Mad Paws Holdings Limited
Appendix 4E
Preliminary final report

madpaws

1. Company details

Name of entity:	Mad Paws Holdings Limited
ABN:	39 636 243 180
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	150.2%	to	24,585,894
Loss from ordinary activities after tax attributable to the owners of Mad Paws Holdings Limited	down	28.8%	to	(7,479,316)
Loss for the year attributable to the owners of Mad Paws Holdings Limited	down	28.8%	to	(7,479,316)

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 $7,479,316 (30 June 2022: $10,510,187).

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	(1.411)	(0.741)

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.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

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

Not applicable.

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10. Audit qualification or review

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

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

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11. Attachments

Details of attachments (if any):

The Annual Report of Mad Paws Holdings Limited for the year ended 30 June 2023 is attached.

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12. Signed

Signed ____________________________ Date: 29 August 2023

Jan Pacas
Chairman

madpaws

Annual Report FY23

Your pets' best life. Sorted.

Acknowledgement of country

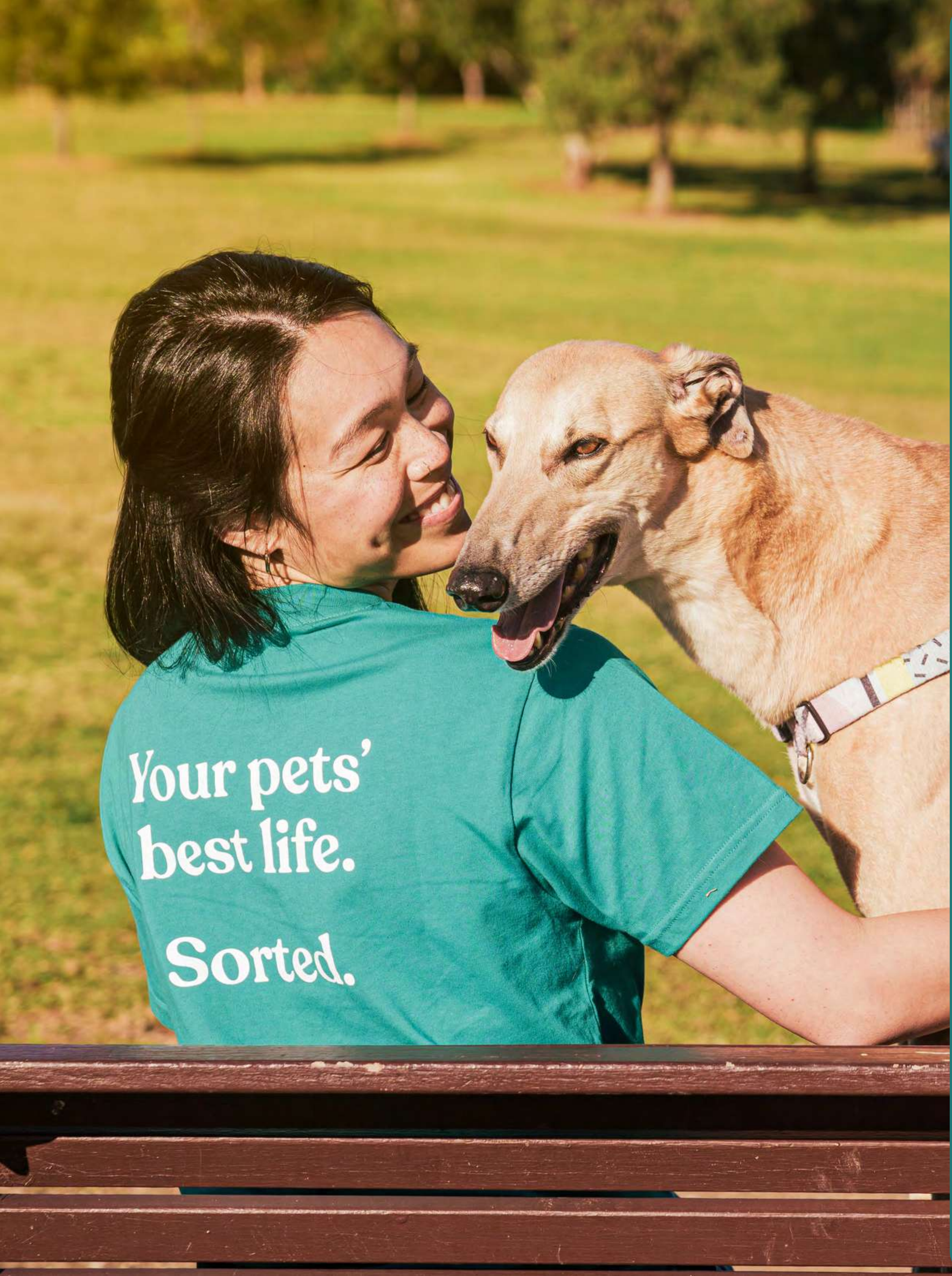
The Mad Paws Group acknowledges the Traditional Owners and Custodians of Country throughout Australia. We acknowledge the Gadigal people on whose lands our head office is located, as well as all First Nation Countries we operate across. We pay our respects to Elders past, present and emerging. We recognise their connection to Country and their role in caring for and maintaining Country over thousands of years. May their strength and wisdom be with us today.

