

For personal use only

YOWIE GROUP LTD

ABN 98 084 370 669

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2020



CONTENTS



	Page
Company Directory	1
Chief Executive Officer's Report	2
Directors' Report	4
Auditor's Independence Declaration	27
Consolidated Statement of Profit or Loss and Other Comprehensive Income	28
Consolidated Statement of Financial Position	29
Consolidated Statement of Changes in Equity	30
Consolidated Statement of Cash Flows	31
Notes to the Consolidated Financial Statements	32
Directors' Declaration	69
Independent Audit Report	70
ASX Additional Information	74



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

For personal use only

COMPANY DIRECTORY



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

For personal use only

Our financial year 2020 was incredibly challenging with the hypercompetitive confectionary category and the unprecedented economic shutdown due to COVID-19. New product launches and increased spending from large global competitors in both the US and Australia and the retail shutdown in the 3rd and 4th quarter resulted in net sales of US\$10.8 million, a 25% decline versus the previous year. We did see a turnaround in June, compared to the preceding months, that has continued in July and August as retail re-opened.

The Group improved operating cash flow with an outflow of US\$1.3 million compared to last year's outflow of US\$1.6 million, despite the sales decline.

With our key priorities, we made the following progress:

1. Distribution expansion in the US slowed overall due mainly to COVID-19 and the country's largest retailer reducing the number of locations in a majority of stores. However, we made gains in our target channels of Grocery and Convenience.

US distribution across all channels at 39.3% of stores carrying Yowie based on Nielsen ACV (All Commodity Volume) xAOC (eXtended® All Outlets Combined: Food, Drug, Mass and Convenience) from 43.3% the previous year.

- a. Food channel increased to 20.7% from 19.5%
 - b. Convenience channel increased to 11.4% from 10.4%
 - c. Drug channel decreased to 12.0% from 18.4%
 - d. Mass channel decreased to 86.8% from 97.0%
2. Expanded our **product portfolio** with the launch of single serve Gummy + Pet surprise and a Multipack (2 Yowie + extra toy) in the US. We also launched a Bites share bag in Australia. All new items will follow our mission of teaching children about conservation and endangered species and broaden Yowie brand awareness. The "Colors of the Animal Kingdom" series has launched in the US and Australia.
 3. Continued **fiscal 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.

EBITDA* loss was US\$2.5 million, slightly behind last year's loss of \$2.2 million, due to decrease in sales. Reduced marketing expenses, admin salaries and travel helped to manage the losses.

**EBITDA (Earnings before interest, taxes, depreciation, amortization, share-based payments expense, inventory write-down and impairment)*

Gross Margins continue to remain healthy and above industry standards near 50% allowing confidence in investing in retail opportunities.

CHIEF EXECUTIVE OFFICER'S REPORT



Cash management continues to be critical for us. Here is a comparison of financial year 2020 versus the previous year, including the A\$0.02/share return of capital as we became more confident with our cash situation.

	2020 US\$	2019 US\$
Operating cash outflow	(1.3 million)	(1.6 million)
Inventing cash outflow	(0.8 million)	(1.4 million)
Effect of FX movement	0.5 million	(0.1 million)
Total	<u>(1.6 million)</u>	<u>(3.1 million)</u>
Financing cash outflow (including return of capital)	(2.98 million)	-

In the US market, sales declined 25% due to the competitive activity in the confectionary category and the COVID-19 related retail shutdown. We started off the year strong with a 17% increase in Q1 sales versus the prior year. Q2 was affected by significant competitive activity affecting our shelf locations and display space opportunities. COVID-19 shutdowns severely impacted our Q3 and the beginning of Q4. With re-opening, our June rebounded well with shipments and consumptions growing year on year. Based on Nielsen data on 11 July 2020, Yowie is still a significant part of the category, as the #2 overall novelty item in \$'s per store per week, #18 overall chocolate item and notably #6 in the Food channel.

We recorded an impairment charge of US\$4.5 million as a result of impairment testing completed during the year in accordance with Australian Accounting Standard.

The current market environment presents a high level of uncertainty. We have seen a rebound in the month of June, compared to the preceding months, which continued through August period after retailers opened up. Our strategic priorities for FY2021 are:

1. Focus on fiscal discipline and cash management, to keep margins healthy and allow us to invest in the trade where appropriate;
2. Distribution in the US and Australia across all channels of trade, including eCommerce and Club stores, to expand buying opportunities for consumers;
3. Developing and bringing to market new items consistent with our brand mission to educate consumers about the natural world, conservation and endangered species; and
4. Launching new series 2 times per year.

We continue to search out strategic partners to better position Yowie to compete in the highly competitive confection categories. We will continue to review the cash availability for further returns of capital. 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 2020.

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.

For personal use only

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 (*resigned 5 July 2019*)

Qualifications: BCom

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

DIRECTORS (continued)**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
	Blina Minerals NL	Current
	Metalsearch Limited	16 Oct 2019
	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	1,565,217	-	-
Mr M Schuessler	1,208,248	-	-
Mr N Bassett	100,000	-	-
Total	2,873,465	-	-

SENIOR EXECUTIVES***Mr Wayne Brekke***

Global Chief Financial Officer

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

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.

For personal use only

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 2020 were US\$10.75 million, 25% lower than the previous corresponding period.

Sales for the year was negatively impacted by COVID-19 related shutdowns in the US and Australia, with the initial buying rush being focused on consumer staples, with immediate consumption and novelty confections not being shopper's priority. There was a huge drop in retailer foot traffic in March and shoppers were not bringing children for shopping, further affecting novelty sales. There was also significant competitive activity, including the new chocolate line launch, by our largest novelty competitor.

- Yowie Multipack (2 Yowies plus an extra toy) was placed in the US's largest retailer starting in May, with encouraging initial sales.
- Despite the challenging environment, previously announced chain-wide front-end distribution for core Yowie in Food Lion (>1,000 grocery stores in the US Southeast) began as scheduled in Q4, along with several convenience chains. This will increase distribution in Q1 of FY2021 as product hits the shelves.

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

- For the 52 weeks ending 11 July 2020 compared to the same period last year, ACV%*:

Channel	2020	2019	Change
Total US	39.3%	43.3%	-4.0%
Convenience	11.4%	10.4%	+1.0%
Food	20.7%	19.5%	+1.2%
Drug	12.0%	18.4%	-6.4%
Mass	86.8%	97.0%	-10.2%

* 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)

Corporate

Corporate developments during the current year included:

- On 5 July 2019, the Group received an off-market takeover bid from Aurora Funds Management Limited ("Aurora") offering a bid price 9 cents per Yowie share. The Board considered the unsolicited approach by Aurora to be highly opportunistic. The advised bid price fundamentally undervalued Yowie's business, brand, intellectual property and significant cash balance.

Aurora had subsequently decided to not proceed with the bid.

- Mr Tim Kestell resigned from his position as Non-Executive Director on 5 July 2019.
- Mr Glen Watts resigned as Non-Executive Director on 5 August 2019 and Mr Neville Bassett agreed to join the Board in an interim capacity.
- The Group completed a return of capital of 2 cents per share with a total of A\$4.36 million (equivalent to US\$2.98 million) returned to shareholders in November 2019.
- The Group announced on 25 May 2020 its intention to undertake another return of capital at 4c per share (AUD). This resolution was approved by the shareholders on 24 June 2020 and the payment was made on 14 July 2020.
- On 24 April 2020, the Group 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 24 June 2020 showed that all resolutions were defeated.

