

1. Company details

Name of entity:	Mad Paws Holdings Limited
ABN:	39 636 243 180
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	274.8% to	11,992,671
Loss from ordinary activities after tax attributable to the owners of Mad Paws Holdings Limited	down	18.4% to	(3,945,702)
Loss for the half-year attributable to the owners of Mad Paws Holdings Limited	down	18.4% to	(3,945,702)

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$3,945,702 (31 December 2021: \$4,837,050).

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(1.09)</u>	<u>2.76</u>

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

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Mad Paws Holdings Limited for the half-year ended 31 December 2022 is attached.

12. Signed



Signed _____

Date: 24 February 2023

Jan Pacas
Chairman

Mad Paws Holdings Limited

ABN 39 636 243 180

Interim Report - 31 December 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Mad Paws Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

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

Joshua May
Jan Pacas
Justus Hammer
Michael Hill
Vicki Aristidopoulos
Howard Humphreys

Principal activities

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

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

Review of operations

The loss for the Group after providing for income tax amounted to \$3,945,702 (31 December 2021: \$4,837,050).

The directors and management review the Group's performance using Operational EBITDA, which for the financial half-year ended 31 December 2022 ('1H FY23') was a loss of \$2,583,905 (Half-year ended 31 December 2021 or 1H FY22: \$4,219,102). The Group has outlined its performance under this metric and provided a reconciliation to the reported loss after tax in the results summary below and in note 3.

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

	Half-year ended 31 Dec 2022 \$'000	Half-year ended 31 Dec 2021 \$'000	Change \$'000	Change %
Marketplace	3,347	1,336	2,011	151%
E-commerce & Subscription ¹	8,672	1,993	6,679	335%
Operating revenue	12,019	3,329	8,690	261%
Cost of goods sold	(6,690)	(1,534)	(5,156)	(336%)
Gross Margin	5,329	1,795	3,534	197%
% of revenue	44%	54%		
Marketing	(1,935)	(1,657)	(278)	(17%)
Employment costs	(3,159)	(1,493)	(1,666)	(112%)
Other operating expense	(1,050)	(758)	(292)	(39%)
Segment operating EBITDA	(815)	(2,113)	1,298	61%
% of revenue	(7%)	(63%)		

Central/Corporate costs	(1,769)	(2,106)	337	16%
Group Operating EBITDA	(2,584)	(4,219)	1,635	39%
% of revenue	(21%)	(127%)		
Non-operating and non-cash items	(1,377)	(618)	(759)	(123%)
Loss before income tax benefit	(3,961)	(4,837)	876	18%
Income tax benefit	15	-	15	-
Loss after income tax benefit	(3,946)	(4,837)	891	18%

<i>Group Key Performance Metrics</i>	Half-year ended 31 Dec 2022	Half-year ended 31 Dec 2021	Change #	Change %
GMV ² \$'000s	29,243.3	8,987.9	20,255.4	225%
Bookings/Transactions 000s	213.4	88.2	125.2	142%
New customer acquisition 000s	63.6	22.8	40.8	179%

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

Reconciliation

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

	Revenue \$'000	Marketing expenses \$'000
As reported above	12,019	(1,935)
Adjustment of promotional discounts	(27)	27
As reported in the statement of profit or loss	11,992	(1,908)

Results commentary

Group Operating revenue increased 261% from \$3.3 million in 1H FY22 to \$12.0 million in 1H FY23, and 74% on a pro-forma basis. The growth reflects strong performance in our Marketplace vertical of 151% vs the prior comparative period ('pcp'), driven by continued growth in new customers and repeat customer bookings combined with higher average booking values and take rate percentage improvements.