Our Purpose

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

Our Vision

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



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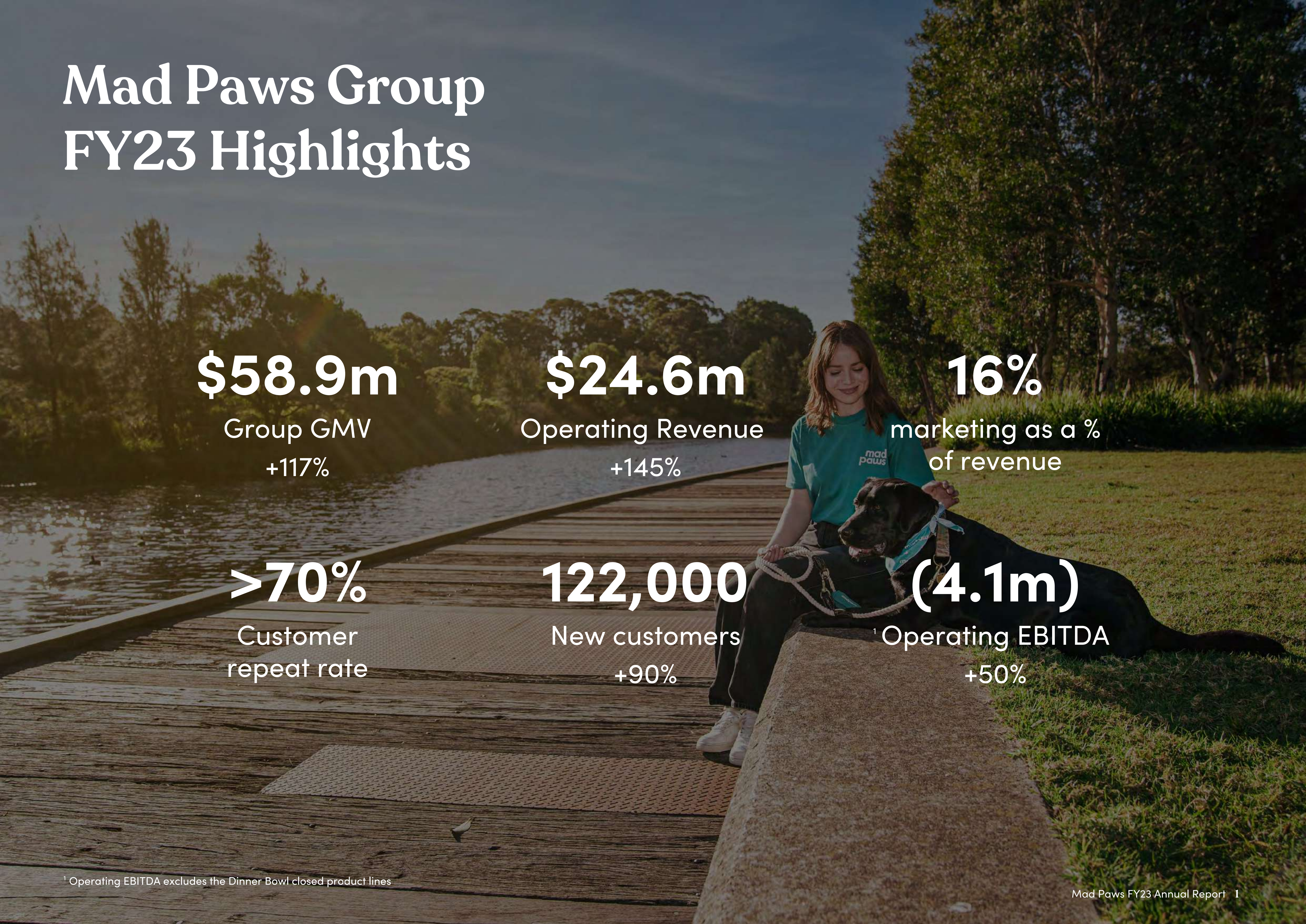