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

Though the current market environment presents a high level of uncertainty, we have seen some encouraging results, notwithstanding the fact that our competitors continue to invest heavily and launch new products to the market. The Group's focus remains on the following:

- Focus on fiscal discipline and cash management, to keep margins healthy and allow us to invest in the trade where appropriate.
- Distribution in the US and Australia across all channels of trade, including eCommerce and Club stores, to expand buying opportunities for consumers. Retailers have begun to slowly start reviewing category sets for adding new items.
- Develop and bring to market new items consistent with our brand mission to educate consumers about conservation and endangered species.

Additionally, the Group continues to be in direct discussions with several potential strategic partners to assess opportunities to better position Yowie to compete in the highly competitive confection categories. The Group also continues to explore various avenues to realise the inherent value of the Yowie brand.

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's EBITDA* loss for the year ended 30 June 2020 was US\$2.53 million, 14% higher than EBITDA loss of US\$2.21 million in the previous year.

**EBITDA (Earnings before interest, taxes, depreciation, amortization, share-based payments expense, inventory write-down and impairment)*

- As mentioned under Sales and Distribution section, the Group's net sales were affected by COVID-19 related shutdowns as the initial buying rush was focused on consumer staples, with immediate consumption and novelty confections not being shopper's priority. While the Group continues to closely monitor the situation, it is not practicable to estimate the potential impact given the uncertain nature of the situation.

OPERATING AND FINANCIAL REVIEW (continued)

Financial Overview (continued)

- The Group recorded an impairment of non-current assets of US\$0.15 million to write off the book value of its intangible assets associated with outdated Yowie series.

In addition to this, The Group had also completed impairment testing, as required under the Australian Accounting Standard, following the identification of impairment indicators as at 31 December 2019 and 30 June 2020. The result of these impairment tests indicated a total impairment charge of US\$4.31 million to be recorded against the Group's non-current assets. Refer to Note 12 for further details on the impairment testing.

- Net loss after tax for the year ended 30 June 2020 is US\$8.13 million compared to a net loss after tax of US\$5.10 million in the previous corresponding period.
- The net assets of the Group decreased by 44% to US\$13.4 million as at 30 June 2020, down from US\$24.05 million as at 30 June 2019. The decrease in net assets is mainly due to the impairment of non-current assets and return of capital completed during the year.
- As at 30 June 2020 the Group's consolidated cash position was US\$11.8 million (30 June 2019: US\$16.36 million).
- The Group made an improvement in its operating cash flow during the year.

Operating cash outflows for the year ended 30 June 2020 were US\$1.3 million, a 17% improvement compared to the previous year's cash outflows of US\$1.6 million. This was achieved by better fiscal discipline, with a focus on cost-saving measure across all areas of the business. The annual salary of the Group CEO was reduced from US\$522,600 to US\$322,600 effective 20 April 2020.

- 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:	US\$
- Operating activities	(1.32 million)
- Investing activities	(0.79 million)
- Financing activities	(2.98 million)
Net cash outflows for the year	(5.09 million)
Opening cash	16.36 million
Effect of foreign exchange movements	0.53 million
Closing cash and cash equivalents balance	11.80 million

For personal use only

COVID-19

The outbreak of the 2019 novel strain of coronavirus causing a contagious respiratory disease known as COVID-19, and the subsequent quarantine measures imposed by the United States, Australian and other governments, and related travel and trade restrictions have caused disruption to businesses and resulted in significant global economic impacts. These factors have had a significant impact on the Group's financial results and operations for the year ended 30 June 2020 as noted elsewhere within the Directors report. However, as the impact of COVID-19 continues to evolve, including changes in government policy and business reactions thereto, further disruption to our business may occur. Due to the continually evolving nature of COVID-19 the Directors cannot reasonably estimate the effects that the COVID-19 pandemic could have on future periods. However, there is uncertainty about the length and potential impact of any resultant disturbance. As a result, we are unable to estimate the potential impact on the Group's future operations as at the date of these Financial Statements.

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	7	7
Mr M Schuessler	7	7
Mr N Bassett	7	7

SHARES UNDER OPTION

There were no unissued ordinary shares under options.

Unissued ordinary shares under rights outstanding at 30 June 2020 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	271,739	-	18 Sep 2025

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 2020, including the period up to the date of this report.

EVENTS SUBSEQUENT TO BALANCE DATE

The Group announced on 25 May 2020 its intention to undertake another round of return of capital at 4c per share (AUD). This resolution was approved by the shareholders on 24 June 2020 and the payment totalling US\$6,132,376 (equivalent to A\$8,731,846) was distributed to shareholders on 14 July 2020.

While the Group continues to closely monitor the impact of COVID-19, it is not practicable to estimate the potential impact given the uncertain nature of the situation.

Other than 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 FY2020 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**

Name	Position
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>resigned 5 July 2019</i>)
Mr Wayne Brekke	Global Chief Financial Officer
Ms Cynthia Thayer	Global Chief Marketing Officer

(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 6 November 2019, shareholders holding approximately 41% of eligible votes cast a 'No' vote in relation to the adoption of the remuneration report for the year end 30 June 2019. The Company, therefore, received what is known as a 'Second Strike' under the Amendments to the Corporations Act. Shareholders voted against the requirement to hold a 'spill resolution'.

The Board has had careful regard to the outcome of the vote. The Group CEO has reduced his annual salary by US\$200,000. The Board has also decided that no bonus incentives were to be 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

Element	Purpose
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.

For personal use only

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 verifiable 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 2020, 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 2020.

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 2020.

(ii) Short-term incentives (STI)

Feature	Description of STI
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.

For personal use only

REMUNERATION REPORT (audited) (continued)

(c) Elements of remuneration (continued)

(iii) Long-term incentives (LTI)

Feature	Description of LTI
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)

Feature	Description of SR
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.

For personal use only

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.

	FY2020	FY2019	FY2018	FY2017	FY2016
Total Income (US\$)	11,026,691	14,701,672	17,606,600	19,896,944	13,062,662
Net Loss (US\$)	(8,132,605)	(5,099,511)	(4,926,820)	(7,297,601)	(7,397,939)
Return of Capital (US\$)	2,981,926	-	-	-	-
Closing Share Price (A\$)	0.035	0.05	0.07	0.31	0.93
Number of Shares	218,296,162	217,748,987	216,744,323	214,055,365	206,372,375
Market Capitalisation (A\$)	7,640,366	11,322,947	14,738,614	66,357,163	191,926,309

(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.

