

# **YOWIE GROUP LTD**

**ABN 98 084 370 669**

## **ANNUAL REPORT**

**FOR THE YEAR ENDED**

**30 JUNE 2019**



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*(Expressed in US Dollars (US\$), unless stated otherwise)*

<b>DIRECTORS:</b>	Mr Louis Carroll Mr Mark Schuessler Mr Neville Bassett
<b>KEY MANAGEMENT:</b>	Mr Wayne Brekke Ms Cynthia Thayer
<b>COMPANY SECRETARY:</b>	Mr Neville Bassett
<b>REGISTERED AND PRINCIPAL OFFICE:</b>	Level 4 216 St Georges Terrace Perth WA 6000 Telephone: (08) 6268 2640
<b>ABN:</b>	98 084 370 669
<b>COMPANY WEBSITE ADDRESS:</b>	<a href="http://www.yowiegroup.com">www.yowiegroup.com</a> <a href="http://www.yowieworld.com">www.yowieworld.com</a>
<b>AUDITORS:</b>	Deloitte Touche Tohmatsu Tower 2, Brookfield Place 123 St Georges Terrace Perth WA 6000
<b>SHARE REGISTRY:</b>	Link Market Services Limited Level 12, QV1 Building 250 St Georges Terrace Perth WA 6000 Telephone: 1300 554 474 or +61 2 8280 7111
<b>ASX CODE:</b>	YOW

Fellow Shareholders,

The 2019 financial year has been a disappointing one for all of us. While we continue to make progress on the road to profitability, the rate of that progress has been slower than we planned.

We have maintained attractive gross margins and careful cost control but our modest sales performance resulted in us not achieving positive cash from operations, as we told you that we would. Nevertheless, the cash burn was reduced considerably to less than half that of the previous year. At the end of June, we had cash of US\$16.4 million and I am pleased to report that our cash balance is still above US\$16 million currently, after a positive operating cash flow in the month of August. This is encouraging but it does not mean that we will be cash positive for every month from now onwards.

However, our progress with cash management and conservation has provided us with the confidence to make an initial capital return of 2c per share (AUD), which will be put up for your approval at our AGM in November.

We have now diversified away from being a one SKU company, with our Bites product line selling in successfully in May and our Gummies product launching next month.

Your board and management have very much appreciated your support in enabling us to defeat the resolution for my removal from the board and to resist unwelcome takeover offers. Please be assured that we are keenly aware of our responsibility to justify your continued support. I assure you that we will be making every effort to do so as this financial year progresses.



**Louis Carroll**  
Non-Executive Chairman

Although financial year 2019 was difficult, we continue to make progress in our priority areas to return Yowie to a positive sales growth trajectory and improved financial performance. Due to heightened competition from confectionary competitors in the US and in the Australian novelty confectionary category, global net sales were US\$14.4 million, an 18% decline versus the previous year.

The Group did make operating performance progress with an EBITDA loss, before share-based payments expense, of US\$2.8 million compared to US\$5 million loss in FY2018. Yowie also made considerable improvement in operating cash flow with an outflow of US\$1.6 million, a 70% improvement compared to last year's outflow of US\$5.5 million.

Strategically, we made solid progress in delivering on our key priorities:

1. Continued distribution expansion in the US and Australia through aggressive retail trade investment, focusing on the Grocery and Convenience/Petrol channels and portfolio expansion. The stronger our distribution, the more available Yowie products to our consumer.
2. Expanding our product portfolio with innovative surprise-inside treats, focusing on our mission of teaching children about conservation and endangered species, to broaden our self-presence and increase Yowie brand awareness.
3. Continued financial discipline is critical to our achieving profitability. Our focuses are:
  - a. Continual evaluation of our cost structure to become more efficient, sustain healthy margins and allow for more marketing and retail trade investment.
  - b. Cash management, specifically in relation to the timing associated with toys and other raw materials purchases.
4. Marketing investment to drive brand awareness, collectability and social media optimization to deliver website traffic, YouTube views, Facebook reach and influencer engagement.

We were successful delivering the following results:

1. Gained US distribution across all channels to 45.0% of stores carrying Yowie based on Nielsen ACV (All Commodity Volume) xAOC (eXtended® All Outlets Combined: Food, Drug, Mass and Convenience) from 39.8% the previous year.
  - a. Food channel increased to 20.8% from 16.2%
  - b. Convenience channel increased to 23.0% from 14.1%
  - c. Drug channel increased to 22.1% from 17.1%
  - d. Mass channel increased to 97.7% from 96.6%

We have commitments from the 2nd and 4th largest grocery chains and the largest dollar store chain with ranging in FY2020. Though we saw increases during FY2019, there is still significant opportunity for expansion, especially in the important Food and Convenience channels.

2. New product launches:
  - a. Successfully launched new single serve Yowie Bites into the US's largest retailer, along with other major retailers committing to Q2 and Q3 launches.
  - b. Announced a single serve Gummy + Pet Surprise with acceptance into the US's largest retailer starting October 2019 and other major retailers in Q2 and Q3.
  - c. Major AUS retailer has agreed to range Bite Sharebag and Gummy Sharebag in a novelty set test in October.
3. Our new series, Wild Water, launched in the US and Australia simultaneously. We will continue to launch 2 new series annually.
4. The Group made significant progress on our path to positive EBITDA and cash flow.
  - a. EBITDA loss, before share-based payments expense, was US\$2.8 million, a 44% reduction compared a loss of US\$5 million in the previous year. Continued cost reductions and overall fiscal discipline across the company trimmed losses.
  - b. Gross Margins continue to remain healthy and above industry standards near 50% allowing confidence in investing in retail opportunities.
  - c. Operating cash flow for the year was an outflow of US\$1.6 million, a 70% improvement compared to last year's outflow of US\$5.5 million due to tighter cash control and improved EBITDA.

In the US market, sales declined 20% due to the increased competitive activity in the confectionary category. Several global competitors made large investments to respond to the global surprise inside competitor which spent heavily on retail and media level for the 2018 Holiday period. The result was significant share gains by the surprise inside competitor propelling it to the number 1 immediate consumption chocolate item in the US. Other novelty competitors were also down overall. With the change in the category landscape, Yowie is still a significant part of the category, as the #3 overall chocolate item in \$'s per store per week and notably #3 in Food and #14 at the largest US retailer.

We recorded an impairment charge of US\$1.29 million to adjust the value of idle production equipment. The production equipment became idle during the year as we commissioned new equipment which resulted in an improved efficiency of the production plant and lower production cost. In addition to this, we have completed an impairment testing, as required under the Australian Accounting Standard, which indicated an impairment charge of US\$0.5 million to be recorded against the Group's non-current assets.

Our outlook continues to be aggressively meeting our strategic priorities to get us to profitability and positive cash flow by expanding distribution, investing in the trade and maintaining fiscal discipline. Our strategic priorities for FY2020 are:

1. Expanding distribution in the US and Australia across all channels of trade, including E-Commerce, to provide more buying opportunities for consumers.
2. Developing and bringing to market new items consistent with our brand mission to educate consumers about the natural world, conservation and endangered species.
3. Launching new series 2 times per year.
4. Investing in the retail trade to effectively compete with competition.

5. Improving our financial performance with revenue growth, cost savings and tighter cash management.

We remain confident in our ability to grow the top line, get to profitability and turn cash flow positive in the foreseeable future. As we have stabilized the business and have over US\$16.4 million in cash, we announced a 2c per share (AUD) capital return that shareholders will vote on at our Annual General Meeting, with scope for additional capital returns. We certainly appreciate the support of the Yowie shareholders and are determined to provide a return on their investment.



**Mark Schuessler**

Managing Director & Global Chief Executive Officer

Your Directors submit their report together with the financial report of Yowie Group Limited (“the Company”) and the consolidated entity (“the Group”) for the year ended 30 June 2019.

### DIRECTORS

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

As at the date of this report, the Company does not have an Audit, Remuneration or Nomination Committee of the Board of Directors. The full Board assumes the responsibilities of these individual committees. Given the size of the Company, it is felt that separate committees cannot be warranted but as the Company grows, these committees may be established.

#### ***Mr Louis Carroll***

Non-Executive Chairman

Qualifications: BA (Hons) in English

Mr Carroll has had a successful international career, culminating in CEO and Chair roles, across a range of private and publicly owned companies.

He has had executive roles with Mars in Australia and the United Kingdom, and is also a former General Manager of AFTA Travel Insurance. He established the TeleTech business in Australia which grew to become TeleTech Asia Pacific with revenues of more than A\$200 million and more than 4,000 employees in six countries under his leadership. He was a Director of Cover-More through its Initial Public Offering in 2013, becoming Chairman two years later and driving that Company’s successful sale in 2017 to Zurich. He now chairs Cover-More as a wholly owned subsidiary of Zurich.

He also has numerous early stage technology investments and acts as an advisor to some of these.

#### ***Mr Mark Schuessler***

Global Chief Executive Officer  
Managing Director

Qualifications: BSBA, MBA Finance

Mr Schuessler is an experienced senior executive leader with more than 30 years’ U.S. and international markets experience. Mr Schuessler has extensive cross discipline and cross category operational leadership experience in the consumer packaged goods industry with Doumak Inc., The Campbell Soup Company, Procter and Gamble and early financial roles in the printing and banking industries.



**DIRECTORS (continued)*****Mr Mark Schuessler (continued)***

Mr Schuessler was President and Chief Operating Officer of Doumak Inc. from 2013, a privately held US\$100+ million confectionery manufacturer of the Campfire brand, private label marshmallows distributed throughout the U.S. and the Rocky Mountain brand distributed in more than 70 countries globally. During his leadership period, the Company experienced annual top line double digit growth and a significant increase in the bottom line through increased productivity, new item launches and a global market focus. Prior to being President and Chief Operating Officer, Mr Schuessler was Vice President and Chief Operating Officer of Sales and Marketing with significant sales and profit growth.

***Mr Neville Bassett AM***

Non-Executive Director (*appointed 5 August 2019*)  
Company Secretary

Qualifications: BCom, FCA

Mr Bassett is a chartered accountant with more than 30 years of experience. He has been involved with a diverse range of Australian public listed companies in directorial, company secretarial and financial roles.

***Mr Glen Watts***

Non-Executive Director (*resigned 5 August 2019*)

Qualifications: BEng (Chemical) (Hons)

Mr Watts is a highly strategic and commercial Senior Executive with a strong track record of driving transformational business performance and profitability across multiple geographies within a leading multinational across the fast-moving consumer goods ("FMCG") and manufacturing sectors.

***Mr Tim Kestell***

Non-Executive Director (*appointed 17 May 2019; resigned 5 July 2019*)

Qualifications: BCom

Mr Kestell has over 20 years' experience in capital markets.

**DIRECTORS (continued)****Mr William Johnson**

Non-Executive Director (*resigned 8 October 2018*)

Qualifications: MA (Engineering), MBA, MAICD

Mr Johnson has experience in corporate governance, business strategy and operations, investment analysis, finance and execution.

**Directorships of other listed companies during the past three years**

<i>Name</i>	<i>Company</i>	<i>Ceased</i>
Mr L Carroll	Cover-More Group Limited	13 Apr 2017
Mr M Schuessler	No other directorships	-
Mr N Bassett	PharmAust Limited	Current
	Auris Minerals Limited	Current
	Pointerra Limited	Current
	Metalsearch Limited	Current
	Quantify Technology Holdings Limited	1 Mar 2017
	Longford Resources Limited	31 Oct 2017
	Meteoric Resources Limited	4 Dec 2017
	Vector Resources Limited	4 Jan 2018

**Interests in the shares and options of the Company**

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

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Number of Options</i>	<i>Number of Rights</i>
Mr L Carroll	1,021,739	-	543,478
Mr M Schuessler	1,075,323	-	132,925
Mr N Bassett	100,000	-	-
<b>Total</b>	<b>2,197,062</b>	<b>-</b>	<b>676,403</b>

### SENIOR EXECUTIVES

#### ***Mr Wayne Brekke***

Global Chief Financial Officer (*appointed 14 November 2018*)

Qualifications: BBA, MBA Finance, CPA

Mr Brekke is a senior finance executive with over 30 years of broad US and international finance experience. Mr Brekke has held extensive finance leadership positions in food, consumer products and manufacturing with global companies such as, McDonald's, Kraft Foods and AC Nielsen.