E-Commerce & Subscription revenues increased 335% vs pcp, reflecting the impact of the Pet Chemist acquisition as well as organic growth. Pro-forma e-Commerce & Subscription revenues were \$8.7 million, an increase of \$3.0 million from 1H FY22. The Pet Chemist business, acquired in April 2022, continues to accelerate post acquisition with revenue increasing 52% on a pro-forma basis and achieving a record month of \$1.15 million in November 2022. The Pet Chemist growth is due to a number of factors including higher new customer acquisition (up 45% vs pcp), improvement in repeat customer transactions (up 62% vs pcp) as well as the implementation of our range expansion strategy which increased the proportion of over-the-counter orders to 58%. In addition, Waggly revenue increased by 48% vs 1H FY22 driven by the continued success in new subscriber acquisition and stable attrition rates.

Gross margin increased by \$3.5 million with gross margin percentage decreasing to 44% from 54% due to the e-Commerce & Subscription vertical increasing as a percentage of revenue following the Pet Chemist acquisition.

Segment Operating EBITDA loss for 1H FY23 was \$0.8 million an improvement of \$1.6 million vs pcp. Segment Operating EBITDA margins improved to -7% up from -63% in 1H FY22. We saw Operating EBITDA improvements across both segments in the period in line with our break-even trajectory. Key segment expense line changes relate to the following factors:

- Marketing increased \$0.3 million to \$1.9 million with marketing efficiency showing a significant improvement in the period. Marketing as a percentage of revenue decreased from 50% in 1H FY22 to 16% in 1H FY23. While the acquisition of Pet Chemist is a key driver of the change, Mad Paws delivered improvement in customer acquisition metrics across all businesses in the period driven by the increased use of our data assets, product capabilities improving conversion rates, campaign optimisations and cross-sell.
- Employment costs increased by \$1.7 million largely as a result of the inclusion of the Pet Chemist cost base following acquisition as well as cycling cost actions taken in COVID19 lockdown period in 1H FY22.
- Other segment operating expenses increased \$0.3 million due to a combination of platform growth increasing hosting and other technology by \$0.1 million and technology costs from the Pet Chemist acquisition.
- Mad Paws performed a strategic review of all business units during 1H FY23, and as result of this review the focus of the Dinner Bowl brand has been re-aligned by discontinuing the lower margin product lines. The Dinner Bowl business will now operate using an outsourced third-party manufacturer, focusing on a lead generation model for other food manufacturers. Dinner bowl contributed a \$0.4 million loss for 1H FY23.

Corporate costs decreased \$0.3 million as a result of the continuous focus on cost management.

Overall Group Operating EBITDA improved by \$1.6 million to (\$2.6) million from management's focus on profitable revenue growth, prudent cost management and disciplined capital management.

Non-operating and non-cash items increased by \$0.8 million due to lower R&D tax incentive rebate of \$0.5 million as the Group is trending above the \$20 million cash back cap, higher depreciation and amortisation charges related to the Waggly acquisition accounting and closures costs related to the Dinner Bowl lightly cooked operations.

Dividends

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

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

On 10 February 2023, the Company announced the completion of a \$3.0 million share placement at \$0.13 a share from institutional, sophisticated and professional investors. The placement will result in 23,076,924 new shares being issued by the Company. The funds will be used to accelerate growth, maintain its market leading position and working capital.

In addition, the Company announced a Share Purchase Plan (SPP) to raise up to a further \$1.0 million. The SPP is capped at \$1.0 million and is not underwritten. The SPP opened on 14 February 2023 and expected to close 28 February 2023.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Jan Pacas
Chairman

24 February 2023



Justus Hammer
Chief Executive Officer

24 February 2023

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

Dear Board Members

Mad Paws Holdings Limited

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

As lead audit partner for the review of the financial report of Mad Paws Holdings Limited for the half year ended 31 December 2022, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