DIRECTORS' REPORT



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:

2020

	Short-Term Benefits		Post-Employment Superannuation (US\$)	Share-based Payments ²			Termination Payments (US\$)	Total (US\$)	Performance based (%)
	Salary and Fees ¹ (US\$)	Bonus (US\$)		Performance-based (US\$)	Service-based (US\$)	Options (US\$)			
Directors									
Mr L Carroll	67,427	-	6,406	-	14,514	-	-	88,347	-
Mr M Schuessler ³	484,138	-	-	-	-	-	-	484,138	-
Mr N Bassett ⁴	68,997	-	3,494	-	-	-	-	72,491	-
Mr G Watts ⁵	5,532	-	526	-	-	-	-	6,058	-
Mr T Kestell ⁶	-	-	-	-	-	-	-	-	-
Senior Executives									
Mr W Brekke	207,600	-	-	-	-	-	-	207,600	-
Ms C Thayer	222,600	-	-	-	-	-	-	222,600	-
Total	1,056,294	-	10,426	-	14,514	-	-	1,081,234	

¹ This includes annual leave where applicable.

² Calculated in accordance with AASB 2 Share-based Payments. Refer to Note 15.

³ Mr M Schuessler's annual salary was reduced from US\$522,600 to US\$322,600 effective 20 April 2020.

⁴ Appointed as Non-Executive Director on 5 August 2019. Mr N Bassett's salary and fees also include his duties as the Company Secretary.

Mr N Bassett received salary and fees in relation to his duties as the Company Secretary of US\$2,794 in the month of July 2019 prior to becoming KMP and his appointment to Non-Executive Director.

⁵ Resigned on 5 August 2019.

⁶ Resigned on 5 July 2019.

REMUNERATION REPORT (audited) (continued)

(d) Remuneration expenses for KMP (continued)

2019

	Short-Term Benefits		Post-Employment Superannuation (US\$)	Share-based Payments ²			Termination Payments (US\$)	Total (US\$)	Performance based (%)
	Salary and Fees ¹ (US\$)	Bonus (US\$)		Performance-based (US\$)	Service-based (US\$)	Options (US\$)			
Directors									
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 ³	-	-	-	-	-	-	-	-	-
Mr G Watts ⁴	54,393	-	5,167	-	(17,913)	-	-	41,647	-
Mr T Kestell ⁵	-	-	-	-	-	-	-	-	-
Mr W Johnson ⁶	4,395	-	418	-	-	-	-	4,813	-
Senior Executives									
Mr W Brekke ⁷	130,149	-	-	-	-	-	-	130,149	-
Ms C Thayer ⁸	128,423	-	-	-	-	-	-	128,423	-
Mr C Overley ⁹	148,119	-	1,229	(35,095)	-	-	4,419	118,672	-
Total	1,059,931	-	13,640	(81,502)	49,693	-	4,419	1,046,181	

¹ This includes annual leave where applicable.

² 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.

³ 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.

⁴ 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.

⁵ Appointed as Non-Executive Director on 17 May 2019 and resigned on 5 July 2019.

⁶ Resigned on 8 October 2018.

⁸ Appointed as Global Chief Marketing Officer on 3 December 2018.

⁷ Appointed as Global Chief Financial Officer on 14 November 2018.

⁹ Resigned on 26 December 2018.

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 2020

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 2019	271,739	-

(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	Reduced from US\$522,600 to US\$322,600 effective 20 April 2020	Ongoing	14 days written notice. Three months of base salary as severance pay in the event of termination by the Company
Non-Executive Director & Company Secretary	Neville Bassett	Director fees of A\$65,700 and Company secretarial fees of A\$48,000	Interim Ongoing	Joined the Board as Non-Executive Director on an interim basis
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

For personal use only

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)
Directors					
Mr L Carroll	543,478	-	(271,739)	-	271,739
Mr M Schuessler	132,925	-	(132,925)	-	-
Mr N Bassett	-	-	-	-	-
Mr G Watts	-	-	-	-	-
Mr T Kestell	-	-	-	-	-
Senior Executives					
Mr W Brekke	-	-	-	-	-
Ms C Thayer	-	-	-	-	-
Total	676,403	-	(404,664)	-	271,739

For personal use only

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 ¹ (No)	Balance at End of Year (No)
Directors						
Mr L Carroll	1,021,739	-	-	271,739	-	1,293,478
Mr M Schuessler	1,075,323	-	-	132,925	-	1,208,248
Mr N Bassett ²	100,000	-	-	-	-	100,000
Mr G Watts	83,083	-	-	-	(83,083)	-
Mr T Kestell	-	-	-	-	-	-
Senior Executives						
Mr W Brekke	-	-	-	-	-	-
Ms C Thayer	-	-	-	-	-	-
Total	2,280,145	-	-	404,664	(83,083)	2,601,726

¹ 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.

² Mr Bassett holds 100,000 shares at the beginning of his employment as KMP on 5 August 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 2020.

END OF AUDITED REMUNERATION REPORT

For personal use only

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 27 of the financial report.

Signed in accordance with a resolution of the Directors.



Louis Carroll
Non-Executive Chairman
30 September 2020



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

30 September 2020

Dear Directors,

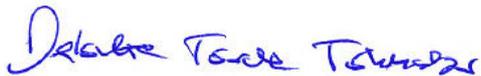
Yowie Group Limited

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 2020, 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

For personal use only

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**



	Note	Consolidated	
		2020 US\$	2019 US\$
Sale of goods		10,753,996	14,425,071
Cost of sales		(5,579,766)	(7,437,662)
Gross profit		5,174,230	6,987,409
Selling and distribution		(3,611,003)	(4,477,735)
Marketing		(1,186,369)	(1,439,933)
Administration	5	(3,280,784)	(3,595,710)
Other income	4	272,695	276,601
Foreign exchange gains		63,898	227,431
Write-down of inventory	10	(1,282,742)	(633,463)
Impairment of plant and equipment	11	(3,919,224)	(1,698,370)
Impairment of intangible assets	12	(548,067)	(93,695)
Loss before income tax		(8,317,366)	(4,447,465)
Income tax (expense)/benefit	6	184,761	(652,046)
Loss after income tax for the year		(8,132,605)	(5,099,511)
Other comprehensive income for the year			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in foreign currency translation reserve		449,279	(415,932)
Total comprehensive loss for the year net of tax attributable to members of the Company		(7,683,326)	(5,515,443)
Loss per share attributable to members of the Company			
Basic loss per share (cents)	7	(3.73)	(2.34)
Diluted loss per share (cents)	7	(3.73)	(2.34)

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

For personal use only

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**



	Note	Consolidated	
		2020 US\$	2019 US\$
Current Assets			
Cash and cash equivalents	16(a)	11,796,909	16,360,661
Trade and other receivables	8	813,571	1,219,425
Prepayments	9	337,135	1,384,994
Inventories	10	2,816,604	4,193,416
Current tax assets	6(c)	249,573	-
Total Current Assets		16,013,793	23,158,496
Non-Current Assets			
Plant and equipment	11	93,712	3,494,835
Intangible assets	12	17,338	752,097
Total Non-Current Assets		111,050	4,246,932
Total Assets		16,124,843	27,405,428
Current Liabilities			
Trade and other payables	13	2,674,162	3,316,682
Provisions		22,007	16,023
Current tax liabilities		-	23,239
Unearned income	4	31,234	-
Total Current Liabilities		2,727,403	3,355,944
Total Liabilities		2,727,403	3,355,944
Net Assets		13,397,440	24,049,484
Equity			
Issued capital	14(a)	52,747,811	55,703,545
Reserves	14(d)	(463,248)	(754,487)
Accumulated losses		(38,887,123)	(30,899,574)
Total Equity		13,397,440	24,049,484