Prior to joining Yowie Group Limited, Mr Brekke was the Group Controller for the Garvey Group, a subsidiary of Orora Limited (ASX: ORA) where he successfully implemented various operational efficiencies.

#### ***Ms Cynthia Thayer***

Global Chief Marketing Officer (*appointed 3 December 2018*)

Qualifications: BA

Ms Thayer has over 25 years of marketing expertise in key areas including brand architecture development, market research, consumer packaged goods (CPG) advertising across traditional and digital channels, retail and shopper marketing, licensing, toy design and new product development. Ms Thayer also has broad marketing expertise in food, consumer products, manufacturing and advertising agencies with the Chamberlain Group, TPN, Flair Communications, Creata and the Marketing Store.

Ms Thayer came from the largest global manufacturer of garage door openers, The Chamberlain Group, managing its newest product development growth area into the smart home category. She was a key player in bringing their newest smart technology brand to life from the ground up, then building out and implementing its go-to-market plan across TV advertising, digital advertising, SEO, social media, PR and retail merchandising.

#### ***Mr Cove Overlay***

Global Chief Marketing Officer (*resigned 26 December 2018*)

Qualifications: BA (Toy Design) and AD (Industrial Design)

Mr Overlay has extensive experience in commercial and brand experience in various industries.

**PRINCIPAL ACTIVITY**

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

**OPERATING AND FINANCIAL REVIEW**

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

**Sales and Distribution**

- Global net sales for the year ended 30 June 2019 were US\$14.43 million, 18% lower than the previous corresponding period.

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

- Despite the decline in sales during the current period, top lines sales are now being driven by new customer distribution in the US and AUS, investments in key customer retail programs and delivering more new products to grow brand awareness and expand shelf presence of the Yowie brand.
- US distributions across all channels continues to increase. The Group expanded to divisions of Kroger (#2 Grocery in the US), Ahold (#4 Grocer in the US), and Dollar General (#1 Dollar Store Chain with over 15,000 locations nationally).

Expansion into new retailers in the US market also include commitments from several regional grocery chains, Bashas' with 118 stores in Arizona, Homeland Stores with 90 stores in Oklahoma and Dierbergs Markets with 25 stores in Missouri.

There are still significant opportunities to expand distribution, with the Group's focus on the Food and Convenience channels.

**OPERATING AND FINANCIAL REVIEW (continued)****Sales and Distribution (continued)**

- For the 52 weeks ending 13 July 2019 compared to the same period last year, ACV%\*:

<b>Channel</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>
Total US	45.0	39.8	+5.2
Convenience	23.0	14.1	+8.9
Food	20.8	16.2	+4.6
Drug	22.1	17.1	+5.0
Mass	97.7	96.6	+1.1

\* Percentage relates to the Nielsen measurement of the numbers of stores that carry Yowie brand, indicating product availability to the consumer based on ACV (All Commodity Volume)

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

**Marketing**

- The Group continued to raise Yowie brand awareness by connecting with its core consumer, families with children who are chocolate lovers and conscious about eco conservation. To achieve this, the Group has realigned its social media campaign, provided more family digital experiences and partnered with Wildlife Conservation Society.

The Group's social media optimisation has resulted in significantly higher traffics in Yowie World website ([www.yowieworld.com](http://www.yowieworld.com)), Facebook page, Instagram page and YouTube channel.

- The Group also continued its focus on providing unique digital experiences to keep the customers engaged with the Yowie brand by continuously improving its collector app, YowieScope™, and its digital app game, Yowie Yopter™.
- The Group successfully launched Yowie Bites in the US and the new Wild Water series in both the US and Australian market.

The Group also announced a new product, a combination of single serve gummy and pet surprise, which has already been accepted by its largest retail customer in the US.

**OPERATING AND FINANCIAL REVIEW (continued)****Corporate**

- In November 2018, Mr Wayne Brekke joined the Group as Global Chief Financial Officer (GCFO) with extensive financial leadership positions in food, consumer products and manufacturing companies such as McDonald's, Kraft Foods and AC Nielsen.
- In December 2018, Ms Cynthia Thayer joined the Group as Global Chief Marketing Officer (GCMO) with over 25 years of marketing expertise in key areas including brand architecture development, market research, CPG consumer advertising across traditional and digital channels, retail and shopper marketing, licensing, toy design and new product development.

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

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

- Mr William Johnson resigned as Non-Executive Director on 8 October 2018.
- Mr Tim Kestell joined the Board as Non-Executive Director on 17 May 2019 and resigned subsequently on 5 July 2019.
- Mr Glen Watts resigned as Non-Executive Director on 5 August 2019 and Mr Neville Basset agreed to join the Board in an interim capacity.
- During the financial year, on two separate occasions, the Group received off-market takeover bids from Keybridge Capital Limited ("Keybridge") and Aurora Funds Management Limited ("Aurora") offering a bid price of 9.2 cents and 9 cents per Yowie share respectively. The Board considers the unsolicited approach by both Keybridge and Aurora to be highly opportunistic. The advised bid price fundamentally undervalues Yowie's business, brand, intellectual property and significant cash balance.

Keybridge and Aurora had subsequently decided to not proceed with the bids.

### OPERATING AND FINANCIAL REVIEW (continued)

#### Corporate (continued)

- On 8 August 2018, the Group received a request from Aurora to hold a general meeting in accordance with Section 249D of the Corporations Act. Aurora had subsequently withdrawn their request on 8 October 2018.

On 4 June 2019, the Group again received a request to hold a general meeting pursuant to Section 249D of the Corporations Act from Keybridge. The result of the general meeting which was held on 5 August 2019 showed that Resolution 2 which called for removal of Mr Louis Carroll as a Director was defeated, while Resolutions 1 and 3 for the removal of Mr Tim Kestell and Mr Glen Watts as Directors respectively were withdrawn.

- The Group announced on 5 July 2019 to make a 2c per share (AUD) return of capital, subject to shareholders' approval, with scope for additional capital returns.

#### Outlook

The Group has plans in place to deliver net sales growth, positive EBITDA and positive cash run rate in the next financial year based on continuing to deliver on our key priorities.

- Expanding distribution in both the US and Australian markets. The Group has already commitments from major retailers to range Yowie products beginning in Q1 of FY2020 as discussed under **Sales and Distribution** section.
- Expanding Yowie product portfolio with innovative surprise inside treats, focusing on our mission of teaching children and parents about conservation and endangered species, will broaden shelf presence and increase Yowie brand awareness. The launch of Yowie Bites and Yowie Gummies is the beginning of that portfolio innovation.
- Investment in the retail trade is critical for us to succeed in the highly competitive confectionary category. The Group has solid plans in place with major retailers in the US and Australian to showcase Yowie brand with consumers.

#### Financial Overview

- The Group maintained a very healthy Gross Margin at 48% of net sales allowing the Group to invest with retailers and marketing where appropriate.
- The Group made a significant improvement on EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) during the year compared to last year.

The Group's EBITDA loss, before share-based payments expense, for the year ended 30 June 2019 was US\$2.8 million, a 44% improvement compared to an EBITDA loss of US\$5 million in the previous year. This was achieved by better fiscal discipline, with a focus on cost-saving measure across all areas of the business.

**OPERATING AND FINANCIAL REVIEW (continued)**

**Financial Overview (continued)**

- The Group recorded an impairment charge of US\$1.29 million to adjust the value of idle production equipment. The production equipment became idle during the year as we commissioned new equipment which resulted in an improved efficiency of the production plant and lower production cost.

In addition to this, The Group had also completed an impairment testing, as required under the Australian Accounting Standard, following the identification of impairment indicators, including the fact that the Group's market capitalization is less than the net assets of the Group. The result of this impairment testing indicated an additional impairment charge of US\$0.5 million to be recorded against the Group's non-current assets. Refer to Note 12 for further details on the impairment testing.

- Income tax expense for the year ended 30 June 2019 of US\$0.65 million relates largely to the derecognition of deferred tax assets which is a non-cash expense.
- Net loss after tax for the year ended 30 June 2019 is US\$5.1 million compared to a net loss after tax of US\$4.9 million in the previous corresponding period. The increase in net loss after tax is primarily due to non-cash expenses in relation to the impairment of non-current assets and the derecognition of deferred tax assets as discussed above.
- The net assets of the Group decreased by 19% to US\$24 million as at 30 June 2019, down from US\$29.6 million as at 30 June 2018. The decrease in net assets is mainly due to the same reasons stated in the previous point.
- As at 30 June 2019 the Group's consolidated cash position was US\$16.4 million (30 June 2018: US\$19.5 million).
- The Group made a considerable improvement in its operating cash flow during the year.

Operating cash outflows for the year ended 30 June 2019 were US\$1.6 million, a 71% improvement compared to the previous year's cash outflows of US\$5.5 million. The improvement in operating cash flow is consistent with the improvement in EBITDA discussed above.

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

Cash outflows used in:	<b>US\$</b>
- Operating activities	(1.60 million)
- Investing activities	(1.36 million)
- Financing activities	-
<b>Net cash outflows for the year</b>	<b>(2.96 million)</b>
Opening cash	19.47 million
Effect of foreign exchange movements	(0.15 million)
<b>Closing cash balance</b>	<b>16.36 million</b>



**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

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

**DIVIDENDS**

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

**DIRECTORS' MEETINGS**

The number of meetings attended by each Director during the year was as follows:

<i>Director</i>	<i>Eligible to Attend</i>	<i>Attended</i>
Mr L Carroll	5	5
Mr M Schuessler	5	5
Mr N Bassett <sup>1</sup>	5	5
Mr G Watts	4	4
Mr T Kestell	1	1
Mr W Johnson	2	2

<sup>1</sup> Mr N Bassett attended the meetings in his capacity as the Company Secretary prior to his appointment as Non-Executive Director on 5 August 2019.

**SHARES UNDER OPTION**

There were no unissued ordinary shares under options.

Unissued ordinary shares under rights outstanding at 30 June 2019 are as follows:

<i>Service and Performance Rights</i>	<i>Number of Securities</i>	<i>Exercise Price (A\$)</i>	<i>Expiry Date</i>
Service rights	142,511	-	12 Dec 2019
Service rights	132,925	-	12 Jun 2020
Service rights	271,739	-	18 Sep 2024
Service rights	271,739	-	18 Sep 2025
	<b>818,914</b>		

**Shares issued as a result of the exercise of options**

No shares were issued as a result of the exercise of options during the year ended 30 June 2019, including the period up to the date of this report.

**EVENTS SUBSEQUENT TO BALANCE DATE**

The Group announced on 5 July 2019 to make a 2c per share (AUD) return of capital, subject to shareholders' approval, with scope for additional capital returns.

On 5 August 2019, the Group held a general meeting at a request from Keybridge in pursuant to Section 249D of the Corporations Act. The result of the meeting showed that Resolution 2 which called for removal of Mr Louis Carroll as a Director was defeated, while Resolutions 1 and 3 for the removal of Mr Tim Kestell and Mr Glen Watts as Directors respectively were withdrawn.

Other than the matters noted above, no circumstances or events have arisen subsequent to the end of the period, that have had, or are likely to have, a material impact on the financial statements.

**LIKELY DEVELOPMENTS**

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

**REMUNERATION REPORT (audited)**

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

The Directors present the Yowie Group Limited FY2019 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

- (a) Key management personnel (KMP) covered in this report
- (b) Remuneration policy and link to performance
- (c) Elements of remuneration
- (d) Remuneration expenses for KMP
- (e) Contractual arrangements for KMP
- (f) Equity instrument disclosures relating to Key Management Personnel

**REMUNERATION REPORT (audited) (continued)**

**(a) Key Management Personnel (KMP) covered in this report**

<b>Name</b>	<b>Position</b>
Mr Louis Carroll	Non-Executive Chairman
Mr Mark Schuessler	Global Chief Executive Officer Managing Director
Mr N Bassett	Non-Executive Director ( <i>appointed 5 August 2019</i> ) Company Secretary ( <i>not considered as KMP</i> )
Mr Glen Watts	Non-Executive Director ( <i>resigned 5 August 2019</i> )
Mr Tim Kestell	Non-Executive Director ( <i>appointed 17 May 2019; resigned 5 July 2019</i> )
Mr William Johnson	Non-Executive Director ( <i>resigned 8 October 2018</i> )
Mr Wayne Brekke	Global Chief Financial Officer ( <i>appointed 14 November 2018</i> )
Ms Cynthia Thayer	Global Chief Marketing Officer ( <i>appointed 3 December 2018</i> )
Mr Cove Overley	Global Chief Marketing Officer ( <i>resigned 26 December 2018</i> )

**(b) Remuneration policy and link to performance**

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

From time to time, the Board engages an external remuneration consultant to assist with reviewing of the Group's remuneration policy.