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

Yours sincerely,



Crowe Audit Australia



Suwarti Asmono
Partner

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

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	Note	Consolidated Half-year ended 31 Dec 2022 \$	Consolidated Half-year ended 31 Dec 2021 \$
Revenue	4	11,992,671	3,199,914
Other income	5	68,638	546,557
Interest revenue calculated using the effective interest method		17,265	852
Expenses			
Raw materials and consumables used		(4,634,721)	(1,011,522)
Delivery expenses		(1,668,828)	(522,821)
Employee benefits expense		(4,375,492)	(2,908,136)
Contractors expense		(254,136)	(194,337)
Depreciation and amortisation expense		(455,073)	(187,232)
Impairment of assets	9	(322,152)	-
Share-based payments expense		(236,717)	(641,048)
IT expenses		(792,595)	(576,265)
Marketing expenses		(1,908,618)	(1,527,427)
Merchant fees		(436,153)	(129,906)
Professional and consultancy expenses		(280,927)	(333,276)
Travel expenses		(17,725)	(10,302)
Share registry and listing expenses		(37,449)	(157,602)
Other expenses		(590,400)	(370,857)
Finance costs		(28,666)	(13,642)
Loss before income tax benefit		(3,961,078)	(4,837,050)
Income tax benefit		15,376	-
Loss after income tax benefit for the half-year attributable to the owners of Mad Paws Holdings Limited		(3,945,702)	(4,837,050)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Mad Paws Holdings Limited		<u>(3,945,702)</u>	<u>(4,837,050)</u>
		Cents	Cents
Basic earnings per share	16	(1.24)	(2.20)
Diluted earnings per share	16	(1.24)	(2.20)

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

	Note	Consolidated 31 Dec 2022 \$	30 Jun 2022 \$
Assets			
Current assets			
Cash and cash equivalents		3,273,272	5,562,394
Trade and other receivables		89,897	195,862
Inventories	6	1,759,529	921,374
Income tax refund due		1,073	1,073
Research and development tax incentive		-	341,920
Other		542,665	396,634
Total current assets		<u>5,666,436</u>	<u>7,419,257</u>
Non-current assets			
Property, plant and equipment	8	149,675	230,501
Right-of-use assets	7	1,144,818	1,251,990
Intangibles	9	22,280,799	22,006,356
Other assets		10,336	10,336
Total non-current assets		<u>23,585,628</u>	<u>23,499,183</u>
Total assets		<u>29,252,064</u>	<u>30,918,440</u>
Liabilities			
Current liabilities			
Trade and other payables	10	3,207,916	4,126,190
Contract liabilities		890,531	451,236
Borrowings		142,071	160,042
Lease liabilities		85,402	192,227
Employee benefits		456,195	402,073
Other liabilities	11	4,517,989	2,695,418
Total current liabilities		<u>9,300,104</u>	<u>8,027,186</u>
Non-current liabilities			
Borrowings		23,654	36,159
Lease liabilities		1,129,371	1,114,983
Deferred tax		42,854	58,230
Employee benefits		91,881	84,240
Total non-current liabilities		<u>1,287,760</u>	<u>1,293,612</u>
Total liabilities		<u>10,587,864</u>	<u>9,320,798</u>
Net assets		<u>18,664,200</u>	<u>21,597,642</u>
Equity			
Issued capital	12	55,125,875	54,270,660
Reserves		(500,823)	(657,868)
Accumulated losses		(35,960,852)	(32,015,150)
Total equity		<u>18,664,200</u>	<u>21,597,642</u>

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

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	36,903,944	(1,257,437)	(21,670,498)	13,976,009
Loss after income tax expense for the half-year	-	-	(4,837,050)	(4,837,050)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(4,837,050)	(4,837,050)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	370,158	-	-	370,158
Share-based payments (note 17)	-	359,600	-	359,600
Balance at 31 December 2021	<u>37,274,102</u>	<u>(897,837)</u>	<u>(26,507,548)</u>	<u>9,868,717</u>
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Consolidated				
Balance at 1 July 2022	54,270,660	(657,868)	(32,015,150)	21,597,642
Loss after income tax benefit for the half-year	-	-	(3,945,702)	(3,945,702)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(3,945,702)	(3,945,702)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 12)	855,215	-	-	855,215
Share-based payments (note 17)	-	157,045	-	157,045
Balance at 31 December 2022	<u>55,125,875</u>	<u>(500,823)</u>	<u>(35,960,852)</u>	<u>18,664,200</u>