Mad Paws Group FY23 Highlights

$58.9m
Group GMV
+117%

$24.6m
Operating Revenue
+145%

16%
marketing as a % of revenue

>70%
Customer repeat rate

122,000
New customers
+90%

(4.1m)
[1] Operating EBITDA
+50%

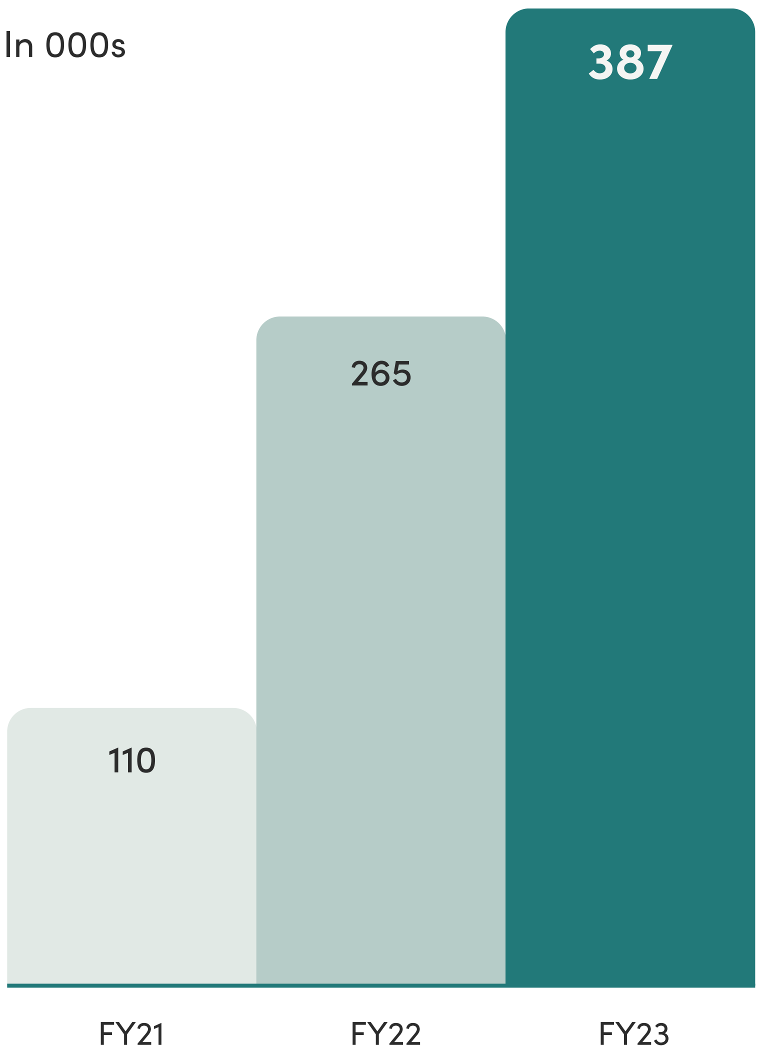
[1] Operating EBITDA excludes the Dinner Bowl closed product lines