In particular, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value;
- transparent and easily understood; and
- acceptable to shareholders.

To assist in achieving these objectives, the Board has linked the nature and amount of executive KMP remuneration to the Company's financial and operational performance. Remuneration paid to the Company's Directors and Executives is also determined having regard to the cash available to the Company.

At the Annual General Meeting ("AGM") held on 8 October 2018, shareholders holding approximately 39% of eligible votes cast a 'No' vote in relation to the adoption of the remuneration report for the year end 30 June 2018. The Company, therefore, received what is known as a 'First Strike' under the Amendments to the Corporations Act. The resolution was still passed as an 'ordinary resolution'.

The Board has had careful regard to the outcome of the vote and decided that no bonus incentives were granted to the KMPs during the current financial year.

**REMUNERATION REPORT (audited) (continued)**

**(b) Remuneration policy and link to performance (continued)**

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

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

*Remuneration framework*

<b>Element</b>	<b>Purpose</b>
Fixed annual remuneration (FR)	Provide competitive market salary including superannuation and non-monetary benefits.
Short-term incentives (STI)	Reward available for meeting pre-determined performance hurdles within a 12-month time period. Performance pay is ‘at risk’ such that if performance hurdles are not met, the payment is not made, other than at the discretion of Directors to cover unforeseen circumstances. Performance pay may be paid in cash or in the form of share-based compensation at the Board’s absolute discretion through participation in the YOW Employee Incentive Plan (EIP) through participation in the annual grants of service rights or performance rights where vesting are subject to performance hurdles.
Long-term incentives (LTI)	Performance hurdles are aligned to long-term shareholder value. Performance rights are ‘at risk’ such that if performance hurdles are not met, the performance rights do not vest. The long term incentive once determined will be paid in cash or awarded as fully vested service rights. Performance rights are paid in the form of share-based compensation through participation in the YOW Employee Incentive Plan (EIP).
Service Rights	One off issuance subject to Board’s discretion to attract and retain high calibre employee. Vesting of rights subject to Employee remaining employed by the Company on the vesting date.

**REMUNERATION REPORT (audited) (continued)****(b) Remuneration policy and link to performance (continued)***Balancing short-term and long-term performance*

Annual incentives are set at a maximum of 100% of fixed remuneration, in order to drive performance without encouraging undue risk-taking. Long-term incentives are assessed over a two or three year period and are designed for the achievement of long-term growth in shareholder returns.

*Assessing performance*

The Board is responsible for assessing performance against KPIs and determining the STI and LTI to be paid. To assist in this assessment, the Board receives detailed reports on performance from management, which are based on independently verifiably data such as financial measures, market share and data from independently run surveys.

*Minimum shareholding and holding conditions*

All Directors and employees are encouraged to own Yowie shares. The Company does not have a formal minimum shareholding policy or mandatory holding condition on awarded shares. However, it is important to note that the nominal value of share rights is determined at the commencement of the performance period motivating executives to hold shares and grow shareholder value.

*Use of remuneration consultants*

On an as-needed basis, the Company may engage a remuneration consultant to provide various services in relation to executive KMP remuneration and the Yowie Employee Incentive Plan (EIP). During the year ended 30 June 2019, the Company has not engaged any remuneration consultant.

**REMUNERATION REPORT (audited) (continued)**

**(c) Elements of remuneration**

*(i) Fixed annual remuneration (FR)*

Fixed remuneration consists of a base remuneration package, which includes Directors' fees (in the case of Directors), salaries, consulting fees, employer contributions to superannuation funds and non-monetary benefits such as health insurance and tax advisory services.

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

Total remuneration for Non-Executive Directors is determined by resolution of shareholders. The Board determines actual payments to Directors and reviews their remuneration annually, based on market relativities and the duties and accountabilities of the Directors. The maximum available aggregate remuneration approved for Non-Executive Directors is A\$200,000. Non-Executive Directors do not receive any other retirement benefits other than a superannuation guarantee contribution required by government regulation, which was 9.5% of their fees for the year ended 30 June 2019.

Non-Executive Directors may provide specific consulting advice to the Company upon direction from the Board. Remuneration for this work is made at market rates. No such advice was provided in the year ended 30 June 2019.

*(ii) Short-term incentives (STI)*

<b>Feature</b>	<b>Description of STI</b>
Max opportunity	100% of fixed remuneration or as stipulated in the respective employment contract.
Performance metrics	The STI metrics align with our strategic priorities of market competitiveness, achieving financial budget, operational excellence, shareholder value and fostering talented and engaged people.
Achievement of award and Board's discretion	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any deferred STI award.
Delivery of STI	100% of the STI award is paid in cash or equity, subject to meeting vesting conditions of performance hurdles. The mode of delivery is at the discretion of the Board and subject to shareholders' approval at AGM.
Exercise price	Exercise price of options is determined based on premium to share price at which the company's shares are traded on the Australian Stock Exchange on date of the grant. Exercise price of performance rights are generally nil.
Forfeiture and termination	Options and performance rights will lapse if performance conditions are not met. Options and performance rights will be forfeited on cessation of employment unless the Board determines otherwise in its sole and absolute discretion, e.g. in the case of retirement due to injury, disability, death or redundancy.

**REMUNERATION REPORT (audited) (continued)**

**(c) Elements of remuneration (continued)**

*(iii) Long-term incentives (LTI)*

<b>Feature</b>	<b>Description of LTI</b>
Max opportunity	100% of fixed remuneration or as stipulated in the respective employment contract.
Performance metrics	The LTI metrics align with our strategic priorities of market competitiveness, achieving financial budget, operational excellence and long-term shareholder value.
Delivery of LTI	100% of the LTI award is paid in cash or equity, subject to meeting vesting conditions of performance hurdles. The mode of delivery is at the discretion of the Board and subject to shareholders' approval at AGM.
Exercise price	Exercise price of options is determined based on premium to share price at which the company's shares are traded on the Australian Stock Exchange on date of the grant. Exercise price of service rights and performance rights are generally nil.
Forfeiture and termination	Options and performance rights will lapse if performance conditions are not met. Options and performance rights will be forfeited on cessation of employment unless the Board determines otherwise in its sole and absolute discretion, e.g. in the case of retirement due to injury, disability, death or redundancy.

*(vi) Service rights (SR)*

<b>Feature</b>	<b>Description of SR</b>
Max opportunity	One off issuance subject to Board's discretion to attract and retain high calibre employee.
Performance metrics	Subject to employee remains employed by the Company on the vesting date.
Delivery of SR	100% of the SR award is paid in cash or equity, subject to meeting vesting conditions of performance hurdles. The mode of delivery is at the discretion of the Board and subject to shareholders' approval at AGM.
Exercise price	Exercise price of options is determined based on premium to share price at which the company's shares are traded on the Australian Stock Exchange on date of the grant. Exercise price of service rights and performance rights are generally nil.
Forfeiture and termination	Options and service rights will lapse if performance conditions are not met. Options and performance rights will be forfeited on cessation of employment unless the Board determines otherwise in its sole and absolute discretion, e.g. in the case of retirement due to injury, disability, death or redundancy.

**REMUNERATION REPORT (audited) (continued)****(c) Elements of remuneration (continued)***Company performance*

The table below shows the performance of the Company for the past five financial years.

	<b>FY2019</b>	<b>FY2018</b>	<b>FY2017</b>	<b>FY2016</b>	<b>FY2015</b>
Total Income (US\$)	14,701,672	17,606,600	19,896,944	13,062,662	2,376,983
Net Loss (US\$)	(5,099,511)	(4,926,820)	(7,297,601)	(7,397,939)	(2,791,076)
Closing Share Price (A\$)	0.05	0.07	0.31	0.93	0.98
Number of Shares	217,748,987	216,744,323	214,055,365	206,372,375	139,230,199
Market Capitalisation (A\$)	11,322,947	14,738,614	66,357,163	191,926,309	136,445,595

**(d) Remuneration expenses for KMP**

Remuneration packages may contain the following key elements:

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



**REMUNERATION REPORT (audited) (continued)**
**(d) Remuneration expenses for KMP (continued)**

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

**2019**

	Short-Term Benefits		Post-Employment Superannuation (US\$)	Share-based Payments <sup>2</sup>			Termination Payments (US\$)	Total (US\$)	Performance based (%)
	Salary and Fees <sup>1</sup> (US\$)	Bonus (US\$)		Performance-based (US\$)	Service-based (US\$)	Options (US\$)			
<b>Directors</b>									
Mr L Carroll	71,852	-	6,826	-	36,796	-	-	115,474	-
Mr M Schuessler	522,600	-	-	(46,407)	30,810	-	-	507,003	-
Mr N Bassett <sup>3</sup>	-	-	-	-	-	-	-	-	-
Mr G Watts <sup>4</sup>	54,393	-	5,167	-	(17,913)	-	-	41,647	-
Mr T Kestell <sup>5</sup>	-	-	-	-	-	-	-	-	-
Mr W Johnson <sup>6</sup>	4,395	-	418	-	-	-	-	4,813	-
<b>Senior Executives</b>									
Mr W Brekke <sup>7</sup>	130,149	-	-	-	-	-	-	130,149	-
Ms C Thayer <sup>8</sup>	128,423	-	-	-	-	-	-	128,423	-
Mr C Overley <sup>9</sup>	148,119	-	1,229	(35,095)	-	-	4,419	118,672	-
<b>Total</b>	<b>1,059,931</b>	<b>-</b>	<b>13,640</b>	<b>(81,502)</b>	<b>49,693</b>	<b>-</b>	<b>4,419</b>	<b>1,046,181</b>	

<sup>1</sup> This includes annual leave where applicable.

<sup>2</sup> Calculated in accordance with AASB 2 Share-based Payments. Refer to Note 15.

Credit amounts refer to reversal of share-based payments expense in respect of the options or rights which have not vested due to resignation or forfeiture.

<sup>3</sup> Appointed as Non-Executive Director on 5 August 2019. Mr N Bassett's fees as the Company Secretary is not disclosed as he was not considered as KMP prior to his appointment to the Board.

<sup>4</sup> Resigned on 5 August 2019. Credit amount under his share-based payments refer to service rights which were granted under his employment contract and were subsequently defeated at the AGM.

<sup>5</sup> Appointed as Non-Executive Director on 17 May 2019 and resigned on 5 July 2019.

<sup>6</sup> Resigned on 8 October 2018.

<sup>8</sup> Appointed as Global Chief Marketing Officer on 3 December 2018.

<sup>7</sup> Appointed as Global Chief Financial Officer on 14 November 2018.

<sup>9</sup> Resigned on 26 December 2018.

REMUNERATION REPORT (audited) (continued)

(d) Remuneration expenses for KMP (continued)

2018

	Short-Term Benefits		Post-Employment Superannuation (US\$)	Share-based Payments <sup>2</sup>			Termination Payments <sup>9</sup> (US\$)	Total (US\$)	Performance based (%)
	Salary and Fees <sup>1</sup> (US\$)	Bonus (US\$)		Performance-based (US\$)	Service-based (US\$)	Options (US\$)			
<b>Directors</b>									
Mr L Carroll <sup>3</sup>	60,952	-	5,790	-	54,463	-	-	121,205	-
Mr M Schuessler	522,600	-	-	(84,329)	85,090	-	-	523,361	-
Mr G Watts <sup>4</sup>	22,632	-	2,150	-	17,913	-	-	42,695	-
Mr W Johnson <sup>5</sup>	3,741	-	355	-	-	-	-	4,096	-
Mr B Alfonso <sup>6</sup>	186,300	-	-	(304,395)	(661,530)	-	93,150	(686,475)	-
Mr T Allen <sup>7</sup>	34,976	-	3,323	-	-	-	-	38,299	-
Ms P Fields <sup>7</sup>	64,537	-	5,704	(82,540)	-	-	-	(12,299)	-
<b>Senior Executives</b>									
Mr C Overley	275,000	-	1,184	(118,912)	-	-	-	157,272	-
Mr S Alvarez <sup>8</sup>	41,667	-	-	-	-	-	375,000	416,667	-
<b>Total</b>	<b>1,212,405</b>	<b>-</b>	<b>18,506</b>	<b>(590,176)</b>	<b>(504,064)</b>	<b>-</b>	<b>468,150</b>	<b>604,821</b>	

<sup>1</sup> This includes annual leave where applicable.

