.0184	2,390,124	-	(227,610)	-	2,162,514
18/12/2020	\$0.2000	10,000,000	-	-	-	10,000,000
23/03/2021	\$0.3000	2,000,000	-	-	-	2,000,000
23/03/2021	\$0.3400	18,150,000	-	-	-	18,150,000
21/06/2021	\$0.3400	500,000	-	-	-	500,000
15/11/2021	\$0.3400	-	1,950,000	-	-	1,950,000
		<u>45,661,497</u>	<u>1,950,000</u>	<u>(283,202)</u>	<u>-</u>	<u>47,328,295</u>
Weighted average exercise price		\$0.20	\$0.34	\$0.18	\$0.00	\$0.19

Note 36. Share-based payments (continued)

2021

Grant date	Exercise price pre-modification	Exercise price post-modification	Balance at the start of the financial year	Granted	Modification adjustment (1:158)*	Exercised	Expired/ forfeited/ other	Balance at the end of the financial year
01/07/2015	\$0.35	\$0.0022	1,889	-	298,147	-	-	300,036
01/10/2015	\$0.35	\$0.0022	10,500	-	1,657,250	-	-	1,667,750
15/11/2015	\$0.35	\$0.0022	1,340	-	211,497	-	-	212,837
01/02/2016	\$0.35	\$0.0022	1,340	-	211,497	-	-	212,837
26/04/2016	\$14.76	\$0.0929	2,690	-	424,572	-	-	427,262
01/07/2017	\$0.35	\$0.0022	3,681	-	580,984	-	-	584,665
01/09/2018	\$3.65	\$0.0230	1,304	-	205,815	-	-	207,119
17/09/2018	\$3.65	\$0.0230	326	-	51,454	-	(15,672)	36,108
09/01/2019	\$3.65	\$0.0230	17,400	-	2,746,300	-	-	2,763,700
15/01/2019	\$3.65	\$0.0230	1,250	-	197,292	-	-	198,542
01/02/2019	\$3.65	\$0.0230	1,250	-	197,292	-	(97,895)	100,647
03/06/2019	\$2.52	\$0.0159	652	-	102,907	-	-	103,559
08/07/2019	\$2.52	\$0.0159	3,922	-	619,022	-	-	622,944
24/02/2020	\$2.93	\$0.0184	350	-	55,242	-	-	55,592
01/07/2020	\$2.93	\$0.0184	-	48,431	7,644,025	(2,564,681)	-	5,127,775
01/10/2020	\$2.93	\$0.0184	-	15,048	2,375,076	-	-	2,390,124
18/12/2020	\$0.20	\$0.2000	-	10,000,000	-	-	-	10,000,000
23/03/2021	\$0.30	\$0.3000	-	2,000,000	-	-	-	2,000,000
23/03/2021	\$0.34	\$0.3400	-	18,150,000	-	-	-	18,150,000
21/06/2021	\$0.34	\$0.3400	-	500,000	-	-	-	500,000
			<u>47,894</u>	<u>30,713,479</u>	<u>17,578,372</u>	<u>(2,564,681)</u>	<u>(113,567)</u>	<u>45,661,497</u>
Weighted average exercise price			\$0.02	\$0.29	\$0.02	\$0.02	\$0.02	\$0.20

* Following the acquisition of Mad Paws Pty. Ltd. during the financial year ended 30 June 2021, all share options that existed under Mad Paws Pty. Ltd.'s share option plan were cancelled and replaced with new share options in Mad Paws Holdings Limited ('modification'). Each share option held under Mad Paws Pty. Ltd.'s share option plan was replaced with 158.83331 share options in Mad Paws Holdings Limited. The exercise price was reduced by the corresponding factor. The share options granted in Mad Paws Holdings Limited were issued under the same terms and conditions as the historical ESOP. The modification did not result in a change to the fair value of the share options.

Note 36. Share-based payments (continued)

Set out below are the options exercisable at the end of the financial year:

Grant date	2022 Number	2021 Number
01/07/2015	300,036	300,036
01/10/2015	1,667,750	1,667,750
15/11/2015	212,837	212,837
01/02/2016	212,837	212,837
26/04/2016	427,262	427,262
01/07/2017	584,665	584,665
01/09/2018	207,119	138,079
17/09/2018	36,108	24,072
09/01/2019	2,763,700	1,842,467
15/01/2019	198,542	132,361
01/02/2019	100,647	67,098
03/06/2019	103,559	69,039
08/07/2019	622,944	207,648
24/02/2020	18,531	18,531
21/06/2021	500,000	500,000
01/10/2020	2,390,124	2,390,124
18/12/2020	10,000,000	10,000,000
23/03/2021	2,000,000	2,000,000
23/03/2021	18,150,000	18,150,000
15/11/2021	1,950,000	-

The weighted average share price during the financial year was \$0.19 (2021: \$0.18).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Notional expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
15/11/2021	04/11/2027	\$0.200	\$0.340	61.000%	-	0.645%	\$0.076

Note 37. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Jan Pacas
Chairman



Justus Hammer
Chief Executive Officer

29 August 2022

Independent Auditor's Report to the Members of Mad Paws Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mad Paws Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended;
- (b) and complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Liability limited by a scheme approved under Professional Standards Legislation.