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

	Consolidated Half-year ended 31 Dec 2022 \$	Half-year ended 31 Dec 2021 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	23,549,403	8,109,164
Payments to suppliers - sitters payment	<u>(8,972,000)</u>	<u>(3,452,000)</u>
	14,577,403	4,657,164
Interest received	17,265	852
Government grants received	-	362,862
Payments to suppliers and employees (inclusive of GST)	(16,284,218)	(8,288,992)
Research and development tax incentive	410,558	-
Interest and other finance costs paid	<u>(28,666)</u>	<u>(13,642)</u>
Net cash used in operating activities	<u>(1,307,658)</u>	<u>(3,281,756)</u>
Cash flows from investing activities		
Payment for purchase of business, net of cash acquired	(23,845)	(125,000)
Payments for property, plant and equipment	(55,995)	(52,053)
Payments for intangibles	<u>(774,398)</u>	<u>(223,865)</u>
Net cash used in investing activities	<u>(854,238)</u>	<u>(400,918)</u>
Cash flows from financing activities		
Proceeds from issue of shares, net of costs	-	2,774
Repayment of borrowings	(30,476)	(28,085)
Repayment of lease liabilities	<u>(96,750)</u>	<u>(1,905)</u>
Net cash used in financing activities	<u>(127,226)</u>	<u>(27,216)</u>
Net decrease in cash and cash equivalents	(2,289,122)	(3,709,890)
Cash and cash equivalents at the beginning of the financial half-year	<u>5,562,394</u>	<u>12,486,625</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>3,273,272</u></u>	<u><u>8,776,735</u></u>

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

Note 1. General information

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

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

Level 5, 126-130 Phillip Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2023.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

Note 3. Operating segments

Identification of reportable operating segments

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

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

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

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

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

Note 3. Operating segments (continued)

Types of products and services

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

Marketplace	An Australian based pet services marketplace that match and connects pet owners seeking pet care services, such as walking, day care and grooming with pet sitters, walkers and other pet services providers, vetted and registered by Mad Paws.
e-Commerce & Subscription	Represents the groups various pet product verticals including medication, over the counter pet related products, pet food and toys and treats.

Operating segment information

	Marketplace \$	e-Commerce & Subscription \$	Other segments \$	Total \$
Consolidated – Half-year ended 31 Dec 2022				
Revenue				
Sales to external customers	3,347,151	8,671,548	-	12,018,699
Promotion discounts on subscription products	-	(26,028)	-	(26,028)
Total sales revenue	3,347,151	8,645,520	-	11,992,671
Interest revenue	-	-	17,265	17,265
Total revenue	3,347,151	8,645,520	17,265	12,009,936
Operational EBITDA				
Research and development rebate	744,724	(1,559,411)	(1,769,218)	(2,583,905)
Share-based payments				68,638
Depreciation and amortisation				(236,717)
Deferred consideration - linked to remuneration				(455,073)
Impairment of assets				(304,171)
Other non-operating items				(322,152)
Interest revenue				(116,297)
Finance costs				17,265
Loss before income tax benefit				(28,666)
Income tax benefit				(3,961,078)
Loss after income tax benefit				15,376
				(3,945,702)

Note 3. Operating segments (continued)

	Marketplace \$	e-Commerce & Subscription \$	Other segments \$	Total \$
Consolidated – Half-year ended 31 Dec 2021				
Revenue				
Sales to external customers	1,336,400	1,992,800	-	3,329,200
Promotion discounts on subscription products	-	(129,286)	-	(129,286)
Total sales revenue	1,336,400	1,863,514	-	3,199,914
Interest revenue	-	-	852	852
Total revenue	1,336,400	1,863,514	852	3,200,766
Operational EBITDA				
Research and development rebate and COVID government grant	(639,171)	(1,473,329)	(2,106,602)	(4,219,102)
Depreciation and amortisation				546,557
Share-based payments expense				(187,232)
Other non-operating items				(641,048)
Interest revenue				(323,435)
Finance costs				852
Loss before income tax expense				(13,642)
Income tax expense				(4,837,050)
Loss after income tax expense				(4,837,050)