<sup>2</sup> Calculated in accordance with AASB 2 Share-based Payments. Refer to Note 15.

Credit amounts refer to reversal of share-based payments expense in respect of the options or rights which have not vested due to resignation or forfeiture.

<sup>3</sup> Appointed as Non-Executive Chairman on 18 September 2017.

<sup>4</sup> Appointed as Non-Executive Director on 5 January 2018.

<sup>5</sup> Appointed as Non-Executive Director on 10 April 2018.

<sup>6</sup> Resigned on 2 January 2018.

<sup>7</sup> Resigned on 5 January 2018.

<sup>8</sup> Resigned on 13 July 2017.

<sup>9</sup> Termination payments were made in cash based on contractual terms.

**REMUNERATION REPORT (audited) (continued)****(d) Remuneration expenses for KMP (continued)***Share-based compensation to key management personnel*

Shareholders approved the YOW Employee Incentive Plan (EIP) at the Annual General Meeting held on 23 November 2015. The EIP is developed to meet contemporary equity design standards and to provide the greatest flexibility in the design and offer choices available in the various new equity schemes. The EIP enables the Company to offer employees a range of different employee share scheme ("ESS") interests. These ESS interests or awards include options, performance rights, service rights, deferred shares, exempt shares, cash rights and stock appreciation rights.

Whenever Shares are acquired under the EIP, they may be acquired and held by an Employee Share Trust ("EST"). The EST will be governed by a trust deed ("EST Trust Deed") outlining the rules of the EST and the responsibilities of the Trustee, the Company and participants.

The Board believes that the grant of incentives under the EIP to eligible participants will underpin the employment strategy of attracting and retaining high calibre staff capable of executing the Company's strategic plans, and will maximise the retention of key management and operational staff; enhance the Company's ability to attract quality staff in the future, link the rewards of key staff with the achievement of strategic goals and the long term performance objectives of the Company, and provide incentives to participants of the EIP to deliver superior performance that creates shareholder value.

Where the participant is a Director or related party of the Company, specific shareholder approval will have to be sought under the ASX Listing Rules prior to the grant of incentives under EIP to such an individual.

The exercise price, if any will be determined by the Board in its discretion and set out in the related invitation. The exercise price may be any amount and may be as low as zero, in which case a statement to that effect will be set out in the related invitation.

Securities issued under the EIP will lapse or be forfeited on the earliest of:

- a) Any expiry date applicable to the securities;
- b) Any date which the Board determines that vesting conditions applicable to the securities are not met or cannot be met;
- c) The participant dealing in respect of the securities in contravention of the EIP; and
- d) The Board determining that a participant has committed an act of fraud, is ineligible to hold the office for the purposes of Part 2D.6 of the Corporations Act, or is found to have acted in a manner that the Board considers to constitute gross misconduct.

**REMUNERATION REPORT (audited) (continued)**
**(d) Remuneration expenses for KMP (continued)**
*Share-based compensation to key management personnel (continued)*

No options or rights were granted to key management personnel as remuneration during the year.

No options held by key management personnel were exercised during the year ended 30 June 2019

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

Name	Grant Date	Vesting Date	Number of Options/Rights Vested	Number of Options/Rights Lapsed/Forfeited
Mr L Carroll	16 Nov 2017	18 Sep 2018	271,739	-
Mr M Schuessler	13 Jun 2016	12 Jun 2019	132,925	-
	13 Jun 2016	30 Jun 2019	-	199,387
	1 Jul 2017	30 Jun 2020	-	629,194
Mr C Overley	8 Sep 2016	30 Jun 2019	-	388,665
	1 Jul 2017	30 Jun 2020	-	901,845

**(e) Contractual arrangements for KMP**

Remuneration and other terms of employment for Executives are formalised in a service agreement. The KMP are remunerated on a total fixed remuneration (TFR) basis inclusive of superannuation and allowances.

Position	Executive	Total Annual Fixed Remuneration	Contract Duration	Termination Clause
Non-Executive Chairman	Louis Carroll	A\$110,000	Ongoing	Duration of the contract is ongoing
Managing Director and Global Chief Executive Officer	Mark Schuessler	US\$522,600	Ongoing	14 days written notice. Three months of base salary as severance pay in the event of termination by the Company
Non-Executive Director	Neville Bassett	A\$60,000 + 9.5% Superannuation	Interim	Joined the Board on an interim basis
Non-Executive Director	Glen Watts	A\$90,000	Ongoing	Duration of the contract is ongoing
Non-Executive Director	Tim Kestell	Nil	Ongoing	Duration of the contract is ongoing
Global Chief Financial Officer	Wayne Brekke	US\$207,600	Ongoing	14 days written notice
Global Chief Marketing Officer	Cynthia Thayer	US\$222,600	Ongoing	14 days written notice

REMUNERATION REPORT (audited) (continued)

**(f) Equity Instrument Disclosures relating to Key Management Personnel**

*(i) Option Holdings*

No options over ordinary shares in the Company were held during the financial year by any of the KMP and their personally related parties.

*(ii) Rights Holdings*

The number of performance rights and service rights in the Company held during the financial year by each KMP, including their personally related parties, is set out in the following table.

Name	Balance at Start of Year (No)	Granted as Remuneration (No)	Exercised (No)	Lapsed/ Forfeited (No)	Balance at End of Year (No)
<b>Directors</b>					
Mr L Carroll	815,217	-	(271,739)	-	543,478
Mr M Schuessler	1,694,431	-	(732,925)	(828,581)	132,925
Mr N Bassett	-	-	-	-	-
Mr G Watts	500,001	(500,001) <sup>1</sup>	-	-	-
Mr T Kestell	-	-	-	-	-
Mr W Johnson	-	-	-	-	-
<b>Senior Executives</b>					
Mr W Brekke	-	-	-	-	-
Ms C Thayer	-	-	-	-	-
Mr C Overley	1,290,510	-	-	(1,290,510)	-
<b>Total</b>	<b>4,300,159</b>	<b>(500,001)</b>	<b>(1,004,664)</b>	<b>(2,119,091)</b>	<b>676,403</b>

<sup>1</sup> This refers to service rights which were not approved by the shareholders.

**REMUNERATION REPORT (audited) (continued)**

**(f) Equity Instrument Disclosures relating to Key Management Personnel (continued)**

*(iii) Share Holdings (Ordinary Shares)*

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

Name	Balance at Start of Year (No)	Granted as Remuneration (No)	Acquisition (No)	Exercise of Options/ Rights (No)	Other Changes <sup>1</sup> (No)	Balance at End of Year (No)
<b>Directors</b>						
Mr L Carroll	750,000	-	-	271,739	-	1,021,739
Mr M Schuessler	342,398	-	-	732,925	-	1,075,323
Mr N Bassett <sup>2</sup>	-	-	-	-	-	-
Mr G Watts	27,694	-	55,389	-	-	83,083
Mr T Kestell	958,234 <sup>3</sup>	-	100,000	-	(1,058,234)	-
Mr W Johnson	-	-	-	-	-	-
<b>Senior Executives</b>						
Mr W Brekke	-	-	-	-	-	-
Ms C Thayer	-	-	-	-	-	-
Mr C Overley	-	-	-	-	-	-
<b>Total</b>	<b>2,078,326</b>	<b>-</b>	<b>155,389</b>	<b>1,004,664</b>	<b>(1,058,234)</b>	<b>2,180,145</b>

<sup>1</sup> This movement refers to the resignation of KMP during the year. Disclosure of a KMP's equity holding is not required subsequent to his resignation.

<sup>2</sup> Mr Bassett holds 100,000 shares at the beginning of his employment on 5 August 2019.

<sup>3</sup> This refers to the number of shares held by Mr Kestell at the beginning of his employment on 17 May 2019.

*Loans to and other transactions with key management personnel*

There were no loans outstanding or other transactions with key management personnel and their related parties during the year ended 30 June 2019.

**END OF AUDITED REMUNERATION REPORT**

**INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

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

**NON-AUDIT SERVICES**

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined in Note 19 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration is included on page 30 of the financial report.

Signed in accordance with a resolution of the Directors.

**Louis Carroll**

Non-Executive Chairman

27 September 2019



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

27 September 2019

Dear Directors,

## **Yowie Group Limited**

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

As lead audit partner for the audit of the financial statements of Yowie Group Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

  
**DELOITTE TOUCHE TOHMATSU**



**David Newman**  
Partner  
Chartered Accountants



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**



	Note	Consolidated	
		2019 US\$	2018 US\$
Sale of goods		14,425,071	17,519,314
Cost of sales		(7,437,662)	(9,077,116)
<b>Gross profit</b>		<b>6,987,409</b>	<b>8,442,198</b>
Selling and distribution		(4,477,735)	(4,963,371)
Marketing		(1,439,933)	(2,375,404)
Administration	5	(3,595,710)	(4,099,925)
Other income	4	276,601	87,286
Foreign exchange gains / (losses)		227,431	145,914
Write-down of inventory	10	(633,463)	(1,134,364)
(Impairment) / reversal of impairment of plant and equipment	11	(1,698,370)	472,859
Impairment of intangible assets	12	(93,695)	(1,203,393)
Loss before income tax		(4,447,465)	(4,628,200)
Income tax expense	6	(652,046)	(298,620)
<b>Loss after income tax for the year</b>		<b>(5,099,511)</b>	<b>(4,926,820)</b>
<b>Other comprehensive income for the year</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in foreign currency translation reserve		(415,932)	(275,306)
<b>Total comprehensive loss for the year net of tax attributable to members of the Company</b>		<b>(5,515,443)</b>	<b>(5,202,126)</b>
Loss per share attributable to members of the Company			
Basic loss per share (cents)	7	(2.34)	(2.29)
Diluted loss per share (cents)	7	(2.34)	(2.29)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**



	Note	Consolidated	
		2019 US\$	2018 US\$
<b>Current Assets</b>			
Cash and cash equivalents	16(a)	16,360,661	19,466,956
Trade and other receivables	8	1,219,425	2,870,777
Prepayments	9	1,384,994	1,621,423
Inventories	10	4,193,416	3,307,782
<b>Total Current Assets</b>		<b>23,158,496</b>	<b>27,266,938</b>
<b>Non-Current Assets</b>			
Plant and equipment	11	3,494,835	4,447,954
Intangible assets	12	752,097	860,931
Deferred tax assets	6	-	680,604
<b>Total Non-Current Assets</b>		<b>4,246,932</b>	<b>5,989,489</b>
<b>Total Assets</b>		<b>27,405,428</b>	<b>33,256,427</b>
<b>Current Liabilities</b>			
Trade and other payables	13	3,316,682	3,566,675
Provisions		16,023	3,548
Current tax liabilities		23,239	51,298
Unearned income		-	45,684
<b>Total Current Liabilities</b>		<b>3,355,944</b>	<b>3,667,205</b>
<b>Total Liabilities</b>		<b>3,355,944</b>	<b>3,667,205</b>
<b>Net Assets</b>		<b>24,049,484</b>	<b>29,589,222</b>
<b>Equity</b>			
Issued capital	14(a)	55,703,545	55,635,991
Reserves	14(d)	(754,487)	23,383
Accumulated losses		(30,899,574)	(26,070,152)
<b>Total Equity</b>		<b>24,049,484</b>	<b>29,589,222</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**