Mad Paws 3 year growth profile

Mad Paws has grown to become Australia's Leading Online Pet Ecosystem

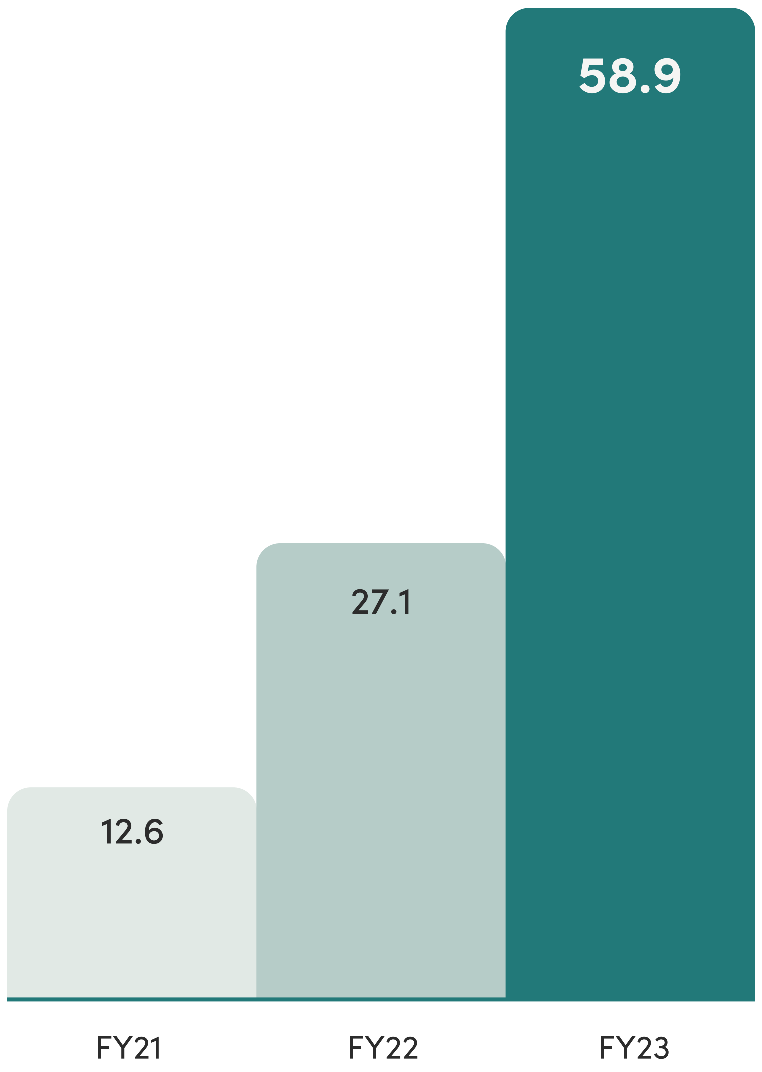
Customers acquired to date

In 000s



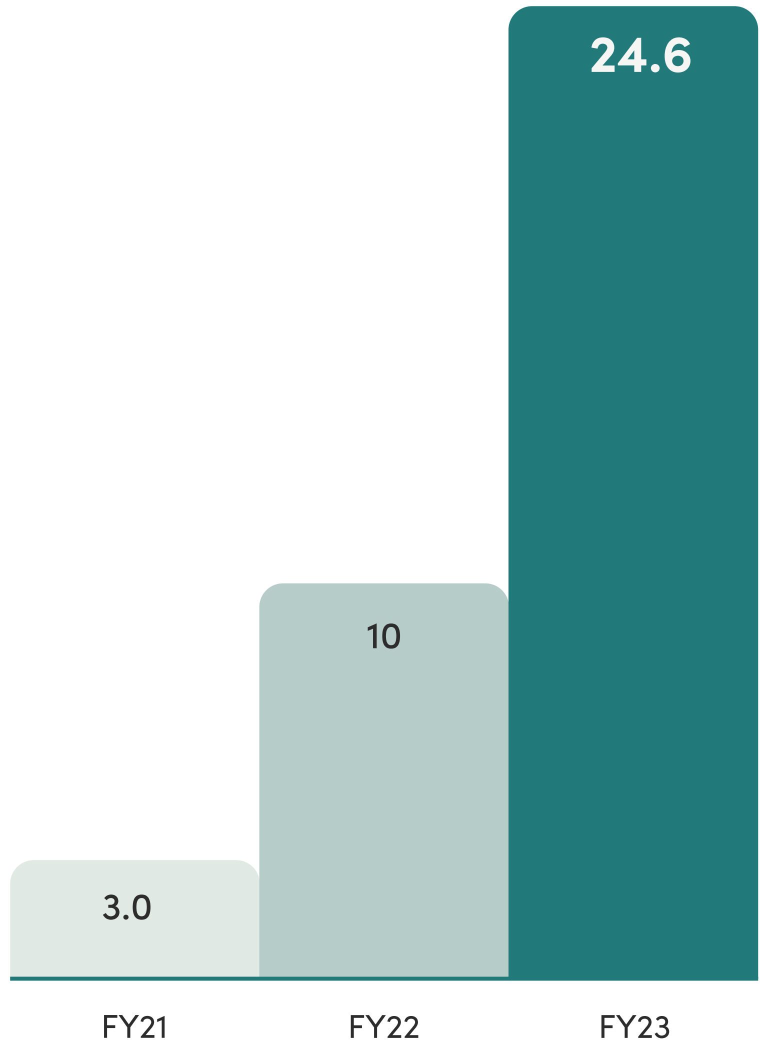
Group GMV

In $ millions



Group Revenue

In $ millions



Mad Paws FY23 Overview

FY23 was a transformational year for the Mad Paws Group as we leveraged the significant tailwinds in the pet industry. Having moved beyond the impact of COVID lockdowns in FY21 & FY22 the business rebounded strongly, acquiring record levels of new customers coupled with high customer repeat rates enabling more and more pets and their parents to live their best lives.

Mad Paws is a fast growing, capital light business, being driven by the strong tailwinds of the Australian pet sector.

Chasing improvement

Our strategy to build a pet ecosystem gained traction during FY23 as we integrated Pet Chemist into Mad Paws Group. Our pet ecosystem, across marketplace and eCommerce, has enabled us to capture larger volumes of customer and pet data, improve our targeting and segmentation. With our new data rich pet profiles we are aggregating up to 120 data points per pet, giving us a huge advantage over traditional retail businesses.

This has led to 122,000 new customers across the Group and an increased share of our customers wallet which has been a key factor in achieving strong profitable revenue growth in 2023, with group revenue of $24.6m, increasing by 145% versus FY22.

We are also continuing to build for the future with the expansion of our Pet Chemist operations in early July enabling us to improve efficiencies and grow our range. We are also investing into our digital and web platforms to provide customers with an enhanced user experience.

Just scratching the surface

Positioned as an Australian market leader, in both the pet sitting marketplace and pet medicine sectors, we believe we've only just begun to penetrate this multi-billion dollar market opportunity. As we continue to build awareness of a more holistic approach to pet ownership and care, there's no taming our plans to become the most trusted brand for our customer's pets needs.

Balancing efficiency & effectiveness

During the year, Mad Paws completed a strategic review of all business units and then implemented efficiencies across the Dinner Bowl and Waggly Shop businesses. Dinner Bowl was realigned by closing lower margin product lines and with a focus moving forward on our high margin kibble product.