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

For personal use only

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**



	Note	Issued capital	Share-based payment reserve	Consolidated Foreign currency translation reserve	Accumulated losses	Total
		US\$	US\$	US\$	US\$	US\$
Balance as at 1 July 2018		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)
Other comprehensive income						
Foreign currency translation		-	-	(415,932)	-	(415,932)
Total comprehensive loss for the year		-	-	(415,932)	(5,099,511)	(5,515,443)
Transactions with owners recorded directly in equity						
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	-
Balance as at 30 June 2019		55,703,545	2,193,024	(2,947,511)	(30,899,574)	24,049,484
Balance as at 1 July 2019		55,703,545	2,193,024	(2,947,511)	(30,899,574)	24,049,484
Loss for the year		-	-	-	(8,132,605)	(8,132,605)
Other comprehensive income						
Foreign currency translation		-	-	449,279	-	449,279
Total comprehensive loss for the year		-	-	449,279	(8,132,605)	(7,683,326)
Transactions with owners recorded directly in equity						
Return of capital		(2,981,926)	-	-	-	(2,981,926)
Shares issued under YOW						
Employee Incentive Plan	14(b)	27,498	(27,498)	-	-	-
Share issue transaction costs	14(b)	(1,306)	-	-	-	(1,306)
Share-based payments		-	14,514	-	-	14,514
Expired options and rights		-	(145,056)	-	145,056	-
Balance as at 30 June 2020		52,747,811	2,034,984	(2,498,232)	(38,887,123)	13,397,440

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

For personal use only

**CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2020**



	Note	Consolidated	
		2020 US\$	2019 US\$
Cash flow from operating activities			
Receipts from customers		10,700,818	15,259,346
Other receipts		176,568	6,053
Payments to suppliers and employees		(12,251,194)	(17,126,924)
Interest received		133,394	262,800
Income taxes paid		(83,860)	5,107
Net cash outflows used in operating activities	16(b)	(1,324,274)	(1,593,618)
Cash flow from investing activities			
Payments for plant and equipment		(617,342)	(928,073)
Payments for intangible assets		(172,373)	(431,836)
Net cash outflows used in investing activities		(789,715)	(1,359,909)
Cash flow from financing activities			
Return of capital		(2,981,926)	-
Payment of share issue transaction costs		(1,437)	(2,954)
Net cash outflows used in financing activities		(2,983,363)	(2,954)
Net decrease in cash and cash equivalents		(5,097,352)	(2,956,481)
Cash and cash equivalents at beginning of the year		16,360,661	19,466,956
Effect of foreign exchange movements		533,600	(149,814)
Cash and cash equivalents at end of the year	16(a)	11,796,909	16,360,661

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

For personal use only

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020



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 30 September 2020 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 8.

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").

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss after tax of US\$8,132,605 (2019: US\$5,099,511) and experienced net operating and investing cash outflows of US\$2,113,989 (2019: US\$2,953,527) for the year ended 30 June 2020.

The Directors have concluded that these accounts should be prepared on a going concern basis. In making this determination the Directors have considered the following:

- The directors and management have prepared a cash flow forecast for the period ending 30 September 2021 which indicates that the Group will have sufficient funding to meet its expected cash outflows without additional funding;
- The Group has access to unrestricted cash of US\$11,796,909 as at 30 June 2020, and US\$5,664,533 following completion of the return of capital of US\$6,132,376 on 14 July 2020; and
- The Group continues to be in direct discussions with several potential strategic partners to assess opportunities to better position Yowie to compete in this highly competitive sector, and explore a range of alternatives to realise value from its operations and related assets, and the Directors consider that the Group is in a strong financial position to take advantage of such opportunities.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**



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	
	2020	2019
	US\$	US\$
Major customer 1	3,859,367	7,549,114
% of Total Net Sales	36%	52%
Major customer 2	978,110	1,158,033
% of Total Net Sales	9%	8%

4. OTHER INCOME

	Consolidated	
	2020	2019
	US\$	US\$
Interest income	126,235	270,164
Government grant ¹	142,767	-
Other income	3,693	6,437
	272,695	276,601

¹ During the year ended 30 June 2020, the Group received a total of US\$142,767 government grant from both Australia and the US Government as part of their COVID-19 economic response program.

A large portion of the amount relates to Paycheck Protection Program (PPP) Loan from the US Government of US\$151,653, of which US\$120,419 was recognised as government grant (other income) as the Group has reasonable assurance that it will meet the terms for the forgiveness of the loan, while the remaining US\$31,234 is classified as unearned income in the consolidated statement of financial position in pursuant to AASB 120.

5. ADMINISTRATION

	Consolidated	
	2020	2019
	US\$	US\$
<i>Administration expenses include:</i>		
Employee benefits	1,263,240	1,343,552
Business development and travel	290,810	360,941
Legal, tax, listing, compliance and insurance	985,492	1,067,254
Share-based payments (refer to Note 15)	14,514	(21,576)
Depreciation and amortisation	354,465	332,118
Other administrative expenses	372,263	513,421
	3,280,784	3,595,710

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**



6. TAXATION

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

	Consolidated	
	2020 US\$	2019 US\$
Current income tax expense/(benefit)	(197,406)	-
Adjustments for current tax of prior periods	12,645	(28,558)
Total current tax expense/(benefit)	(184,761)	(28,558)
Deferred income tax		
Decrease in deferred tax assets	-	680,604
	-	680,604
Income tax (benefit)/expense reported in the statement of profit and loss and other comprehensive income	(184,761)	652,046

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

	Consolidated	
	2020 US\$	2019 US\$
Loss from ordinary activities before tax	(8,317,366)	(4,447,465)
Prima facie tax benefit on loss at 27.5% (2019: 30%)	2,287,276	1,334,240
Effect of different tax rates on overseas losses	(904,829)	(318,568)
US net operating loss carry-back recoupment	197,406	-
Income tax benefit not recognised	(1,395,092)	(1,667,718)
Income tax benefit/(expense)	184,761	(652,046)

(c) Current tax assets at 30 June relates to the following:

	Consolidated	
	2020 US\$	2019 US\$
US ¹	197,406	-
Hong Kong ²	52,167	-
Current tax assets	249,573	-

¹ This relates to refund from the US Internal Revenue Service in relation to the Yowie US entities' eligibility to carryback tax losses generated in previous years and recoup US federal taxes paid in these carryback years.