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

Note 4. Revenue

	Consolidated	
	Half-year ended 31 Dec 2022 \$	Half-year ended 31 Dec 2021 \$
Rendering of services – booking fee	954,088	402,741
Rendering of services – service fee	2,393,063	933,932
Subscription revenue	2,094,834	1,336,953
e-Commerce revenue	5,948,416	526,288
Pet Medication order management fees	602,270	-
Revenue	<u>11,992,671</u>	<u>3,199,914</u>

Disaggregation of revenue

Revenue from contracts with customers is derived from:

- booking fees;
- service fees; and
- sale of goods.

Booking fee

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

Service fee

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

Note 4. Revenue (continued)

e-Commerce & Subscription revenue

e-Commerce & Subscription revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Pet medication order management fees

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

All revenue from contracts with customers is generated in Australia.

Note 5. Other income

	Consolidated Half-year ended 31 Dec 2022 \$	Consolidated Half-year ended 31 Dec 2021 \$
Government grants (COVID-19)	-	362,862
Research and development rebate	68,638	183,695
Other income	68,638	546,557

Government grants (COVID-19) represents grants received from the Federal and State Governments in response to the COVID-19 pandemic. During the half-year ended 31 December 2022, government grants comprised of JobSaver and JobMaker support payments were \$nil. During the half-year ended 31 December 2021, government grants comprised of JobKeeper support payments and Cash Boost support payments.

Note 6. Inventories

	Consolidated 31 Dec 2022 \$	Consolidated 30 Jun 2022 \$
<i>Current assets</i>		
Stock in transit - at cost	108,593	24,500
Stock on hand - at cost	1,650,936	896,874
	1,759,529	921,374

Note 7. Right-of-use assets

	Consolidated 31 Dec 2022 \$	Consolidated 30 Jun 2022 \$
<i>Non-current assets</i>		
Buildings - right-of-use	1,347,547	1,373,250
Less: Accumulated depreciation	(230,744)	(121,260)
	1,116,803	1,251,990
Plant and equipment - right-of-use	30,016	-
Less: Accumulated depreciation	(2,001)	-
	28,015	-
	1,144,818	1,251,990

Note 7. Right-of-use assets (continued)

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

Reconciliations

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

Consolidated	Buildings - right-of-use \$	Plant and equipment - right-of-use \$	Total \$
Balance at 1 July 2022	1,251,990	-	1,251,990
Additions	-	30,016	30,016
Payments in advance	(25,703)	-	(25,703)
Depreciation expense	(109,484)	(2,001)	(111,485)
Balance at 31 December 2022	<u>1,116,803</u>	<u>28,015</u>	<u>1,144,818</u>

Note 8. Property, plant and equipment

	Consolidated 31 Dec 2022 \$	30 Jun 2022 \$
<i>Non-current assets</i>		
Leasehold improvements - at cost	31,810	22,162
Less: Accumulated depreciation	(20,377)	(20,377)
	<u>11,433</u>	<u>1,785</u>
Plant and equipment - at cost	412,335	371,201
Less: Accumulated depreciation	(244,619)	(211,860)
Less: Impairment	(84,440)	-
	<u>83,276</u>	<u>159,341</u>
Computer equipment - at cost	118,134	116,044
Less: Accumulated depreciation	(72,765)	(55,094)
	<u>45,369</u>	<u>60,950</u>
Office equipment - at cost	27,724	24,596
Less: Accumulated depreciation	(18,127)	(16,171)
	<u>9,597</u>	<u>8,425</u>
	<u>149,675</u>	<u>230,501</u>

Note 8. Property, plant and equipment (continued)

Reconciliations

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

Consolidated	Leasehold improvements \$	Plant and equipment \$	Computer equipment \$	Office equipment \$	Total \$
Balance at 1 July 2022	1,785	159,341	60,950	8,425	230,501
Additions	9,648	41,133	2,090	3,128	55,999
Impairment of assets*	-	(84,440)	-	-	(84,440)
Depreciation expense	-	(32,758)	(17,671)	(1,956)	(52,385)
Balance at 31 December 2022	<u>11,433</u>	<u>83,276</u>	<u>45,369</u>	<u>9,597</u>	<u>149,675</u>

* Refer to note 9 for further details.