The transfer of the Waggly Shop division to Pet Chemist also enabled consolidation of resources and improved efficiencies within our eCommerce division, improving the Group's profitability.

Leveraging our pet ecosystems

Moving forward in FY24, Mad Paws is seeking to deliver long term sustainable value by improving customer growth and retention, while at the same time building share of wallet and embedding customers within the Mad Paws ecosystem. Mad Paws is focused on continuing to grow its share of the Australian pet market and achieving profitability in the near term.

Our business model leaves us well positioned for accelerated growth for many years to come and creates a unique 'moat' for the business that's difficult to replicate.

FY23 results built around 3 key pillars:

Profitable revenue growth

- Maintaining high new customer acquisition rates and repeat customer rates
- Increasing our number of SKUs
- Bringing marketing resources in-house
- Improving marketing efficiency

Prudent cost management

- Streamlining operational and corporate cost base
- Expanding directly sourced products across our eCommerce division
- Improving gross margins
- Greater use of AI tools across the business

Disciplined capital management

- Re-aligning Dinner Bowl dog food product offering
- Consolidating Waggly Shop operations into Pet Chemist

A message from our Chairperson

Dear Shareholders,

I am excited to present the Mad Paws Annual Report for the fiscal year 2023. This past year, even with challenging retail conditions, has been a significant leap forward for our business. We have remained dedicated to our vision of establishing ourselves as Australia's leading pet products and services platform.

Despite the broader market conditions, we have been very pleased with the performance of our underlying business and our progress towards achieving our target of becoming EBITDA positive. We are well on track to hit this target , and are even more delighted to do so while still maintaining significant year-on-year growth for the business.

While we have realigned our growth and profitability targets, our overall ambition remains the same: to provide a broad range of products and services that make the lives of pet owners and, more importantly, their pets, more enjoyable.

The fact that we had the pleasure of serving over 434,000 customers in FY23 is a testament to our success so far.

Having successfully completed three acquisitions across FY21 and FY22, in FY23 we focused heavily on successfully integrating each of these to drive the maximum value. We worked towards our vision of becoming a single pet destination, with strong strides integrating the new brands from a data perspective, laying the groundwork for consolidating our brands under the Mad Paws Group.

Mad Paws, with its wide range of offerings including the Mad Paws marketplace, our eCcommerce division, Mad Paws toys and treats, as well as Food and Health offerings, has become a trusted destination for consumers. Customers know they can find not only everything their pets need here, but also high-quality products at a fair price.

The team launched several key initiatives this year that have made a significant difference. One example is the new Mad Paws homepage, a first step of brand consolidation, as well as the new data-rich pet profiles which now boast more than 160,000 profiles. All these steps bring us closer to our vision of a single destination for all pet-related products and services. The data we have on the pets on our platform also represents our biggest competitive advantage compared to traditional pet retail businesses.

As we look ahead, we remain confident in our ability to outperform the market. The pet industry has traditionally been recession-resilient as pet owners view spending on their pets as critical.

Given the trends of premiumisation and humanisation that we have seen in the last few years, we expect consumers to reduce spending on other discretionary goods if times get tough. Pets are part of the family, and people only want the best for their loved ones.

The foundation has been laid for a successful FY2024 where you will see us focusing on driving profitability through the expansion of our core services and products, pushing operational efficiencies and focusing on driving increased share of wallet and increasing customer loyalty. We believe in the strength of our strategy and we are confident that it will steer us towards our long-term growth objectives.

I would like to take this opportunity to thank our loyal customer base who continue to trust us with their pets' care and well-being, as well as our over 40,000 pet sitters for their assistance and support over the last few years. A special thanks also goes to our hardworking employees whose dedication and passion have been instrumental in Mad Paws' success.

In conclusion, on behalf of the Board of Directors, I would like to express my deep gratitude for your ongoing support and confidence in Mad Paws. We remain committed to serving our customers and delivering strong results for our shareholders.

Thank you,

Jan Pacas
Chairman & Co-founder

> "The fact that we had the pleasure of serving over 434,000 customers in FY23 is a testament to our success."

CEO's report

At Mad Paws, we're passionate about building the number one destination for pet parents in Australia. Our mission is to empower pets to live their lives to the fullest and we've witnessed the positive impact pets have on their owners. The advantages are truly endless and we are excited to be working with our 40,000 pet sitters and over 387,000 pet parents to make the experience for them and their pets even better in the years to come.

Despite the challenges posed by the global economic landscape, Mad Paws has shown remarkable resilience. With record GMV of $58.9 million, our revenue has grown by 145% to $24.6 million, and our monthly website visits are now above 1.3 million. Our commitment to become the most trusted and convenient brand to rely on for all your pet related needs has never been stronger.

FY23 was a time of consolidation after we made three acquisitions across FY21 and FY22. We also realigned our targets with market expectations and brought our profitability targets forward. We are now on the brink of profitability and this leaves us with a stronger platform for growth.