	Note	Issued capital	Share-based payment reserve	Consolidated Foreign currency translation reserve	Accumulated losses	Total
		US\$	US\$	US\$	US\$	US\$
<b>Balance as at 1 July 2017</b>		55,198,677	7,363,748	(2,256,273)	(24,112,586)	36,193,566
Loss for the year		-	-	-	(4,926,820)	(4,926,820)
<b>Other comprehensive income</b>						
Foreign currency translation		-	-	(275,306)	-	(275,306)
<b>Total comprehensive loss for the year</b>		-	-	(275,306)	(4,926,820)	(5,202,126)
<b>Transactions with owners recorded directly in equity</b>						
Shares issued under YOW						
Employee Incentive Plan	14(b)	441,824	(675,197)	-	-	(233,373)
Share issue transaction costs	14(b)	(4,510)	-	-	-	(4,510)
Share-based payments		-	(1,164,335)	-	-	(1,164,335)
Expired options and rights		-	(2,969,254)	-	2,969,254	-
<b>Balance as at 30 June 2018</b>		55,635,991	2,554,962	(2,531,579)	(26,070,152)	29,589,222
<b>Balance as at 1 July 2018</b>		55,635,991	2,554,962	(2,531,579)	(26,070,152)	29,589,222
Loss for the year		-	-	-	(5,099,511)	(5,099,511)
<b>Other comprehensive income</b>						
Foreign currency translation		-	-	(415,932)	-	(415,932)
<b>Total comprehensive loss for the year</b>		-	-	(415,932)	(5,099,511)	(5,515,443)
<b>Transactions with owners recorded directly in equity</b>						
Shares issued under YOW						
Employee Incentive Plan	14(b)	70,273	(70,273)	-	-	-
Share issue transaction costs	14(b)	(2,719)	-	-	-	(2,719)
Share-based payments		-	(21,576)	-	-	(21,576)
Expired options and rights		-	(270,089)	-	270,089	-
<b>Balance as at 30 June 2019</b>		55,703,545	2,193,024	(2,947,511)	(30,899,574)	24,049,484

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

**CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 30 JUNE 2019**



	Note	Consolidated	
		2019 US\$	2018 US\$
<b>Cash flow from operating activities</b>			
Receipts from customers		15,259,346	17,752,274
Other receipts		6,053	9,344
Payments to suppliers and employees		(17,126,924)	(23,501,214)
Interest received		262,800	79,231
Income taxes paid		5,107	164,634
<b>Net cash outflows used in operating activities</b>	16(b)	<b>(1,593,618)</b>	<b>(5,495,731)</b>
<b>Cash flow from investing activities</b>			
Payments for plant and equipment		(928,073)	(728,863)
Payments for intangible assets		(431,836)	(1,059,241)
<b>Net cash outflows used in investing activities</b>		<b>(1,359,909)</b>	<b>(1,788,104)</b>
<b>Cash flow from financing activities</b>			
Payment of share issue transaction costs		(2,954)	(9,712)
<b>Net cash outflows used in financing activities</b>		<b>(2,954)</b>	<b>(9,712)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,956,481)</b>	<b>(7,293,547)</b>
Cash and cash equivalents at beginning of the year		19,466,956	26,877,580
Effect of foreign exchange movements		(149,814)	(117,077)
<b>Cash and cash equivalents at end of the year</b>	16(a)	<b>16,360,661</b>	<b>19,466,956</b>

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

**1. CORPORATE INFORMATION**

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

These financial statements are presented in United States Dollar. The financial report was authorised for issue by the Directors on 27 September 2019 in accordance with a resolution of the Directors.

The nature of the operations and principal activities of the Company are described in the Directors’ Report on page 6.

**2. BASIS OF PREPARATION**

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

The financial statements of the Group also comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Reclassification of comparative financial information

Comparative information in the consolidated statement of profit or loss and other comprehensive income relating to Selling and distribution expenses of \$1,140,332 has been reclassified from Marketing to Selling and distribution to be comparable to the current year presentation, and to better align with the nature of the underlying expenses. This reclassification has not impacted net profit, or the statement of cash flows or statement of financial position previously presented.

**3. SEGMENT REPORTING**

The Group has only one reportable segment, which relates to the operations of its confectionery business, with production carried out under a contract manufacturing arrangement. The net result is presented on a consolidated basis. All non-current assets are located in one geographical location, the United States of America.

Major customer information

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

	Consolidated	
	2019	2018
	US\$	US\$
Major customer 1	7,549,114	7,964,114 *
% of Total Net Sales	52%	45%
Major customer 2	1,158,033	2,598,147
% of Total Net Sales	8%	15%

\* After stock adjustment claim

**4. OTHER INCOME**

	Consolidated	
	2019	2018
	US\$	US\$
Interest income	270,164	79,520
Other income	6,437	7,766
	<b>276,601</b>	<b>87,286</b>

**5. ADMINISTRATION**

	Consolidated	
	2019	2018
	US\$	US\$
<i>Administration expenses include:</i>		
Employee benefits	1,343,552	2,390,587
Business development and travel	360,941	1,185,222
Legal, tax, listing, compliance and insurance	1,067,254	874,443
Share-based payments (refer to Note 15)	(21,576)	(1,164,335)
Depreciation and amortisation	332,118	245,691
Other administrative expenses	513,421	568,317
	<b>3,595,710</b>	<b>4,099,925</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**



**6. TAXATION**

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

	Consolidated	
	2019	2018
	US\$	US\$
Current income tax	-	25,363
Adjustments for current tax of prior periods	<b>(28,558)</b>	(88,200)
<b>Total current tax expense</b>	<b>(28,558)</b>	(62,837)
Deferred income tax		
Decrease/(increase) in deferred tax assets	<b>680,604</b>	361,457
	<b>680,604</b>	361,457
Income tax (benefit)/expense reported in the statement of profit and loss and other comprehensive income	<b>652,046</b>	298,620

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

	Consolidated	
	2019	2018
	US\$	US\$
Loss from ordinary activities before tax	<b>(4,447,465)</b>	(4,628,200)
Prima facie tax benefit on loss at 30%	<b>1,334,240</b>	1,388,460
Effect of different tax rates on overseas losses	<b>(318,568)</b>	188,741
Income tax benefit not recognised	<b>(1,667,718)</b>	(1,875,821)
Income tax benefit / (expense)	<b>(652,046)</b>	(298,620)

**6. TAXATION (continued)**

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

	Consolidated	
	2019 US\$	2018 US\$
<b>Deferred tax assets</b>		
Share issue and acquisition costs	754,888	479,438
Plant and equipment	-	163,522
Inventory	257,351	254,708
Intercompany loans – unrealised foreign exchange losses	611,392	461,182
Provisions and accruals	332,921	230,035
Revenue tax losses	7,274,617	6,835,432
Deferred tax assets used to offset deferred tax liabilities	(1,225,065)	(752,723)
Deferred tax assets not brought to account <sup>1</sup>	(8,006,104)	(6,990,990)
	-	680,604
<b>Deferred tax liabilities</b>		
Plant and equipment	759,088	579,335
Other assets	26,157	-
Intercompany loans – unrealised foreign exchange gains	439,819	173,388
Deferred tax assets used to offset deferred tax liabilities	(1,225,064)	(752,723)
	-	-

<sup>1</sup> Deferred tax assets have not been brought to account to the extent that it is not probable within the immediate future that taxable profits will be available against which deductible temporary differences can be utilised. This also applies to deferred tax assets for unused tax losses carried forward.

The Group's unrecognised tax losses in Australia of US\$2,789,591 and Hong Kong of US\$3,396,021 are available indefinitely for offset against future profits subject to continuing to meet the relevant statutory tests. The Parent Company and its Australian subsidiary have formed a tax consolidated group. Unrecognised tax losses in the US of US\$946,732 can be used for up to 20 years.



**7. LOSS PER SHARE**

**Classification of securities as ordinary shares**

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

**Classification of securities as potential ordinary shares**

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

	Consolidated	
	2019 Number	2018 Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	<u>217,588,308</u>	<u>215,123,720</u>
	US\$	US\$
Basic loss attributable to ordinary equity holders of the parent	<u>(5,099,511)</u>	<u>(4,926,820)</u>

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

**8. TRADE AND OTHER RECEIVABLES**

	Consolidated	
	2019 US\$	2018 US\$
<b>Current</b>		
Trade debtors	1,197,537	2,761,897
Other debtors	7,618	-
Security deposit	-	73,822
GST receivable	6,610	35,058
Accrued interest	7,660	-
	<u>1,219,425</u>	<u>2,870,777</u>

Trade debtors generally have 30 day terms. GST receivables have repayment terms applicable under the relevant government authority. No amounts are past due or impaired. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group's exposure to risks are summarised in Note 22.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**



**9. PREPAYMENTS**

	Consolidated	
	2019 US\$	2018 US\$
<b>Current</b>		
Prepayments – raw materials	1,004,507	993,686
Prepayments – other	380,487	627,737
	<b>1,384,994</b>	<b>1,621,423</b>

**10. INVENTORIES**

	Consolidated	
	2019 US\$	2018 US\$
<b>Current</b>		
Raw materials	1,796,401	1,386,136
Work in progress	68,253	159,368
Finished goods	2,847,500	2,140,424
Allowance for disposal	(518,738)	(378,146)
	<b>4,193,416</b>	<b>3,307,782</b>

- (i) Inventories are valued at the lower of cost or net realisable value.
- (ii) Inventories recognised as an expense to cost of sales during the year ended 30 June 2019 amounted to US\$7,437,662 (2018: US\$9,077,116).
- (iii) Write-downs of inventories to net realisable value during the year ended 30 June 2019 amounted to US\$633,463 (2018: US\$1,134,364). The write-downs were mostly due to disposal (and allowance for disposal) of raw materials relating to outdated Yowie Series. Refer to Note 23(t) for key accounting estimate on allowance for disposal of inventories.

Movement in the allowance for disposal of inventories is set out below.

Balance at the beginning of the year	(378,146)	(84,000)
Disposal	1,616	84,000
Additional allowance	(142,208)	(378,146)
Balance at the end of the year	<b>(518,738)</b>	<b>(378,146)</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**



**11. PLANT AND EQUIPMENT**

	Consolidated	
	2019 US\$	2018 US\$
<b>Manufacturing plant and equipment</b>		
Cost	4,064,940	4,356,315
Accumulated depreciation	(404,181)	(420,136)
Accumulated impairment losses	(405,533)	-
	<b>3,255,226</b>	<b>3,936,179</b>
<b>Manufacturing plant and equipment under construction</b>		
Cost	235,740	506,462
<b>Office equipment</b>		
Cost	10,053	24,640
Accumulated depreciation	(6,184)	(19,327)
	<b>3,869</b>	<b>5,313</b>
<b>Total plant and equipment</b>	<b>3,494,835</b>	<b>4,447,954</b>

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

<b>Manufacturing plant and equipment</b>		
Balance at the beginning of the year	3,936,179	3,501,400
Additions	198,650	160,550
Transfers from / (to) manufacturing plant and equipment under construction	(203,630)	-
Depreciation	(185,478)	(198,630)
Reversal of provision for impairment <sup>1</sup>	-	499,377
Impairment <sup>2</sup>	(405,533)	-
Amounts written off	(84,962)	(26,518)
Foreign exchange adjustment	-	-
Carrying amount at the end of the year	<b>3,255,226</b>	<b>3,936,179</b>
<b>Manufacturing plant and equipment under construction</b>		
Balance at the beginning of the year	506,462	-
Additions	733,523	506,462
Transfers from / (to) manufacturing plant and equipment	203,630	-
Provision for impairment <sup>3</sup>	(1,207,875)	-
Foreign exchange adjustment	-	-
Carrying amount at the end of the year	<b>235,740</b>	<b>506,462</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**



**11. PLANT AND EQUIPMENT (continued)**

	Consolidated	
	2019 US\$	2018 US\$
<b>Office equipment</b>		
Balance at the beginning of the year	5,313	11,587
Additions	2,755	3,568
Depreciation	(4,194)	(5,328)
Disposals	-	(4,539)
Foreign exchange adjustment	(5)	25
Carrying amount at the end of the year	3,869	5,313

<sup>1</sup> Reversal of provision for impairment is due to successful recovery of the wrapping machine from Whetstone Chocolate Factory. Refer to Note 18 for details.