Note 9. Intangibles

	Consolidated 31 Dec 2022 \$	30 Jun 2022 \$
<i>Non-current assets</i>		
Goodwill - at cost	20,424,493	20,424,493
Patents and trademarks - at cost	2,203	2,203
Customer contracts - at cost	363,000	363,000
Less: Accumulated amortisation	(191,583)	(131,083)
	<u>171,417</u>	<u>231,917</u>
Website and software development - at cost	3,009,093	2,234,694
Less: Accumulated amortisation	(1,117,655)	(886,951)
Less: Impairment	(208,752)	-
	<u>1,682,686</u>	<u>1,347,743</u>
	<u>22,280,799</u>	<u>22,006,356</u>

Reconciliations

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

Consolidated	Goodwill \$	Patents and trademarks \$	Customer contracts \$	Website and software development \$	Total \$
Balance at 1 July 2022	20,424,493	2,203	231,917	1,347,743	22,006,356
Additions	-	-	-	774,399	774,399
Impairment of assets	-	-	-	(208,752)	(208,752)
Amortisation expense	-	-	(60,500)	(230,704)	(291,204)
Balance at 31 December 2022	<u>20,424,493</u>	<u>2,203</u>	<u>171,417</u>	<u>1,682,686</u>	<u>22,280,799</u>

During the current financial half-year, the Company has impaired assets related to its lightly cooked and raw food offering in its Dinner Bowl operations to their recoverable amount, which includes plant and equipment of \$84,440; website and software development of \$208,752 and inventory of \$28,960.

Note 9. Intangibles (continued)

The values identified in relation to the Group's Sash acquisition are now final. The values associated with the Pet Chemist acquisition are provisional as at 31 December 2022.

Note 10. Trade and other payables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Current liabilities</i>		
Trade payables	1,880,747	2,010,110
Accrued expenses and other payables	1,327,169	2,116,080
	<u>3,207,916</u>	<u>4,126,190</u>

Note 11. Other liabilities

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Current liabilities</i>		
Sitter deposit accounts	3,794,973	2,401,418
Contingent consideration (note 14)	723,016	294,000
	<u>4,517,989</u>	<u>2,695,418</u>

Contingent consideration

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

Note 12. Issued capital

	Consolidated			
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>324,093,016</u>	<u>318,094,577</u>	<u>55,125,875</u>	<u>54,270,660</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2022	318,094,577		54,270,660
Issue of shares	1 July 2022	342,713	\$0.138	47,500
Issue of shares	4 July 2022	54,113	\$0.138	7,500
Issue of shares	27 October 2022	551,001	\$0.139	76,920
Issue of shares	27 October 2022	75,000	\$0.250	18,750
Issue of shares	27 October 2022	29,158	\$0.155	4,547
Issue of shares	28 October 2022	28,846	\$0.130	3,750
Issue of shares	14 December 2022	3,383,459	\$0.160	450,000
Issue of shares	15 December 2022	205,673	\$0.139	28,712
Issue of shares	21 December 2022	<u>1,328,476</u>	\$0.160	<u>217,536</u>
Balance	31 December 2022	<u>324,093,016</u>		<u>55,125,875</u>

Note 13. Dividends

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

Note 14. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Liabilities</i>				
Contingent consideration	-	-	723,016	723,016
Total liabilities	-	-	723,016	723,016

Consolidated - 30 Jun 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Liabilities</i>				
Contingent consideration	-	-	294,000	294,000
Total liabilities	-	-	294,000	294,000

There were no transfers between levels during the financial half-year.

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

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

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

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

Level 3 assets and liabilities

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

Consolidated	Contingent consideration \$
Balance at 1 July 2022	294,000
Additions	429,016
Balance at 31 December 2022	723,016

During the period, the contingent consideration associated with the Group's acquisition of Gassett Group (t/a Waggly) was settled in the period with the issue of shares totalling \$450,000.