We executed the first steps of our brand consolidation strategy, with the launch of our new Mad Paws home page. The launch highlights the broad range of products and services Mad Paws offers and is a critical pillar of our cross-sell strategy.

FY23 was also the year in which we started our journey of building Australia's leading data rich pet database called "Links Data" and we are well on our way with over 160,000 profiles, some profiles with over 100 datapoints. This reflects the huge advantage we have with the marketplace compared to traditional retail players.

Customers have a real incentive to provide us with detailed information about their pets in their search for the perfect sitter. This presents a huge opportunity for the business and will enable us to increase our cross selling within the Mad Paws Group.

These initiatives are reflected in our cross-sell performance, up 55% up in FY23 compared to FY22. We are at the very beginning of this journey and it is great to see success so early as we build our competitive advantage on the data side.

The marketplace ended FY23 with a record $30.3m in GMV and $6.5 million in revenue +74%, compared to FY22. For the first time the marketplace achieved positive EBITDA margins of 20% for the whole of FY23, which was in line with our target range. We still see significant opportunities for the marketplace to grow from a topline perspective with international travel normalising to pre-covid levels and by improving our customer experience. The product and technology team has done a great job working with our community to identify opportunities to improve our conversion and retention metrics while making our customers lives easier. The eCcommerce division also achieved record performance levels in FY23, delivering revenue of $18.1 million, an increase of 188% compared to FY22. The integration of the Pet Chemist acquisition at the end of FY22 was a key part of achieving pro forma revenue growth of 55% for the e-commerce vertical.

This year we focused on operational excellence in our quest for profitability. This included the decision to close two of our three Dinner Bowl pet food lines. We also streamlined the processes in our two warehouses which resulted in significant improvements to our cost per order. With our new warehouse now fully operational in Tweed Heads

> "With record GMV of $58.9 million, our revenue has grown by 145% to $24.6 million, and our monthly website visits are now above 1.3 million."

we are looking forward to expanding our product range for Pet Chemist to further accelerate growth.

FY23 was a remarkable year for the Mad Paws Group, we drove significant revenue growth, while reducing our operating losses and we are well on the path to profitability. The magnificent Mad Paws team and its obsession with delivering on our purpose to enable pets to live their lives to the fullest has been instrumental in achieving these results. For FY24 the team is focused on providing our customers with an improved and fully integrated booking and ordering experience, expanding our product range and deepening our pet data. This focus, combined with efficient revenue growth, prudent cost management and disciplined management of capital will help us to continuously grow our share of the Australian pet market while achieving profitability in the medium term, driving the best outcome for shareholders.

Justus Hammer
Group CEO, Executive Director & Co-founder

Marketplace highlights

167,000
bookings
+31%

46,000
new customers
+30%

$30.3m
GMV
+64%

25.4%
take rate

$6.5m
revenue
+74%

+20%
EBITDA margin
vs -18% in FY22

Marketplace review

Our product initiatives and marketing optimisation has driven higher revenues and improvements in our operating EBITDA.

The first and largest of its kind in Australia, Mad Paws provides a safe and convenient digital platform that connects Pet Owners with trusted, local, and personalised pet care like overnight stays, day care, walks, grooming, and training.

With over 40,000 registered Pet Sitters on our platform and 2+ million pet care services completed since inception, Mad Paws is Australia's largest online pet care marketplace.

Capitalising on industry growth

In line with the rapid growth in pet ownership – with 69% of households owning a pet in 2022 compared with 61% recorded in 2019 – Australia is estimated to be spending over $33 billion per year on pet products and services.

Capitalising on increased pet ownership and pent up travel demand, we've been able to deliver record levels of GMV and new customer acquisition. Now with over ½ million pets on our database, we've never been better placed to provide the most timely, targeted and relevant products & services.