² This relates to prepaid tax which is expected to be refunded back by Hong Kong Inland Revenue Department.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**



6. TAXATION (continued)

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

	Consolidated	
	2020 US\$	2019 US\$
Deferred tax assets		
Share issue and acquisition costs	1,477,723	754,888
Plant and equipment	-	-
Inventory	377,440	257,351
Intercompany loans – unrealised foreign exchange losses	935,062	611,392
Provisions and accruals	457,236	332,921
Revenue tax losses	7,837,491	7,274,617
Deferred tax assets used to offset deferred tax liabilities	(1,696,402)	(1,225,065)
Deferred tax assets not brought to account ¹	(9,388,550)	(8,006,104)
	-	-
Deferred tax liabilities		
Plant and equipment	1,050,401	759,088
Other assets	6,741	26,157
Intercompany loans – unrealised foreign exchange gains	639,260	439,819
Deferred tax assets used to offset deferred tax liabilities	(1,696,402)	(1,225,064)
	-	-

¹ 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\$2,624,535 and Hong Kong of US\$3,564,767 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\$1,648,189 can be used for up to 20 years.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**



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	
	2020 Number	2019 Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	<u>218,144,752</u>	217,588,308
	US\$	US\$
Basic loss attributable to ordinary equity holders of the parent	<u>(8,132,605)</u>	(5,099,511)

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	
	2020 US\$	2019 US\$
Current		
Trade debtors	805,279	1,197,537
Other debtors	1,733	7,618
GST receivable	6,560	6,610
Accrued interest	-	7,660
	<u>813,572</u>	<u>1,219,425</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.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**



9. PREPAYMENTS

	Consolidated	
	2020 US\$	2019 US\$
Current		
Prepayments – raw materials	183,254	1,004,507
Prepayments – other	153,881	380,487
	337,135	1,384,994

10. INVENTORIES

	Consolidated	
	2020 US\$	2019 US\$
Current		
Raw materials	2,212,771	1,796,401
Work in progress	39,054	68,253
Finished goods	2,034,991	2,847,500
Allowance for disposal	(1,470,212)	(518,738)
	2,816,604	4,193,416

- (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 2020 amounted to US\$5,579,766 (2019: US\$7,437,662).
- (iii) Write-downs of inventories to net realisable value during the year ended 30 June 2020 amounted to US\$1,282,742 (2019: US\$633,463). The write-downs were mostly due to disposal (and allowance for disposal) of raw materials relating to outdated Yowie Series and other inventories that are deemed to have zero realisable value. Refer to Note 23(v) 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	(518,738)	(378,146)
Disposal	114,585	1,616
Additional allowance	(1,066,059)	(142,208)
Balance at the end of the year	(1,470,212)	(518,738)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**



11. PLANT AND EQUIPMENT

	Consolidated	
	2020 US\$	2019 US\$
Manufacturing plant and equipment		
Cost	4,140,186	4,064,940
Accumulated depreciation	(491,436)	(404,181)
Accumulated impairment losses	(3,558,888)	(405,533)
	89,862	3,255,226
Manufacturing plant and equipment under construction		
Cost	765,870	235,740
Accumulated impairment losses	(765,870)	-
	-	235,740
Office equipment		
Cost	12,443	10,053
Accumulated depreciation	(8,593)	(6,184)
	3,850	3,869
Total plant and equipment	93,712	3,494,835

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

Manufacturing plant and equipment		
Balance at the beginning of the year	3,255,226	3,936,179
Additions	20,676	198,650
Transfers from / (to) manufacturing plant and equipment under construction	54,569	(203,630)
Depreciation	(87,255)	(185,478)
Impairment ¹	(3,153,354)	(405,533)
Amounts written off	-	(84,962)
Carrying amount at the end of the year	89,862	3,255,226
Manufacturing plant and equipment under construction		
Balance at the beginning of the year	235,740	506,462
Additions	584,699	733,523
Transfers from / (to) manufacturing plant and equipment	(54,569)	203,630
Impairment ¹	(765,870)	-
Provision for impairment ²	-	(1,207,875)
Carrying amount at the end of the year	-	235,740

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**



11. PLANT AND EQUIPMENT (continued)

	Consolidated	
	2020 US\$	2019 US\$
Office equipment		
Balance at the beginning of the year	3,869	5,313
Additions	3,570	2,755
Depreciation	(3,186)	(4,194)
Disposals	(393)	-
Foreign exchange adjustment	(10)	(5)
Carrying amount at the end of the year	<u>3,850</u>	<u>3,869</u>
Total impairment and amounts written off		
Impairment	(3,919,224)	(1,613,408)
Amounts written off	-	(84,962)
	<u>(3,919,224)</u>	<u>(1,698,370)</u>

¹ This relates to impairment losses recognised as a result of impairment testing performed following the identification of impairment indicators, namely the Group's market capitalization is less than the Group's net assets, and the Group's financial performance for the year was below budget. Refer to Note 12 for details on the impairment testing.

² During the year ended 30 June 2019, provision for impairment was recorded to adjust the net book value of idle production equipment. The production equipment became idle during the year ended 30 June 2019 as the Group commissioned new equipment with the aim of improving efficiency of the production plant and reducing production cost.

12. INTANGIBLE ASSETS

	Consolidated	
	2020 US\$	2019 US\$
Rights and licenses ¹		
Cost	225,398	225,398
Accumulated impairment losses	(225,398)	(24,969)
	<u>-</u>	<u>200,429</u>
Software		
Cost	370,887	349,051
Accumulated amortisation	(302,773)	(123,921)
Accumulated impairment losses	(68,114)	(24,940)
	<u>-</u>	<u>200,190</u>
Product development ²		
Cost	987,800	845,065
Accumulated amortisation	(774,917)	(449,801)
Accumulated impairment losses	(195,545)	(43,786)
	<u>17,338</u>	<u>351,478</u>
Total intangible assets	<u>17,338</u>	<u>752,097</u>

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

² Product development relates to capitalised costs associated with the development of Yowie collectables.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**



12. INTANGIBLE ASSETS (continued)

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

	Consolidated	
	2020 US\$	2019 US\$
Rights and licenses		
Balance at the beginning of the year	200,429	225,398
Impairment ¹	(200,429)	(24,969)
Carrying amount at the end of the year	-	200,429
Software		
Balance at the beginning of the year	200,190	227,343
Additions	22,114	100,655
Amortisation	(162,385)	(102,112)
Impairment ¹	(43,174)	(24,940)
Amounts written off	(16,482)	-
Foreign exchange adjustment	(263)	(756)
Carrying amount at the end of the year	-	200,190
Product development		
Balance at the beginning of the year	351,478	408,190
Additions	142,736	212,886
Amortisation	(188,894)	(225,812)
Impairment ¹	(151,759)	(43,786)
Amounts written off ²	(136,223)	-
Carrying amount at the end of the year	17,338	351,478
Total impairment and amounts written off		
Impairment	(395,362)	(93,695)
Amounts written off	(152,705)	-
	(548,067)	(93,695)

¹ This relates to impairment losses recognised as a result of impairment testing performed following the identification of impairment indicators, namely the Group's market capitalization is less than the Group's net assets, and the Group's financial performance for the year was below budget. Total impairment losses recognised under intangible assets were US\$395,362 (2019: US\$93,695).

² This relates to the write-off of intangible assets associated with outdated Yowie series.

For personal use only

12. INTANGIBLE ASSETS (continued)

Impairment testing

As at 30 June 2020, impairment indicators have been identified, including the fact that the Group's market capitalisation is less than its net assets, the Group's financial performance for the year ended 30 June 2020 was below budget, and general uncertainties created by COVID-19.

Additionally, as disclosed in the Group's Interim Financial Statements for the half year ended 31 December 2019, impairment testing was also completed at that date, due to impairment triggers also being identified, relating to the fact that Group's market capitalisation was less than its net assets, and also its financial performance for the half year ended 31 December 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).

The group has recognised the impairment losses based on a FVLCD approach, in accordance with the accounting policy described in Note 23(r).