Note 14. Fair value measurement (continued)

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

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Contingent consideration	Expected revenue	FY23: \$12.0 million - \$22.8 million FY24: \$22.0 million - \$33.0 million	If expected revenue were 10% higher or lower, the fair value would increase/decrease by \$98,860.

Note 15. Contingent liabilities

There are no contingent liabilities as at 31 December 2022 and 30 June 2022.

Note 16. Earnings per share

	Consolidated Half-year ended 31 Dec 2022 \$	Consolidated Half-year ended 31 Dec 2021 \$
Loss after income tax attributable to the owners of Mad Paws Holdings Limited	(3,945,702)	(4,837,050)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	319,165,126	219,389,192
Weighted average number of ordinary shares used in calculating diluted earnings per share	319,165,126	219,389,192
	Cents	Cents
Basic earnings per share	(1.24)	(2.20)
Diluted earnings per share	(1.24)	(2.20)

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

Note 17. Share-based payments

Employee share options plan

Under the existing employee share options plan ('ESOP'), employee share options have been granted to certain employees as part of their remuneration package under Long Term Incentives ('LTI') and Short Term Incentives ('STI') arrangements.

LTI options

Under the LTI plan options vest over 3 years, subject to the employees satisfying the vesting condition, which is an employment condition. There are no other vesting conditions attaching to the share options. Options vest as follows: one third over 12 months after start date, one third over 24 months after start date and one third over 36 months after start date. The options have a 6 year expiration.

STI options

Under the STI plan, employees will receive a minimum of 50% of their total eligible STI in STI options. STI options have a zero exercise price and vest in two equal tranches, with 50% vesting on the first anniversary after the date of grant, and the remaining 50% vesting on the second anniversary after the date of grant, subject to the participant's continued employment at the applicable vesting date. The options have a 5 year expiration.

Note 17. Share-based payments (continued)

Set out below are summaries of options granted under the plan:

	Number of options 31 Dec 2022	Weighted average exercise price 31 Dec 2022	Number of options 31 Dec 2021	Weighted average exercise price 31 Dec 2021
Outstanding at the beginning of the financial half-year	47,328,295	\$0.190	45,661,497	\$0.200
Granted	9,138,655	\$0.210	1,950,000	\$0.340
Exercised	-	\$0.000	(148,246)	\$0.180
Outstanding at the end of the financial half-year	<u>56,466,950</u>	\$0.200	<u>47,463,251</u>	\$0.190
Exercisable at the end of the financial half-year	<u>42,446,661</u>	\$0.200	<u>40,975,882</u>	\$0.190

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

Grant date	Notional expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
08/08/2022	07/08/2028	\$0.170	\$0.290	61.00%	-	0.66%	\$0.070
11/11/2022	10/11/2028	\$0.135	\$0.230	61.00%	-	3.38%	\$0.060
11/11/2022	10/11/2027	\$0.135	\$0.000	61.00%	-	3.41%	\$0.130

Note 18. Events after the reporting period

On 10 February 2023, the Company announced the completion of a \$3.0 million share placement at \$0.13 a share from institutional, sophisticated and professional investors. The placement will result in 23,076,924 new shares being issued by the Company. The funds will be used to accelerate growth, maintain its market leading position and working capital.

In addition, the Company announced a Share Purchase Plan (SPP) to raise up to a further \$1.0 million. The SPP is capped at \$1.0 million and is not underwritten. The SPP opened on 14 February 2023 and expected to close 28 February 2023.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Jan Pacas
Chairman



Justus Hammer
Chief Executive Officer

24 February 2023

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

Conclusion

We have reviewed the half-year financial report of Mad Paws Holdings Limited (the Company) and its subsidiaries (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the consolidated entity does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis of Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Liability limited by a scheme approved under Professional Standards Legislation.

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

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Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Crowe Sydney

Crowe Audit Australia



Suwarti Asmono
Partner

24 February 2023