The title 'Partner' conveys that the person is a senior member within their respective division and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately-owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Audit Australia, an affiliate of Findex (Aust) Pty Ltd.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How we addressed the Key Audit Matter
Revenue Recognition <i>Refer to Note 2, Note 5 and Note 17</i>	
<p>The Group generates revenue from booking fees and service fees for pet sitting services and from the sale of goods through ecommerce and subscription channels.</p> <p>The Group's accounting policies for the recognition of revenue are outlined in Note 2 to the financial statements.</p> <p>Due to the differing revenue recognition criteria and high volume of transactions, revenue recognition is considered to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Assessed whether the revenue recognition policy applied to each revenue stream is in accordance with Australian Accounting Standard AASB 15 <i>Revenue from Contracts with Customers</i>. Selected a sample of booking fee revenue and service fee revenue. Performed testing to determine whether the revenue occurred and was recorded in the appropriate period by tracing through to evidence of booking payment and commencement of sitting service. Assessed the completeness of contract liabilities, being the service fee paid where the sitting service has not yet commenced at 30 June 2022. Performed a recalculation of expected booking fee and services fee revenue. Selected a sample of subscription and ecommerce transactions. Performed testing to determine whether the revenue was recorded in the appropriate period by tracing through to evidence of payment for the goods and delivery to the customer. Performed year end cut off testing. Considered the impact of sitting service cancellations and subscription and ecommerce customer returns issued subsequent to 30 June 2022, where these related to revenue recognised in the 2022 financial year. Considered the adequacy of the revenue related disclosures contained in Note 2, Note 5 and Note 17 to the financial statements.
Goodwill Impairment Testing <i>Refer to Note 2 and Note 15</i>	
<p>Gasset Group Pty Ltd (trading as "Waggly") was acquired in June 2021, resulting in the recognition of \$2,559,595 of goodwill. Goodwill is required to be testing for impairment at least annually.</p> <p>Due to the significance of the Waggly goodwill balance to the financial statements in the current year, and the complexity of the estimates and judgements involved in the goodwill impairment model, this is considered to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Reviewed the assessment of the Group's Cash Generating Units ("CGUs"). Assessed the appropriateness of the impairment model, being a five year discounted cashflow model prepared using the value in use methodology. Engaged Crowe Valuation Experts to review the accuracy of the model and reasonableness of key assumptions used, including growth rates and discount factor.

Key Audit Matter	How we addressed the Key Audit Matter
	<ul style="list-style-type: none"> Considered the adequacy of the related disclosures contained in Note 2 and Note 15 to the financial statements.
Acquisition of Animal Magnesium Pty Ltd Refer to Note 2 and Note 29	
<p>On 1 April 2022, the Group acquired 100% of the ordinary shares of Animal Magnesium Pty Ltd (trading as 'Pet Chemist') for the total consideration of \$16,882,609.</p> <p>Due to the significance of this transaction to the financial statements in the current year and judgements involved, this is considered to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Assessed the acquisition accounting for the transaction having consideration to AASB 3 <i>Business Combinations</i>. Reviewed the Share Sale Agreement, consideration paid and shares issued in relation to the acquisition. Undertook specific procedures on the acquired net liabilities to verify existence of assets and completeness of liabilities. Recalculated goodwill recorded as a result of the acquisition. Reviewed the contractual terms and accounting treatment relating to the earn out liability. Considered the adequacy of the related disclosures contained in Note 2 and Note 29 to the financial statements.
Completeness of sitter deposit liability account Refer to Note 2 and Note 19	
<p>The sitter deposit account represents liabilities to sitters for bookings made where the sitting event has not yet occurred, together with amounts due to sitters post the sitting event which have not yet been redeemed.</p> <p>Due to the significance of this liability to the financial statements and the volume of transactions and pet sitters, this is considered to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Inspected a monthly reconciliation of the sitter liability account for the current year, verifying on a sample basis inputs and outputs to source documentation, including cash movements and revenue recognised. Performed omitted liabilities testing by checking a sample of July 2022 and August 2022 post year end payments made to sitters and verifying the accuracy of the liability recorded in the 30 June 2022 sitter deposit account. Considered the adequacy of the related disclosures contained in Note 2 and Note 19 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial report. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

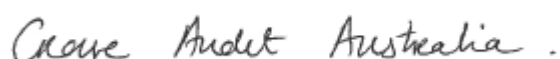
Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report from pages 40 to 49 of the annual report for the year ended 30 June 2022.