<sup>2</sup> This relates to impairment losses recognised as a result of impairment testing performed following the identification of impairment indicator, namely the Group's market capitalization is less than the Group's net assets. Refer to Note 12 for details on the impairment testing.

<sup>3</sup> Provision for impairment was recorded to adjust the net book value of idle production equipment. The production equipment became idle during the year as the Group commissioned new equipment which results in an improved efficiency of the production plant and lower production cost.

**12. INTANGIBLE ASSETS**

	Consolidated	
	2019 US\$	2018 US\$
<b>Rights and licenses</b> <sup>1</sup>		
Cost	225,398	225,398
Accumulated impairment losses	(24,969)	-
	200,429	225,398
<b>Software</b>		
Cost	349,051	456,749
Accumulated amortisation	(123,921)	(229,406)
Accumulated impairment losses	(24,940)	-
	200,190	227,343
<b>Product development</b> <sup>2</sup>		
Cost	845,065	632,179
Accumulated amortisation	(449,801)	(223,989)
Accumulated impairment losses	(43,786)	-
	351,478	408,190
<b>Total intangible assets</b>	752,097	860,931

<sup>1</sup> Rights and licenses relate to Yowie trademark which management has assessed as having an indefinite useful life.

<sup>2</sup> Product development relates to capitalised costs associated with the development of Yowie collectables.

**12. INTANGIBLE ASSETS (continued)**

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

**Rights and licenses**

Balance at the beginning of the year	<b>225,398</b>	225,398
Impairment <sup>1</sup>	<b>(24,969)</b>	-
Carrying amount at the end of the year	<b>200,429</b>	225,398

**Software**

Balance at the beginning of the year	<b>227,343</b>	71,845
Additions	<b>100,655</b>	209,784
Amortisation	<b>(102,112)</b>	(53,611)
Impairment <sup>1</sup>	<b>(24,940)</b>	-
Foreign exchange adjustment	<b>(756)</b>	(675)
Carrying amount at the end of the year	<b>200,190</b>	227,343

**Product development**

Balance at the beginning of the year	<b>408,190</b>	842,277
Additions	<b>212,886</b>	956,058
Amortisation	<b>(225,812)</b>	(186,752)
Impairment <sup>1</sup>	<b>(43,786)</b>	-
Amounts written off <sup>2</sup>	-	(1,203,393)
Carrying amount at the end of the year	<b>351,478</b>	408,190

<sup>1</sup> This relates to impairment losses recognised as a result of impairment testing performed following the identification of impairment indicator, namely the Group's market capitalization is less than the Group's net assets. Total impairment losses recognised under intangible assets were US\$93,695.

<sup>2</sup> Amounts written off during the year ended 30 June 2018 relates to the investment in the development of Yowie book and Yowie cartoon. The Board reviewed the expected future economic benefits from these investments and determined that it was highly unlikely that any future economic benefits would exceed the net book value and, therefore, the investment has been written off. The Group will continue to utilise these assets to broaden brand awareness and develop the Yowie character.

**Impairment testing**

As at 30 June 2019, impairment indicators have been identified, including the fact that the Group's market capitalisation is less than the net assets of the Group, and the Group's financial performance for the year ended 30 June 2019 was below budget.

An impairment loss is recognised for the amount by which the Group's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's Value in Use (ViU) and Fair Value Less Costs of Disposal (FVLCD).

For the purpose of impairment testing as at 30 June 2019, the Group first performed an assessment of the recoverable value using a ViU model which indicated that the carrying value of the cash generating unit (CGU) exceeded its recoverable value. As a result of this the Group engaged an independent valuation specialist to assess the recoverable value of the CGU using a FVLCD approach, which resulted in a higher recoverable value.

**12. INTANGIBLE ASSETS (continued)**

The Group has only one operating segment and CGU which relates to the operations of its confectionery business. The result of this FVLCD assessment indicated an impairment loss of US\$499,228 (excluding the impairment of idle plant and equipment of US\$1,292,837, which had already been accounted for as disclosed in Note 11).

The impairment loss of US\$499,228 reduced the carrying value of the Group's plant and equipment and intangible assets to US\$4,246,932. The impairment has been proportionately applied across the following classes of assets:

	Note	US\$
Manufacturing plant and equipment	11	405,533
Intangible assets:		
Rights and licences	12	24,969
Software	12	24,940
Product development	12	43,786
<b>Total impairment loss</b>		<b>499,228</b>

The carrying amount of intangible assets with indefinite useful lives allocated to the CGU is US\$225,398.

Assumptions – FVLCD

The key assumptions made were as follows:

- FY2020 management approved budget adjusted to reflect current year to date sales performance up to the beginning of September 2019;
- Revenue growth rate estimates ranging between 3.5% - 10.6% per annum for FY2021 to FY2027 driven by:
  - i) Increased market penetration within the US based on external performance data as at July 2019. This data outlines that the Group's current ACV\*, a statistic representative of the Group's market penetration across different distribution channels in the US, had experienced a significant improvement compared to July 2018, therefore underpinning future growth assumptions; and
  - ii) Assumed sales volumes per store across the expanded distribution network is based on historic actual volumes for comparable stores.
- EBITDA margin assumes a straight-line improvement from 2.2% in FY2020 to 10.0% in FY2024, where EBITDA margins remain constant thereafter. This assumption is based on benchmarking against various industry participants;
- Terminal year growth rate of 2.1% based on long term CPI;
- Discount rate of 13.0% post-tax;
- Costs of disposal of 5.0% of the estimated recoverable amount; and
- Projected cash flows covering FY2020 to FY2027.

Fair value was measured using Level 3 inputs under AASB 13.

\* Percentage relates to the Nielsen measurement of the numbers of stores that carry the Yowie brand, indicating product availability to the consumer based on ACV (All Commodity Volume).

**12. INTANGIBLE ASSETS (continued)**

The key assumptions used are based on the judgement and experience of the Group with the assistance of our independent valuations specialist, taking into account current market and economic conditions, risks, uncertainties and opportunities for improvement.

Sensitivity Analysis

As the Group have recorded an impairment based on the FVLCD assessment, a reasonably possible change to key assumptions would impact the recoverable amount which the Group has considered and summarised below:

Sensitivity	Impact of sensitivity on recoverable value <sup>1</sup> US\$
12% adverse performance against projected net cash flows <sup>2</sup>	(1,127,655)
1 year delay in achieving expected growth in number of units sold based on targeted increase in distribution in ACV% <sup>3</sup>	(308,200)
Discount rate + / - 1%	(858,204) / 1,041,096

<sup>1</sup> The sensitivity analysis above illustrates the impact of each individual sensitivity on the recoverable value as calculated using the FVLCD impairment modelling.

<sup>2</sup> This sensitivity reflects the average underperformance exhibited over FY2018 and FY2019. However, management notes actual performance experienced FY2020 YTD as at the date of this report has improved compared to the past two financial years.

<sup>3</sup> This sensitivity reflects a one year delay in achieving the growth targets assumed within the budgets underpinning the FVLCD impairment assessment.

**13. TRADE AND OTHER PAYABLES**

	Consolidated	
	2019 US\$	2018 US\$
<b>Current</b>		
Trade payables and accruals	1,258,981	2,049,790
Rebate allowances <sup>1</sup>	2,055,914	1,515,001
Other	1,787	1,884
	<b>3,316,682</b>	<b>3,566,675</b>

<sup>1</sup> Rebate allowances include estimated accrual for promotional discounts, prompt payment discounts and spoilage of goods. Refer to Note 23(t) for key accounting estimate on rebate allowances.

Trade creditor amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. The Group's exposure to risks are summarised in Note 22.

**14. ISSUED CAPITAL AND RESERVES**

**(a) Issued capital**

	Consolidated	
	2019 US\$	2018 US\$
Ordinary shares, fully paid	55,703,545	55,635,991

**(b) Movements in share capital**

	US\$	Number
<b>As at 1 June 2017</b>	<b>55,198,677</b>	<b>214,055,365</b>
Conversion of rights	441,824	2,688,958
Share issue costs	(4,510)	-
<b>As at 30 June 2018</b>	<b>55,635,991</b>	<b>216,744,323</b>
Conversion of rights	70,273	1,004,664
Share issue costs	(2,719)	-
<b>As at 30 June 2019</b>	<b>55,703,545</b>	<b>217,748,987</b>

**(c) Terms and conditions of issued capital**

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

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



**14. ISSUED CAPITAL AND RESERVES (continued)**

**(d) Nature and purpose of reserves**

*Share-based payment reserve*

The share-based premium reserve is used to recognise the value of options, service rights and performance rights issued as share-based payments.

*Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation balances of entities which have functional currency other than USD.

	Consolidated	
	2019 US\$	2018 US\$
Share-based payment reserve	2,193,024	2,554,962
Foreign currency translation reserve	(2,947,511)	(2,531,579)
	(754,487)	23,383

**(e) Capital management**

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

**15. SHARE-BASED PAYMENTS**

**(a) Weighted average exercise prices**

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

	2019 Number	2019 WAEP (A\$)	2018 Number	2018 WAEP (A\$)
Outstanding at 1 July	500,000	1.552	10,585,000	0.973
Granted during the year	-	-	100,000	0.373
Exercised during the year	-	-	-	-
Lapsed/forfeited during the year	(500,000)	1.552	(10,185,000)	0.938
Outstanding as at 30 June	-	-	500,000	1.552
Vested and exercisable at 30 June	-	-	500,000	1.552

Rights granted as share-based payments during the year have weighted average exercise prices of nil (2018: nil).

**15. SHARE-BASED PAYMENTS (continued)**

**(b) Remaining contractual life**

There were no share-based payment options outstanding as at 30 June 2019. The weighted average remaining contractual life for the share-based payment options outstanding as at 30 June 2018 was 0.17 years.

The weighted average remaining contractual life for the share-based payment rights outstanding as at 30 June 2019 was 4.03 years (2018: 3.31 years).

**(c) Outstanding share options and rights under share-based payments**

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

Grant Date	Vesting Date	Expiry Date	Exercise Price (A\$)	Share Options 30 June 2019	Share Options 30 June 2018
23 Dec 2015	24 Aug 2016	24 Aug 2018	1.510	-	100,000
23 Dec 2015	24 Aug 2017	24 Aug 2018	1.630	-	200,000
23 Dec 2015	08 Sep 2016	08 Sep 2018	1.400	-	75,000
23 Dec 2015	08 Sep 2017	08 Sep 2018	1.510	-	125,000
				-	<b>500,000</b>

Service rights and performance rights outstanding at the end of the year have the following expiry date:

Type	Grant Date	Vesting Date	Expiry Date	Rights 30 June 2019	Rights 30 June 2018
Service Rights	13 Jun 2016	12 Jun 2018	12 Jun 2019	-	132,925
Service Rights	13 Jun 2016	12 Jun 2019	12 Jun 2020	132,925	132,925
Performance rights LTI	13 Jun 2016	30 Jun 2019	30 Jun 2020	-	199,387
Performance rights STI	1 Jul 2016	30 Jun 2017	30 Jun 2018	-	600,000
Performance rights LTI	8 Sep 2016	30 Jun 2019	30 Jun 2020	-	388,665
Service rights	12 Jun 2017	12 Dec 2018	12 Dec 2019	142,511	142,511
Performance rights LTI	1 Jul 2017	30 Jun 2020	30 Jun 2021	-	1,531,039
Service rights	16 Nov 2017	18 Sep 2018	18 Sep 2023	-	271,739
Service rights	16 Nov 2017	18 Sep 2019	18 Sep 2024	271,739	271,739
Service rights	16 Nov 2017	18 Sep 2020	18 Sep 2025	271,739	271,739
Service rights	8 Jan 2018	8 Jan 2019	8 Jan 2024	-	166,667
Service rights	8 Jan 2018	8 Jan 2020	8 Jan 2025	-	166,667
Service rights	8 Jan 2018	8 Jan 2021	8 Jan 2026	-	166,667
				<b>818,914</b>	<b>4,442,670</b>

**15. SHARE-BASED PAYMENTS (continued)**

**(d) Expenses arising from share-based payment transactions**

As a result of the options and rights cancelled due to resignation and forfeiture, the share-based payments expense for the year is a credit of US\$21,576 (2018: a credit of US\$1,164,335). The Group recognises the share-based payments expense over the vesting period for any options and rights granted.