Marketplace liquidity

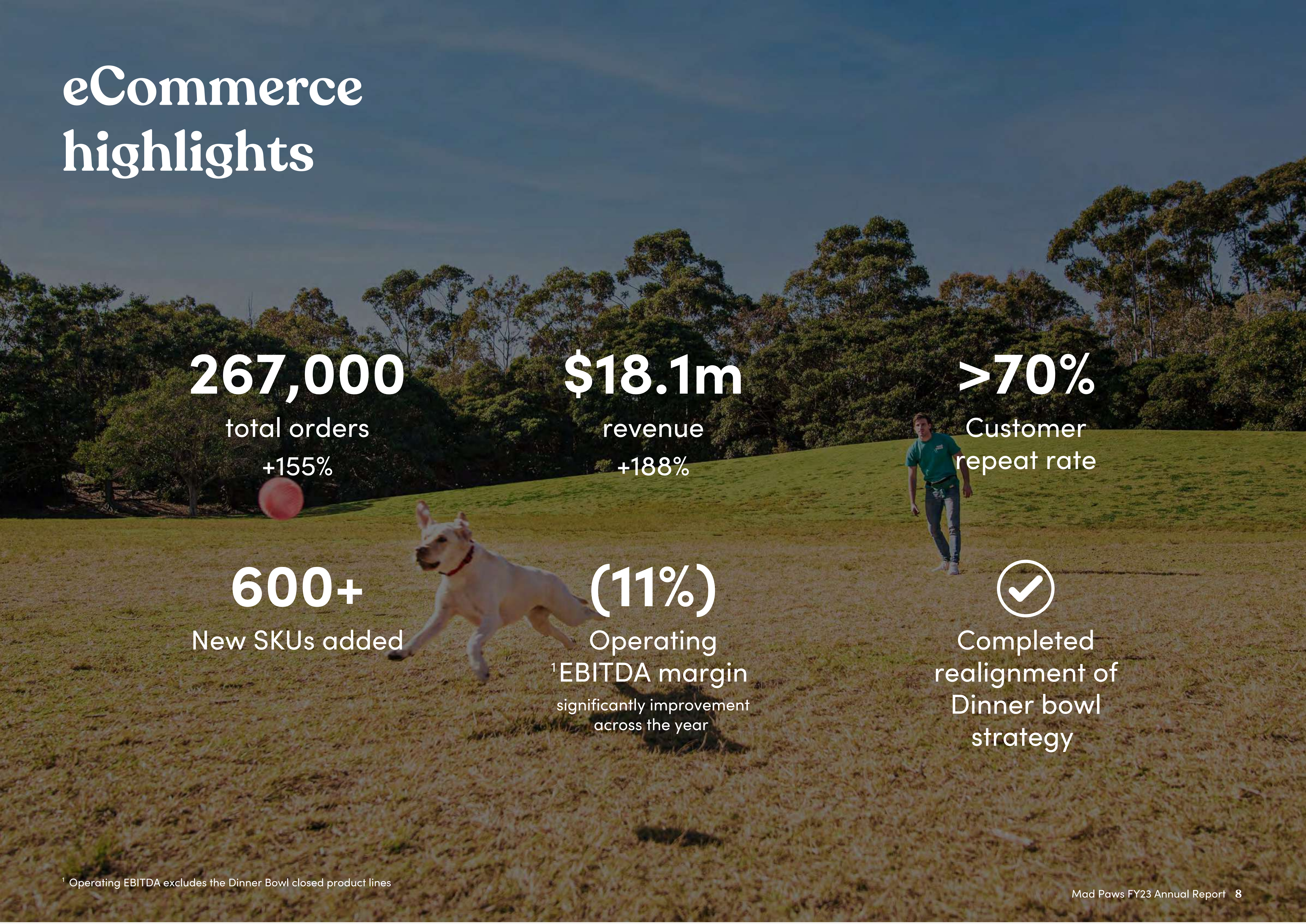
As demand on our platform has continued to accelerate we released a number of strategic initiatives to improve the quality of care provided to Pet Owners as well as the earning potential of Pet Sitters, which has been successful in attracting more sitters to our platform.

Product initiatives

- Launch of a more comprehensive Pet Profile: More detailed data capture of a pet's needs, behaviours, and expectations from their Owner meant much more targeted and accurate matchmaking with a Sitter. In addition, this provides significant data monetisation opportunities in the near term.
- Expanded use of data science & machine learning: Conversion rates improved and off-platform bookings reduced.
- Re-brand of website home page: offers a more seamless experience and coverage of all solutions within the family of brands.
- Increased website speed: Enabled a significant uplift in site traffic and conversion.

Operational initiatives

- Improved customer service efficiencies: Harnessing AI technology has resulted in a significant reduction in customer services contacts.
- Onboarding an offshore engineering team: offsetting increased inflation in the Australian marketplace, we've been able to deliver high quality, cost effective software releases in an aggressive timeline.
- Introduction of peak period pricing: Pet Sitters are now empowered to further differentiate themselves and the varying services they provide.
- Continuous development of helpful resources: Maintain our level of trusted thought leadership through the publication of 4 blog articles a month, a dedicated publication to Sitters covering educational topics and the enhancement of the Mad Paws certifications through our Trust & Safety course.



eCommerce highlights

267,000
total orders
+155%

$18.1m
revenue
+188%

>70%
Customer repeat rate

600+
New SKUs added

(11%)
Operating [1]EBITDA margin
significantly improvement across the year

Completed realignment of Dinner bowl strategy

[1] Operating EBITDA excludes the Dinner Bowl closed product lines

eCommerce review

Mad Paws eCommerce division performed strongly during FY23, delivering pro forma revenue growth of 55% and substantially improving operating EBITDA margins across the year as we finished FY23 well positioned for profitable growth in FY24.

With AusPost reporting a 21.6% increase in pet product purchases in 2022, Mad Paws were able to take advantage of the strong industry tailwinds to accelerate the growth of our eCommerce brands.