The Group has only one operating segment and CGU which relates to the operations of its confectionery business. The Group's assessment as at 31 December 2019 indicated an impairment loss of US\$1,534,000. The Group's subsequent impairment assessment as at 30 June 2020 indicated an additional impairment loss of US\$2,780,586, with a total impairment loss for the year ended 30 June 2020 being US\$4,314,586, of which further information is provided below.

Given the impairment triggers identified as at 30 June 2020, which were in addition to those identified as at 31 December 2019, the Group has updated the FVLCD model as at 30 June 2020, taking into account year to date actual performance.

The impairment loss recognised as at 30 June 2020 arose because financial performance in the second half of the year ended 30 June 2020 was below budget, including those expected when the 31 December 2019 impairment testing was completed. Performance in the second half of the year ended 30 June 2020 was impacted by a range of factors including continued high levels of competition, and the impact of COVID-19.

12. INTANGIBLE ASSETS (continued)

Impairment testing (continued)

The impairment loss of US\$4,314,586 reduced the carrying value of the Group's plant and equipment and intangible assets to US\$111,050. The impairment has been proportionately applied across the following classes of assets:

	Note	Consolidated 2020 US\$
Plant and equipment:		
Manufacturing plant and equipment	11	3,153,354
Manufacturing plant and equipment under construction	11	765,870
Intangible assets:		
Rights and licences	12	200,429
Software	12	43,174
Product development	12	151,759
Total impairment loss		<u>4,314,586</u>

The carrying amount of intangible assets with indefinite useful lives allocated to the CGU is nil.

Assumptions – FVLCD

The key assumptions made were as follows:

- FY2021 budget, which assumes flat growth from FY2020, was adjusted to reflect sales underperformance from July to the middle of September 2020, compared to the same corresponding period in FY2020;
- Revenue growth rate estimates ranging between 4% - 12.1% per annum for FY2021 to FY2028 driven by:
 - i) Increased market penetration within the US based on external performance data, such as ACV*, a statistic representative of the Group's market penetration across different distribution channels in the US; 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 -7% in FY2020 to 10.0% in FY2025, 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 FY2021 to FY2028.

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).

For personal use only

12. INTANGIBLE ASSETS (continued)

Impairment testing (continued)

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

No reasonably possible change in assumptions could cause a further material impairment. For the impairment for the year ended 30 June 2020 to be materially less than the US\$4,314,586 recognised by the Group, the Group's sales volumes would need to be 22% above the currently observed performance for FY2021 to date. Other than the sensitivity in relation to the Group's future sales performance, there are no further reasonably possible changes in assumptions that would have a material impact on the carrying value of non-current assets, as the favourable uplifts required to reduce the impairment are outside of the ranges considered reasonable possible.

Notwithstanding the result of impairment testing above, the Group continues to be in direct discussions with several potential strategic partners to assess opportunities to better position Yowie to compete in this highly competitive sector, and explore a range of alternatives to realise value for its assets.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**



13. TRADE AND OTHER PAYABLES

	Consolidated	
	2020 US\$	2019 US\$
Current		
Trade payables and accruals	565,512	1,258,981
Rebate allowances ¹	2,106,899	2,055,914
Other	1,751	1,787
	2,674,162	3,316,682

¹ Rebate allowances include estimated accrual for promotional discounts, prompt payment discounts and spoilage of goods. Refer to Note 23(v) 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	
	2020 US\$	2019 US\$
Ordinary shares, fully paid	52,747,811	55,703,545

(b) Movements in share capital

	US\$	Number
As at 1 June 2018	55,635,991	216,744,323
Conversion of rights	70,273	1,004,664
Share issue costs	(2,719)	-
As at 30 June 2019	55,703,545	217,748,987
Return of capital ¹	(2,981,926)	-
Conversion of rights	27,498	547,175
Share issue costs	(1,306)	-
As at 30 June 2020	52,747,811	218,296,162

¹ Return of capital of A\$0.02 per share with a total of A\$4.36 million (equivalent to US\$2.98 million) was completed in November 2019.

(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.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**



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	
	2020 US\$	2019 US\$
Share-based payment reserve	2,034,983	2,193,024
Foreign currency translation reserve	(2,498,231)	(2,947,511)
	(463,248)	(754,487)

(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.

	2020 Number	2020 WAEP (A\$)	2019 Number	2019 WAEP (A\$)
Outstanding at 1 July	-	-	500,000	1.552
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed/forfeited during the year	-	-	(500,000)	1.552
Outstanding as at 30 June	-	-	-	-
Vested and exercisable at 30 June	-	-	-	-

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**



15. SHARE-BASED PAYMENTS (continued)

(b) Remaining contractual life

There were no share-based payment options outstanding as at 30 June 2020 (2019: nil).

The weighted average remaining contractual life for the share-based payment rights outstanding as at 30 June 2020 was 5.22 years (2019: 4.03 years).

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

There were no share-based payment options outstanding as at 30 June 2020 (2019: nil).

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

Type	Grant Date	Vesting Date	Expiry Date	Rights 30 June 2020	Rights 30 June 2019
Service Rights	13 Jun 2016	12 Jun 2019	12 Jun 2020	-	132,925
Service rights	12 Jun 2017	12 Dec 2018	12 Dec 2019	-	142,511
Service rights	16 Nov 2017	18 Sep 2019	18 Sep 2024	-	271,739
Service rights	16 Nov 2017	18 Sep 2020	18 Sep 2025	271,739	271,739
				271,739	818,914

(d) Expenses arising from share-based payment transactions

The share-based payments expense for the year is US\$14,514 (2019: a credit of US\$21,576). The Group recognises the share-based payments expense over the vesting period for any options and rights granted.

	Consolidated	
	2020 US\$	2019 US\$
Options and rights issued to KMPs	14,514	(31,810)
Options and rights issued to other employees	-	10,234
Options and rights issued to consultants	-	-
	14,514	(21,576)

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

No new rights or options were issued during the year ended 30 June 2020 or 30 June 2019.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**



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	
	2020 US\$	2019 US\$
Cash at bank	4,232,209	3,648,961
Short-term deposits	7,564,700	12,711,700
	11,796,909	16,360,661

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

	Consolidated	
	2020 US\$	2019 US\$
Operating loss after income tax	(8,132,605)	(5,099,511)
Adjusted for:		
Depreciation and amortisation as per profit or loss	354,465	332,118
Depreciation and amortisation in cost of sales and closing inventories	87,255	185,478
Share-based payments	14,514	(21,576)
Foreign exchange (gain)/loss	(75,749)	(294,342)
Loss on disposal of asset	393	-
Impairment of non-current asset	4,467,291	1,792,065
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	406,572	1,652,745
(Increase)/decrease in prepayments	1,047,859	236,429
(Increase)/decrease in inventories	1,376,812	(885,634)
(Increase)/decrease in current tax assets	(249,573)	-
(Increase)/decrease in deferred tax assets	-	680,604
Increase/(decrease) in trade and other payables	(635,487)	(110,726)
Increase/(decrease) in current tax liability	(23,239)	(28,059)
Increase/(decrease) in provisions	5,984	12,475
Increase/(decrease) in unearned revenue	31,234	(45,684)
Net cash used in operating activities	(1,324,274)	(1,593,618)

(c) Non-cash investing and financing activities

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

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**



17. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel

	Consolidated	
	2020 US\$	2019 US\$
Short-term benefits	1,056,294	1,059,931
Post-employment benefits	10,426	13,640
Share-based payments expensed	14,514	(31,809)
Termination payments	-	4,419
	1,081,234	1,046,181

(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 recognized was reversed during the half-year ended 31 December 2017.