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>US\$</b>	<b>US\$</b>
Options and rights issued to KMPs	<b>(31,810)</b>	(1,094,240)
Options and rights issued to other employees	<b>10,234</b>	(70,095)
Options and rights issued to consultants	-	-
	<b>(21,576)</b>	(1,164,335)

Options and rights issued to KMPs, other employees and consultants were issued as remuneration for future services. The Group fair valued the instruments granted.

**(e) Fair values**

The weighted average fair value of options and rights granted during the year ended 30 June 2019 was nil (2018: A\$0.264).

*i) Share-based payments during the year ended 30 June 2019*

No new rights or options were issued during the year ended 30 June 2019.

**15. SHARE-BASED PAYMENTS (continued)**

**(e) Fair values (continued)**

*ii) Share-based payments during the year ended 30 June 2018*

The following tables list the inputs to the models used for the valuation of options and rights issued during the year ended 30 June 2018.

	Options <sup>1</sup>	Service Rights	Service Rights <sup>2</sup>
Number of securities	100,000	815,217	500,001
Exercise price (A\$)	0.373	-	-
Grant date	1 Jul 2017	16 Nov 2017	8 Jan 2018
Expiry date	30 Jun 2019	18 Sep 2023 - 18 Sep 2025	8 Jan 2024 - 8 Jan 2026
Share price at grant date (A\$)	0.31	0.18	0.16
Expected volatility	63%	67%	83%
Risk-free rate	1.78%	1.80%	1.92%
Fair value per security (A\$)	0.08	0.18	0.16
Valuation method	Binomial	Binomial	Binomial

<sup>1</sup> The options were cancelled during the year due to termination of contract.

<sup>2</sup> Subject to shareholders' approval at AGM

	Performance Rights STI	Performance Rights LTI
Number of securities	TBD <sup>1</sup>	2,999,159 <sup>2</sup>
Exercise price (A\$)	-	-
Grant date	1 Jul 2017	1 Jul 2017
Expiry date	30 Jun 2019	30 Jun 2021
Share price at grant date (A\$)	N/A	0.31
Expected volatility	N/A	72%
Risk-free rate	N/A	1.78%
Fair value per security (A\$)	N/A	0.31
Valuation method	N/A	Binomial

<sup>1</sup> The number of rights vested will be calculated based on the 5-day VWAP after the release of the annual financial results for the year ending 30 Jun 2018. These rights were granted to Mr B Alfonso, Mr M Schuessler and Mr C Overley. The rights for Mr B Alfonso were subsequently cancelled during the year due to his cessation of employment. The rights for Mr M Schuessler and Mr C Overley were subsequently forfeited during the year at Board's discretion in light of shareholder sentiment.

<sup>2</sup> 1,468,120 of these rights were granted to Mr B Alfonso and were subsequently cancelled during the year due to his cessation of employment.

**16. CASH FLOW RECONCILIATION**

**(a) Cash and cash equivalents**

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

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

	Consolidated	
	2019 US\$	2018 US\$
Cash at bank	3,648,961	12,670,097
Short-term deposits	12,711,700	6,796,859
	16,360,661	19,466,956

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

	Consolidated	
	2019 US\$	2018 US\$
Operating loss after income tax	(5,099,511)	(4,926,820)
Adjusted for:		
Depreciation and amortisation as per profit or loss	332,118	245,691
Depreciation and amortisation in cost of sales and closing inventories	185,478	198,630
Share-based payments	(21,576)	(1,164,335)
Cash-settled share-based payments	-	(233,374)
Foreign exchange (gain)/loss	(294,342)	(132,780)
Loss on disposal of asset	-	4,539
Net impairment of non-current asset	1,792,065	730,534
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	1,652,745	(1,358,450)
(Increase)/decrease in prepayments	236,429	(450,012)
(Increase)/decrease in inventories	(885,634)	413,608
(Increase)/decrease in deferred tax assets	680,604	361,457
Increase/(decrease) in trade and other payables	(110,726)	830,936
Increase/(decrease) in current tax liability	(28,059)	51,123
Increase/(decrease) in provisions	12,475	(24,675)
Increase/(decrease) in unearned revenue	(45,684)	(41,803)
Net cash used in operating activities	(1,593,618)	(5,495,731)

**(c) Non-cash investing and financing activities**

During the year there were no reportable non-cash financing and investing activities.

**17. RELATED PARTY DISCLOSURES**

**(a) Compensation of key management personnel**

	Consolidated	
	2019 US\$	2018 US\$
Short-term benefits	1,059,931	1,212,405
Post-employment benefits	13,640	18,506
Share-based payments expensed	(31,809)	(1,094,240)
Termination payments	4,419	468,150
	<b>1,046,181</b>	<b>604,821</b>

**(b) Other transactions with key management personnel**

There are no other transactions with key management personnel.

**18. COMMITMENTS AND CONTINGENCIES**

**(a) Commitments**

The Group had no significant commitments at the end of the reporting year.

**(b) Contingencies**

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

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

**18. COMMITMENTS AND CONTINGENCIES (continued)**

**(b) Contingencies (continued)**

In a related matter, Mr. Whetstone, on 4 November 2016, filed suit in the Circuit Court for the Seventh Judicial Circuit in and for St. John's County, Florida against YNA. Whetstone alleges that YNA owes him royalty fees from that time until 2027 under the Patent Technology and License Agreement regardless of whether the Company uses Whetstone's patent. Because the Company is no longer using Mr Whetstone's patent in its manufacturing process, it believes that there is no legal basis under YNA's contract with Mr. Whetstone to pay him any royalty. Both parties filed and argued cross-motions for summary judgment on this issue in October 2017. On 13 September 2018, the Court entered an order denying both parties motions for summary judgment. No trial date is currently set for this matter so YNA cannot make a determination as to when this matter will be resolved.

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**



**19. AUDITOR'S REMUNERATION**

The auditor of the Group is Deloitte Touche Tohmatsu Perth.

	Consolidated	
	2019 US\$	2018 US\$
Amounts received or due and receivable:		
<b>Deloitte Touche Tohmatsu Perth</b>		
Audit and review of financial reports	50,343	49,754
Tax consulting	79,652	69,011
	129,995	118,765
<b>Network firms of Deloitte Touche Tohmatsu Perth</b>		
Tax consulting	64,914	60,960
Other non-audit services	-	-
	64,914	60,960
<b>Non Deloitte Touche Tohmatsu Perth and its network firms</b>		
Audit and review of financial reports	26,439	10,883
Tax consulting	60,642	11,535
	87,081	22,418

**20. PARENT ENTITY AND SUBSIDIARY INFORMATION**

**(a) Parent Entity Financial Information (Yowie Group Limited)**

	2019 US\$	2018 US\$
Current assets	8,745,540	8,711,524
Non-current assets	15,543,663	21,414,686
<b>Total assets</b>	24,289,203	30,126,210
Current liabilities	239,719	536,988
Non-current liabilities	-	-
<b>Total liabilities</b>	239,719	536,988
<b>Net assets</b>	24,049,484	29,589,222
Issued capital	57,273,855	57,206,301
Reserves	(3,745,792)	(1,112,527)
Accumulated losses	(29,478,579)	(26,504,552)
<b>Total equity</b>	24,049,484	29,589,222
Loss of the parent entity	(3,244,116)	(3,532,206)
Total comprehensive loss of the parent entity	(5,515,443)	(4,603,366)

**(b) Commitment and Contingencies of the Parent Entity**

The parent entity had no significant commitments or contingent liabilities as at 30 June 2019 or 30 June 2019. Refer to Note 18 for a discussion of contingencies of the Group.



**20. PARENT ENTITY AND SUBSIDIARY INFORMATION (continued)**

**(c) Subsidiaries**

Name	Country of Incorporation	Percentage Interest	
		2019 %	2018 %
Yowie Enterprises Pty Ltd	Australia	100	100
Yowie North America, Inc.	USA	100	100
Yowie Natural World, Inc.	USA	100	100
Yowie Hong Kong Holdings Limited	Hong Kong (China)	100	100
Yowie Hong Kong Enterprises Limited	Hong Kong (China)	100	100
YOW Brands Limited	Hong Kong (China)	100	100

**21. SUBSEQUENT EVENTS**

The Group announced on 5 July 2019 to make a 2c per share (AUD) return of capital, subject to shareholders' approval, with scope for additional capital returns.

On 5 August 2019, the Group held a general meeting at a request from Keybridge in pursuant to Section 249D of the Corporations Act. The result of the meeting showed that Resolution 2 which called for removal of Mr Louis Carroll as a Director was defeated, while Resolutions 1 and 3 for the removal of Mr Tim Kestell and Mr Glen Watts as Directors respectively were withdrawn.

Other than the matters noted above, no circumstances or events have arisen subsequent to the end of the period, that have had, or are likely to have, a material impact on the financial statements.

**22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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

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

**22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

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

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

**Risk exposures and responses**

Interest rate risk

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

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

<b>Consolidated</b>	<b>2019</b>	<b>2018</b>
	<b>US\$</b>	<b>US\$</b>
Cash at bank	<b>13,042,471</b>	7,101,243

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

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

	<b>Post tax loss</b>		<b>Equity</b>	
	<b>Higher / (lower)</b>		<b>Higher / (lower)</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
+0.5% (2018: +0.5%)	<b>65,212</b>	35,506	<b>65,212</b>	35,506
-0.5% (2018: -0.5%)	<b>(65,212)</b>	(35,506)	<b>(65,212)</b>	(35,506)

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

Foreign currency risk

As a result of the Australian entities having a functional currency in Australian Dollar which is different to the Group's presentation currency of US Dollar, the Group's statement of financial position can be affected significantly by movements in the Australian Dollar/US Dollar exchange rate.

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

**22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Risk exposures and responses (continued)**

Operational transactions are denominated in US Dollar. The Group's approach is to target specific levels at which to convert Australian Dollar to United States Dollar by entering into either spot or short term forward exchange contracts. The Group does not enter into transactions that qualify as hedging for hedge accounting purposes, with the exception of a number of spot and short term forward exchange contracts in relation to working capital management.

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

At 30 June, the US Dollar equivalence of assets and liabilities held in Australian Dollar and subject to foreign exchange risk are as follows:

<b>Consolidated</b>	<b>2019 US\$</b>	<b>2018 US\$</b>
<i>Assets and liabilities of entities with AUD functional currencies</i>		
<b>Assets</b>		
Cash and cash equivalents	2,729,783	8,941,634
Trade and other receivables	14,530	100,119
Prepayments	27,637	30,696
Plant and equipment	13,702	14,647
<b>Total Assets</b>	<b>2,785,652</b>	<b>9,087,096</b>
<b>Liabilities</b>		
Trade and other payables	223,694	533,439
Provisions	16,024	3,549
<b>Total Liabilities</b>	<b>239,718</b>	<b>536,988</b>

Intercompany loans are denominated in Australian Dollar and US Dollar. These loans are eliminated upon consolidation.

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

	<b>Profit or loss</b>		<b>Equity</b>	
	<b>Higher / (lower)</b>		<b>Higher / (lower)</b>	
	<b>2019 US\$</b>	<b>2018 US\$</b>	<b>2019 US\$</b>	<b>2018 US\$</b>
Exchange Rate + 10% (2018: +10%)	24,247	483,674	(182,957)	190,066
Exchange Rate - 10% (2018: -10%)	(24,247)	(483,674)	182,957	(190,066)

**22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Risk exposures and responses (continued)**

Credit risk

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

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

*Cash at bank and short-term bank deposits*

	Consolidated	
	2019 US\$	2018 US\$
AAA rated banks	4,605,700	3,500,744
AA rated banks	8,748,558	13,430,113
A rated banks	3,006,403	2,536,099
	<b>16,360,661</b>	<b>19,466,956</b>

Liquidity risk

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

*Maturity analysis for financial liabilities*

	Consolidated	
	2019 US\$	2018 US\$
Within one year	3,316,682	3,566,675
Between one and five years	-	-
	<b>3,316,682</b>	<b>3,566,675</b>

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

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) New and amended accounting standards adopted by the Group**

The Group has adopted all of the new and revised Standards and Interpretations, including amendments to the existing standards issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

The adoption of these amendments has not resulted in any significant effect on the measurement or disclosure of the amounts reported for the current or prior periods.