In our opinion, the remuneration report of Mad Paws Holdings Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



Crowe Audit Australia



Barbara Richmond
Partner

29 August 2022
Sydney

The shareholder information set out below was applicable as at 17 August 2022.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	23	-	-	-
1,001 to 5,000	370	0.38	-	-
5,001 to 10,000	383	1.03	1	0.02
10,001 to 100,000	471	5.07	8	0.85
100,001 and over	199	93.52	25	99.13
	1,446	100.00	34	100.00
Holding less than a marketable parcel	271	0.02	-	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Howard Humphreys	35,304,348	11.07
National Nominees Limited	32,527,343	10.20
Bombora Investment Management (Bombora Spec Inv Growth A/C)	16,576,395	5.20
HSBC Custody Nominees (Australia) Limited	16,174,391	5.07
Pruval Investments Pte Ltd	13,310,859	4.17
Melissa Therese Mary Cronin (NYE Pet Chemist A/C)	12,608,696	3.95
Wesi Corp Pty Ltd	10,086,956	3.16
J P Morgan Nominees Australia Pty Limited	7,309,110	2.29
Mr Jan Pacas	6,353,669	1.99
Justus Hammer	6,800,359	2.13
Mainstream Fund Services Pty Ltd (Bombora Special Investments)	5,978,987	1.87
Bridgelane Capital Pty Ltd	5,555,556	1.74
Beach Haus Pty Ltd (Rolf Weber A/C)	5,487,055	1.72
Elyuma Enterprises Pty Ltd (Elyuma Family A/C)	5,377,224	1.69
Qantas Ventures Pty Ltd and Scaleup Mediafund Pty Ltd*	10,355,296	3.25
HSBC Custody Nominees (Australia) Limited - A/C 2	5,088,889	1.60
Lenmar Nominees Pty Ltd (Humphreys Family A/C)	5,043,478	1.58
Ginga Pty Limited (Tg Klinger Super Fund A/C)	3,225,182	1.01
Alexis Soulopoulos	3,106,617	0.97
Whooshka Nominees Pty Ltd (Wally Whooshka A/C)	3,081,870	0.97
	209,352,280	65.63

* Qantas Ventures Pty Ltd and Scaleup Mediafund Pty Ltd each hold 5,177,648 ordinary shares.

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	48,651,824	34

The following persons hold 20% or more of unquoted equity securities:

Name	Class	Number held
Justus Hammer	Options over ordinary shares	10,596,707
Bombora Investment Management	Options over ordinary shares	10,000,000

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares Number held	% of total shares issued
Howard Humphreys	35,304,348	11.07
National Nominees Limited	32,527,343	10.20
Bombora Investment Management (Bombora Spec Inv Growth A/C)	16,576,395	5.20
HSBC Custody Nominees (Australia) Limited	16,174,391	5.07

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Restricted securities

Class	Expiry date	Number of shares
Ordinary shares	28 December 2022	4,000,000
Ordinary shares	23 March 2023	24,085,466
Ordinary shares	31 March 2023	15,760,869
Ordinary shares	30 June 2023	15,760,869
Ordinary shares	30 September 2023	15,760,870
Ordinary shares	31 December 2023	15,760,870
		<u>91,128,944</u>

Directors	Jan Pacas Michael Hill Joshua May Vicki Aristodopoulos Justus Hammer Howard Humphreys
Company secretary	Belinda Cleminson
Notice of annual general meeting	The details of the annual general meeting of Mad Paws Holdings Limited are: 10:00am, Wednesday, 16 November 2022 to be held virtually and at: Level 5, 126-130 Phillip Street Sydney NSW 2000
Registered office	Level 5, 126-130 Phillip Street Sydney NSW 2000 Tel: +61 1300 288 664
Principal place of business	3/33 Pyrmont Bridge Road Pyrmont NSW 2009 Tel: +61 2 8046 6536
Share register	Automic Pty Limited Level 5, 126 Philip Street Sydney NSW 2000 Tel: +61 1300 288 664
Auditor	Crowe Audit Australia Level 15, 1 O'Connell Street Sydney NSW 2000
Solicitors	Talbot Sayer Level 27, Riverside Centre 123 Eagle Street Brisbane QLD 4000
Bankers	Commonwealth Bank of Australia 48 Martin Place Sydney NSW 2000
Stock exchange listing	Mad Paws Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: MPA)
Website	www.madpaws.com.au
Business objectives	In accordance with Listing Rule 4.10.19 the Company confirms that the Group has been utilising the cash and assets in a form readily convertible to cash that it held at the time of its admission to the Official List of ASX since its admission to the end of the reporting period in a way that is consistent with its business objectives.

Corporate Governance Statement The directors and management are committed to conducting the business of Mad Paws Holdings Limited in an ethical manner and in accordance with the highest standards of corporate governance. Mad Paws Holdings Limited has adopted and substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.

The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, was approved by the Board of Directors at the same time as the Annual Report and can be found on the Investor Relations page at www.madpaws.com.au/investor-centre/corporate-governance