In this same case (which has, since the last report, been consolidated with the other pending Florida state court action), ACC, Whetstone Industries (“WI”), and Henry M. Whetstone, Jr. (“Whetstone”) have filed counterclaims against YNA alleging that YNA breached the Manufacturing Agreement, the Patent Agreement, violated the Florida Uniform Trade Secrets Act (“FUTSA”), breached fiduciary duties owed to WI and ACC, and fraudulently induced ACC, WI, and Whetstone to enter into amendments to the Manufacturing and Patent Agreements.

For personal use only

18. COMMITMENTS AND CONTINGENCIES (continued)

(b) Contingencies (continued)

For its claim of the breach of the Manufacturing Agreement, ACC and WI (as the purported successor-in-interest to the Manufacturing Agreement) allege that the Manufacturing Agreement was a requirements contract that required YNA to manufacture with ACC and WI until the agreement expired in 2027; however, YNA believes this is inconsistent with the plain language in the Manufacturing Agreement which only requires YNA to manufacture with ACC and WI when YNA is using Whetstone's patents to produce its chocolate and toy combination products. For its claim for breach of the Patent Agreement, 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 (now expired) patent in its manufacturing process (and hasn't for several years), it believes that there is no legal basis under YNA's contract with Mr. Whetstone to pay him any royalty. For its FUTSA claim, WI and ACC claim that YNA impermissibly appropriated the technology from its manufacturing line to start its line with Madelaine. YNA rejects this as false and notes that the manufacturing line used at Madelaine is much newer and modern than WI's and ACC's manufacturing lines. For its breach of fiduciary duty claim, WI and ACC claim that YNA owed fiduciary duties to them, but this is inconsistent with Florida law which does not apply fiduciary duties in situation like these. Finally, for its fraudulent inducement claim, there is no support for any claim that YNA (or any of its agents) acted to coerce WI and ACC to enter into any amendment agreements.

Both parties filed and argued cross-motions for summary judgment on issues related to the Patent Agreement 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. Further, for all the above causes of action, YNA has disclaimed liability and is defending the action. YNA considers no provision is warranted in relation to this counterclaim.

On 16 November 2017, in a related action, 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 denied this motion to dismiss in August 2019. A scheduling order has been entered in this matter and trial is currently set for August 2021.

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 2020**



19. AUDITOR'S REMUNERATION

The auditor of the Group is Deloitte Touche Tohmatsu Perth.

	Consolidated	
	2020 US\$	2019 US\$
Amounts received or due and receivable:		
Deloitte Touche Tohmatsu Perth		
Audit and review of financial reports	93,753	50,343
Tax consulting	46,936	79,652
	140,689	129,995
Network firms of Deloitte Touche Tohmatsu Perth		
Tax consulting	57,645	64,914
Other non-audit services	-	-
	57,645	64,914
Non Deloitte Touche Tohmatsu Perth and its network firms		
Audit and review of financial reports	(506)	26,439
Tax consulting	7,233	60,642
	6,727	87,081

20. PARENT ENTITY AND SUBSIDIARY INFORMATION

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

	2020 US\$	2019 US\$
Current assets	8,364,089	8,745,540
Non-current assets	5,173,433	15,543,663
Total assets	13,537,522	24,289,203
Current liabilities	140,082	239,719
Non-current liabilities	-	-
Total liabilities	140,082	239,719
Net assets	13,397,440	24,049,484
Issued capital	54,318,121	57,273,855
Reserves	(4,941,907)	(3,745,792)
Accumulated losses	(35,978,774)	(29,478,579)
Total equity	13,397,440	24,049,484
Loss of the parent entity	(6,645,251)	(3,244,116)
Total comprehensive loss of the parent entity	(7,683,325)	(5,515,443)

(b) Commitment and Contingencies of the Parent Entity

The parent entity had no significant commitments or contingent liabilities as at 30 June 2020 or 30 June 2019. Refer to Note 18 for a discussion of contingencies of the Group.

For personal use only

20. PARENT ENTITY AND SUBSIDIARY INFORMATION (continued)

(c) Subsidiaries

Name	Country of Incorporation	Percentage Interest	
		2020 %	2019 %
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 25 May 2020 its intention to undertake another round of return of capital at 4c per share (AUD). This resolution was approved by the shareholders on 24 June 2020 and the payment totalling US\$6,132,376 (equivalent to A\$8,731,846) was distributed to shareholders on 14 July 2020.

While the Group continues to closely monitor the impact of COVID-19, it is not practicable to estimate the potential impact given the uncertain nature of the situation.

Other than 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.

For personal use only

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:

Consolidated	2020	2019
	US\$	US\$
Cash at bank	<u>8,095,512</u>	<u>13,042,471</u>

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

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

	Post tax loss		Equity	
	Higher / (lower)		Higher / (lower)	
	2020	2019	2020	2019
	US\$	US\$	US\$	US\$
+0.5% (2019: +0.5%)	40,478	65,212	40,478	65,212
-0.5% (2019: -0.5%)	(40,478)	(65,212)	(40,478)	(65,212)

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.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**



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:

Consolidated	2020 US\$	2019 US\$
<i>Assets and liabilities of entities with AUD functional currencies</i>		
Assets		
Cash and cash equivalents	8,354,681	2,729,783
Trade and other receivables	8,294	14,530
Prepayments	31,238	27,637
Plant and equipment	913	13,702
Total Assets	8,395,126	2,785,652
Liabilities		
Trade and other payables	118,075	223,694
Provisions	22,007	16,024
Total Liabilities	140,082	239,718

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:

	Profit or loss Higher / (lower)		Equity Higher / (lower)	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Exchange Rate + 10% (2019: +10%)	-	24,247	(750,459)	(182,957)
Exchange Rate - 10% (2019: -10%)	-	(24,247)	750,459	182,957

For personal use only

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	
	2020 US\$	2019 US\$
AAA rated banks	-	4,605,700
AA rated banks	8,358,226	8,748,558
A rated banks	3,438,683	3,006,403
	11,796,909	16,360,661

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	
	2020 US\$	2019 US\$
Within one year	2,674,162	3,316,682
Between one and five years	-	-
	2,674,162	3,316,682

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

For personal use only

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 16 Leases

The Group has adopted AASB 16 Leases from 1 July 2019.

AASB 16 introduced a single, on balance sheet accounting model for lessees. As a result, the Group as a lessee, will recognise right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

Additional disclosure of the consolidated entities lease accounting policies and its impact as required by the standard are included in Note 23(t).

For personal use only

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 2020.

(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 2020.

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

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

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

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

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

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

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

For personal use only

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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:

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

For personal use only

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.

For personal use only

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.

For personal use only

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.

For personal use only

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.

For personal use only

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.

(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.