***AASB 15 Revenue from Contracts with Customers***

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

Additional disclosure of the consolidated entities revenue accounting policies as required by the standard are included in Note 23(m).

***AASB 9 Financial Instruments***

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

Additional disclosure of the Group's Financial Instruments accounting policies as required by the standard are included in Note 23(q).

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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 2019. Those which may be relevant to the Group are set out below.

- (i) *AASB 16 Leases (2016)*  
*Effective for annual reporting periods beginning on or after 1 January 2019*

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right of use asset representing its right-to-use the underlying leased asset and a lease liability representing its obligations to make lease payments. Management are in the process of assessing the impacts of the changes to AASB 16, however, does not believe the changes to the standard will have a material impact on the financial performance and financial position of the Group given the current level of operating lease commitments.

**(c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Yowie Group Limited and its subsidiaries ("the Group") as at 30 June 2019.

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

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

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

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

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

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Basis of consolidation (continued)**

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

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

**(d) Foreign currency translation**

***Functional and presentation currency***

The functional currency of Yowie Group Limited and Yowie Enterprises Pty Ltd is Australian Dollar (AUD). The functional currency of the other entities is United States Dollar (USD).

The presentation currency of Yowie Group Limited is United States Dollar (USD).

***Transactions and balances***

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

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

***Group companies***

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and

all resulting exchange differences are recognised in the statement of profit or loss and other comprehensive income.

**(e) Cash and cash equivalents**

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

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Cash and cash equivalents (continued)**

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

**(f) Trade and other receivables**

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts. Refer to Note 23(q) for details on assessment of uncollectible amounts.

**(g) Inventories**

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

**(h) Property, plant and equipment**

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

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

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

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

<b>Class</b>	<b>Depreciation method</b>
Manufacturing plant and equipment	Units of production basis
Office equipment	Straight line basis over 2.5 years



**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Intangible assets**

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

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

Rights and licenses

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

Product development

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

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

Product development costs are recorded as intangible assets and amortised using the units of production method from the point at which the asset is available for use.

Software

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

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

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

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Intangible assets (continued)**

Other directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of other directly attributable costs.

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

**(j) Trade and other payables**

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

**(k) Provisions**

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

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

**(l) 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.

**(m) Revenue recognition**

The Group recognises revenue predominately from the sale of goods.

Sale of goods

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

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(m) Revenue recognition (continued)**

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

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

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

Interest revenue

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

**(n) Income tax and other taxes**

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

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Income tax and other taxes (continued)**

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Income tax and other taxes (continued)**

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

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

Goods and Services Tax (GST)

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

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

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to taxation authorities are classified as operating cash flows.

**(o) Share-based payment transactions**

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

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

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

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

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

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(o) Share-based payment transactions (continued)**

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

**(p) Earnings / loss per share**

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

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

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

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

**(q) Financial instruments**

Financial assets

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

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

Amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:

- (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the sole payment of principal and interest (SPPI) requirements.

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(q) Financial instruments (continued)**

*Impairment of financial assets*

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

*Financial liabilities*

AASB 9 largely retains the existing requirements of AASB 139 for the classification and measurement of financial liabilities. Financial liabilities are measured at amortised cost, except for those financial liabilities that are designated to be measured at fair value through profit or loss.

*Trade and other payables*

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

**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(r) Impairment of assets**

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

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

**(s) Segment disclosures**

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

The Group has only one reportable segment, which relates to the operations of its confectionery business. All production and sales to date have taken place in the United States, with production carried out under a contract manufacturing arrangement. The net result is presented on a consolidated basis.

**(t) Significant accounting judgements, estimates and assumptions**

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

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

**Share-based payments**

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires making assumptions about the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 15.



**23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(t) Significant accounting judgements, estimates and assumptions (continued)**

Income taxes

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

Impairment of non-financial assets

The Group tests annually whether non-financial assets have suffered any impairment, in accordance with the accounting policy stated at Note 23(r). An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The assumptions used in the budget, such as growth rates, and the discount rate used are subject to judgement and estimates.

Estimation of useful life of assets

Assessments of useful lives and estimates of remaining useful lives require significant management judgement. Brand names are generally assessed as having an indefinite useful life on the basis of brand strength, ongoing expected profitability and continuing support. Rights and licenses to Yowie brands are expected to be renewed in line with business continuity requirements.

Allowance for disposal of inventories

The allowance for disposal of inventories assessment requires a degree of estimation and judgement. The level of the allowance is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence. To the extent that these judgements and estimates prove incorrect, the Group may be exposed to potential additional inventory write-downs or reversals in future periods.

Rebate allowances

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

## DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:
  - (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
    - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2019.

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

**On behalf of the Board**

A handwritten signature in blue ink that reads "L. Carroll".

**Louis Carroll**  
Non-Executive Chairman

27 September 2019

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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Yowie Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2019, 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:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Act 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### 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 for 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 the scope of our audit responded to the Key Audit Matter
<p><b>Carrying value of non-current assets</b></p> <p>As at 30 June 2019 the recoverable value of the Group's non-current assets was assessed for impairment, resulting in an impairment charge of \$499,228 as disclosed in Note 12.</p> <p>The recoverable amount of the Group's non-current assets has been estimated using a fair value less costs to dispose impairment model as determined by an independent valuation specialist using a market participant's use of the assets at their highest and best use.</p> <p>Determination of the recoverable amount requires significant judgements and estimates, specifically concerning factors such as:</p> <ul style="list-style-type: none"> <li>• forecast sales volumes, and related growth rates;</li> <li>• forecast pricing;</li> <li>• forecast production, sales and distribution, marketing and general and administrative costs; and</li> <li>• discount rates.</li> </ul>	<p>In conjunction with our valuation specialists, our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• evaluating management's assessment as to whether an impairment indicator existed;</li> <li>• assessing the integrity of the model used by management and their independent valuation specialist to calculate the recoverable value of non-current assets with reference to relevant accounting standards;</li> <li>• assessing the competency, capability and objectivity of the independent valuation specialist engaged by management to estimate the recoverable value of non-current assets, including review of the terms and scope of their engagement;</li> <li>• assessing the reasonableness of forecast cash flows used in the impairment models compared to the latest Board approved budget;</li> <li>• assessing the historical budgeting accuracy of the Group and, where appropriate, challenging forecast cash flows with reference to historical and recently observed actual performance;</li> <li>• assessing and challenging the assumptions and methodologies adopted by management to estimate recoverable amount of the non-current assets, including:             <ul style="list-style-type: none"> <li>○ challenging key assumptions, including forecast sales volumes and pricing, and also underlying cost assumptions by comparing them to historical results, recently observed actual performance and economic forecasts;</li> <li>○ cross checking the recoverable value resulting from the impairment testing against listed trading multiples and recent market transactions; and</li> <li>○ assessing the reasonableness of the discount rate applied.</li> </ul> </li> <li>• performing sensitivity analysis of the recoverable value of the non-current assets by applying reasonably possible changes in key assumptions including reflecting:             <ul style="list-style-type: none"> <li>○ further underperformance against budget;</li> <li>○ delays in achieving forecast growth plans; and</li> <li>○ changes to discount rates.</li> </ul> </li> </ul> <p>We also assessed the appropriateness of the disclosures included in Note 12 to the financial statements.</p>

Key audit matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Revenue recognition</b></p> <p>For the year ended 30 June 2019 the Group's revenue from the sale of goods was \$14,425,071.</p> <p>Significant judgement is required in determining the timing of revenue recognition, given the shipping terms, and the related timing of when control passes to the end customer, and also in calculating the allowance for spoilage, which arises due to customers ability to return damaged or spoiled product.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of the key controls management has in place to address the risks of material misstatement in relation to the timing and completeness of the revenue recorded;</li> <li>• assessing the key contracts with significant customers to understand the terms of those contracts for the appropriate revenue recognition;</li> <li>• testing revenue transactions on a sample basis to address the risks of occurrence and accuracy of the revenue recorded;</li> <li>• testing revenue transactions around the year end to ensure that revenue transactions are recorded in the correct period; and</li> <li>• assessing the appropriateness of the allowance for spoilage, compared to actual claim rates.</li> </ul> <p>We also assessed the appropriateness of the disclosures included in Note 23(m) to the financial statements.</p>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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 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 financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our 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 our 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, related safeguards.

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 our 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 our 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 pages 16 to 28 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Yowie Group Limited, for the year ended 30 June 2019, 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.



**DELOITTE TOUCHE TOHMATSU**



**David Newman**

Partner

Chartered Accountants

Perth, 27 September 2019

Additional information as required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this report is set out below. This information is current as at 30 August 2019.

#### Distribution of Quoted Securities

Ranges	No. of Holders of Ordinary Shares	No. of Ordinary Shares
1 - 1,000	1,102	298,985
1,001 - 5,000	711	2,052,396
5,001 - 10,000	417	3,366,504
10,001 – 100,000	833	29,346,854
100,000 and over	186	182,684,248
<b>Total</b>	<b>3,249</b>	<b>217,748,987</b>

There were 1,906 shareholders holding less than a marketable parcel of ordinary shares.

#### Quoted and Unquoted Equity Securities

Equity Security	Quoted	Unquoted
Ordinary Shares	217,748,987	-
Employee Service Rights Exercise Price: Nil Expiry Date: 12 Dec 2019	-	142,511
Employee Service Rights Exercise Price: Nil Expiry Date: 12 Jun 2020	-	132,925
Employee Service Rights Exercise Price: Nil Expiry Date: 18 Sep 2024	-	271,739
Employee Service Rights Exercise Price: Nil Expiry Date: 18 Sep 2025	-	271,739



**Unlisted Employee/Consultant Options/Rights**

Exercise Price	Expiry Date	No.	No. of Holders
Nil	12 Dec 2019	142,511	1
Nil	12 Jun 2020	132,925	1
Nil	18 Sep 2024	271,739	1
Nil	18 Sep 2025	271,739	1

**Twenty Largest Holders of Ordinary Shares**

	Name	Shares Held	Percentage %
1	BNP Paribas Nominees Pty Ltd	28,661,880	13.16
2	Keybridge Capital Limited	17,002,903	7.81
3	Norfolk Enchants Pty Ltd	14,473,533	6.65
4	Reash Pty Ltd	10,000,000	4.59
5	Bentley Capital Limited	9,956,110	4.57
6	Citicorp Nominees Pty Limited	9,948,633	4.57
7	The Commonwealth of Australia	6,360,855	2.92
8	Abdullah Hani Abdallah	5,666,667	2.60
9	Mr Keith Phillip Hudson & Mrs Ann Hudson	5,026,373	2.31
10	Huntsman Holdings Pty Ltd	3,746,500	1.72
11	Wilson Asset Management (International) Pty Limited	3,267,231	1.50
12	Patricia Mary Fields	3,000,000	1.38
13	HSBC Custody Nominees (Australia) Limited	2,279,708	1.05
14	Bart Superannuation Pty Limited	2,148,103	0.99
15	Mr Asok Kumar & Mrs Renu Kumar	1,800,000	0.83
16	Dr Gregory Bryan Makin	1,757,027	0.81
17	Mr Ian Morton & Mrs Deborah Morton	1,670,421	0.77
18	Kamga Pty Ltd	1,500,000	0.69
19	Agri Export Australia Pty Ltd	1,448,689	0.67
20	Zilstame Nominees Pty Ltd	1,300,001	0.60
	<b>TOTAL</b>	<b>131,014,634</b>	<b>60.17</b>

**Substantial Shareholders**

Substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are as follows:

Shareholder	No. of Shares	%
Aurora Funds Management Limited in its capacity as responsible entity of HHY Fund	26,526,643	12.24
Australian Style Group Pty Ltd	17,002,903	7.81
Bentley Capital limited	26,959,013	12.38
Keybridge Capital Limited	43,529,546	19.99
Norfolk Enchants Pty Ltd ATF Trojan Retirement Fund	16,068,829	7.38
Wilson Asset Management Group	57,669,562	26.48

### **Voting Rights**

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

### **Stock Exchange**

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

### **On-market Buy-back**

There is no current on-market buy-back.

### **Other Information**

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