For personal use only

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Leases

The Group, as a lessee will assess whether a contract is, or contains, a lease under AASB 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If the contract is assessed to be, or contains, a lease, the Group will recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

Depreciation is based on the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability, offset by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Recognition exemption - Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases with a lease term of 12 months or less and leases for low-value assets. The Group will recognise the payments associated with these leases as an expense on a straight-line basis over the lease term.

Impact on transition

There was no impact on the financial statements from the application of this new standard as at 1 July 2019 as the Group's leasing arrangements at that time were either:

- low value assets, or
- short-term contracts.

(u) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

A forgivable loan from government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan.

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Government grants (continued)

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

(v) 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.

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.

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.

For personal use only

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Impairment of non-financial assets

The Group tests annually, or whenever an impairment trigger is identified, 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 dispose and its value in use. The fair value less costs to dispose calculation is based on the Group's budget and data from various market participants 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.

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, future production plans and their alignment with the remaining term of any applicable contract manufacturing agreements, as well as any 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.

COVID-19

The outbreak of the 2019 novel strain of coronavirus causing a contagious respiratory disease known as COVID-19, and the subsequent quarantine measures imposed by the United States, Australian and other governments, and related travel and trade restrictions have caused disruption to businesses and resulted in significant global economic impacts. These factors have had a significant impact on the Group's financial results and operations for the year ended 30 June 2020 as noted elsewhere within the Directors report. However, as the impact of COVID-19 continues to evolve, including changes in government policy and business reactions thereto, further disruption to our business may occur. Due to the continually evolving nature of COVID-19 the Directors cannot reasonably estimate the effects that the COVID-19 pandemic could have on future periods. However, there is uncertainty about the length and potential impact of any resultant disturbance. As a result, we are unable to estimate the potential impact on the Group's future operations as at the date of these Financial Statements.

For personal use only

DIRECTORS' DECLARATION



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 2020 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 2020.

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

30 September 2020

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 2020, 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 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We 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.

For personal use only

Key audit matter	How the scope of our audit responded to the Key Audit Matter
<p>Carrying value of non-current assets</p> <p>As at 30 June 2020, the Group’s non-current assets were assessed for impairment, resulting in an impairment of \$2,780,586 being recognised. This expense was in addition to the impairment of \$1,534,000 recognised as at 31 December 2019, taking the cumulative impairment for the full year ended 30 June 2020 to \$4,314,586 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.</p> <p>Determination of the recoverable amount requires significant judgements and estimates, specifically concerning factors such as:</p> <ul style="list-style-type: none"> • forecast sales volumes, and related growth rates; • forecast pricing; • forecast production, sales and distribution, marketing and general and administrative costs; and • discount rates. 	<p>In conjunction with our valuation specialists, our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • understanding management’s process for assessing the recoverability of non-current assets; • evaluating management’s assessment as to whether an impairment indicator existed; • assessing the integrity of the model used by management to calculate the recoverable value of non-current assets with reference to relevant accounting standards; • assessing the reasonableness of forecast cash flows including the impact of COVID-19 used in the impairment models compared to the latest Board approved budget; • assessing the historical budgeting accuracy of the Group and, where appropriate, challenging forecast cash flows with reference to historical and recently observed actual performance; • 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"> ○ key assumptions, including forecast sales volumes by comparing them to historical results and recently observed actual performance; and ○ the reasonableness of the discount rate applied. <p>We also assessed the appropriateness of the disclosures included in Note 12 to the financial statements.</p>
<p>Revenue recognition</p> <p>For the year ended 30 June 2020 the Group’s revenue from the sale of goods recognised totalled \$10,753,996.</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"> • understanding the process and key controls management has in place to address the risks of material misstatement in relation to the timing and completeness of the revenue recorded; • assessing the key contracts with significant customers to understand the terms of those contracts for the appropriate revenue recognition; • testing revenue transactions on a sample basis of invoices to delivery dockets to address the risks of occurrence and accuracy of the revenue recorded; • testing revenue transactions around the year end to ensure that revenue transactions are recorded in the correct period; and • assessing the appropriateness of the allowance for spoilage, compared to actual claim rates. <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 for the year ended 30 June 2020, 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 has 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in 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

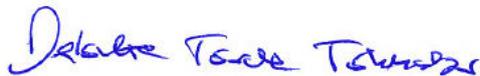
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 25 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Yowie Group Limited, for the year ended 30 June 2020, 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, 30 September 2020

For personal use only

ASX ADDITIONAL INFORMATION



Additional information as required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this report is set out below. This information is current as at 25 September 2020.

Distribution of Quoted Securities

Ranges	No. of Holders of Ordinary Shares	No. of Ordinary Shares
1 - 1,000	1,086	289,239
1,001 - 5,000	629	1,795,432
5,001 - 10,000	327	2,631,719
10,001 – 100,000	691	23,985,299
100,000 and over	175	189,866,212
Total	2,908	218,567,901

There were 2,130 shareholders holding less than a marketable parcel of ordinary shares.

Quoted and Unquoted Equity Securities

Equity Security	Quoted	Unquoted
Ordinary Shares	218,567,901	-
Employee Service Rights Exercise Price: Nil Expiry Date: 18 Sep 2025	-	271,739

For personal use only

Unlisted Employee/Consultant Options/Rights

Exercise Price	Expiry Date	No.	No. of Holders
Nil	18 Sep 2025	271,739	1

Twenty Largest Holders of Ordinary Shares

	Name	Shares Held	Percentage %
1	BNP Paribas Nominees Pty Ltd	31,627,746	14.47
2	Keybridge Capital Limited	17,127,903	7.84
3	Recruitment Investments Pty Ltd	11,243,150	5.14
4	Scarborough Equities Pty Ltd	11,243,150	5.14
5	Reash Pty Ltd	10,000,000	4.58
6	Bentley Capital Limited	9,956,110	4.56
7	Keybridge Capital Limited	6,423,799	2.94
8	Abdullah Hani Abdallah	5,666,667	2.59
9	Citicorp Nominees Pty Limited	5,578,340	2.55
10	Mr Keith Phillip Hudson & Mrs Ann Hudson	5,026,373	2.30
11	Mr Ian Morton & Mrs Deborah Morton	3,369,949	1.54
12	Wilson Asset Management (International) Pty Limited	3,267,231	1.49
13	Huntsman Holdings Pty Ltd	3,000,000	1.37
14	Bart Superannuation Pty Limited	2,709,604	1.24
15	Patricia Mary Fields	2,000,000	0.92
16	Mr Asok Kumar & Mrs Renu Kumar	2,000,000	0.92
17	Keybridge Capital Limited	1,889,000	0.86
18	HSBC Custody Nominees (Australia) Limited	1,803,413	0.83
19	Dr Gregory Bryan Makin	1,757,027	0.80
20	Mr Louis Thomas Carroll	1,565,217	0.72
	TOTAL	137,254,679	62.79

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	21,199,260	9.71
Keybridge Capital Limited	52,845,101	24.21
Orion Equities Limited	21,199,260	9.71
Queste Communications Ltd	21,199,260	9.71
Recruitment Investments Pty Ltd	11,243,150	5.15
Scarborough Equities Pty Ltd	21,199,260	9.71
Wilson Asset Management Group	56,112,332	25.71

For personal use only

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.