Pet Chemist

Pet Chemist is an online destination for Pet Owners to access prescription medication and over-the-counter products at substantially cheaper prices, coupled with fast, reliable delivery and exceptional customer service. The acquisition of Pet Chemist at the end of the 3rd quarter of FY22 catapulted Mad Paws into a strong starting position in FY23.

With Australians investing more than ever in their pets' health and overall wellness, Pet Chemist is capitalising on the growth of online spending in this category.

Once we completely integrated Pet Chemist into the Mad Paws Group, our marketing and cross-sell expertise has enabled Pet Chemist to accelerate its growth rate and progress towards profitability.

Growth initiatives included:

- Expanded warehouse and distribution centre: Mad Paws Group raised capital in February 2023 to support the growth of Pet Chemist including moving the Business to a much larger distribution facility in Tweed Heads with more than double the capacity of the previous facility.
- Ongoing expansion of the product range: Over 600 SKUs were added to the over-the-counter product range: contributing to over 35% of Pet Chemist's revenue growth in FY23.
- Enhancements to the website and shopping cart: The Mad Paws IT and software engineers have driven website enhancements improving subscription and add to box functionality as well as alignment to the Mad Paws brand.

Mad Paws eCommerce division delivered 55% pro forma revenue growth in FY23 and started FY24 with the warehouse capacity to deliver significant revenue and profit growth.

eCommerce review

SASH & Waggly Club

Our eCommerce brands - SASH and Waggly - delivered 300% and 50% revenue growth respectively. The exceptional performance across both brands was thanks to the success of social media acquisition campaigns, increased use of influencer marketing, as well as strong value offerings and cross-sell from other Mad Paws verticals.

SASH launched 3 new products within FY23 with all products exceeding launch expectations, with initial stock selling out in a matter of weeks. We have a clear product roadmap for SASH for FY24, with a number of new products launching in Q1 FY24.

Expansion of the SASH product range has opened up greater opportunities for increased repeat customer rates – customers who are strong advocates for this premium brand are choosing to add to their 'SASH collection' with car beds, apparel, homewares and beyond. These initiatives further expand the strong unit economics and EBITDA Margins of the SASH business.

Within the Waggly subscription model, a significant overhaul of the toy components in each box has led to strong improvements in overall gross margins. By transitioning from sourced products through wholesale channels to in-house designed and sourced toys, Waggly has been able to maintain consistent product quality while also significantly enhancing its bottom line.

Re-alignment of Dinner Bowl

After completing a strategic review of our operations, the decision to re-align the Dinner bowl strategy was key to implementing a more disciplined capital allocation strategy. Ceasing production of raw and lightly cooked pet meals and focusing on dry kibble under the Pet Chemist Online brand enabled a re-focus of resources within the Dinner Bowl business. This strategy has moved us closer to achieving our goal of EBITDA break even for the eCommerce segment and the Mad Paws Group as a whole.

13x

growth and no sign of slowing down

The Sash brand has been on an incredible growth trajectory!

Environmental, social and governance

EMBARKING ON A MORE SUSTAINABLE FUTURE

Sustainability is one of our core business pillars. We're committed to playing our role in reducing our carbon footprint, as well as finding innovative ways to further improve the sustainability of our products and offerings. By 2025, we aim to neutralise our carbon emissions and offset what we cannot eliminate.

What we achieved:

At April 2023 our near-term goal was to replace three of our largest sources of single-use plastic with a biodegradable alternative, including: Mailing satchels, packing tape, and pallet wrap. We are pleased to report that all three items have been replaced with a biodegradable alternative that will breakdown naturally when buried in landfill.

What it means for our footprint:

This is a significant step in our sustainability strategy by decreasing our carbon footprint and reducing the amount of plastic that we use with carbon neutral satchels and packaging tape.

What's next?

- Improved waste management: Reviewing how we manufacture, process and pack our products, and making in-roads in reducing unnecessary elements.
- Moving to green power: Installing solar panels on our warehouses and production facilities. Where solar panels are not feasible, we'll move to purchase green power.
- Partnerships: We've begun working with our strategic partners to find better methods and processes that are inherently more sustainable.
- Manufacturing & Packaging: This makes up the largest portion of our footprint, so we're already testing and trialling new materials and packaging made from recycled or compostable materials.

Read more about our sustainability initiatives

Pictured: Darajat Geothermal, Indonesia. One of the many projects being supported by this initiative.

MORE THAN JUST NUMBERS ON A PAGE

3717
The number of trees planted across the Mad Paws Group, to help create a greener future.

80%
The percentage of carbon we've offset to date for the Mad Paws Group.

8
The number of hours we offer every employee yearly, to spend giving back to the community.

2025
The year that the Mad Paws family of brands plan to offset 100% of their emissions.

INCLUSION & DIVERSITY

Mad Paws is committed to providing a workplace underpinned by respect in all circumstances. A proud LGBTQIA+ inclusive organisation, fair play and equal opportunities are in our DNA. This same sentiment applies to gender, where there is a conscious effort to empowering and championing for more women in leadership.

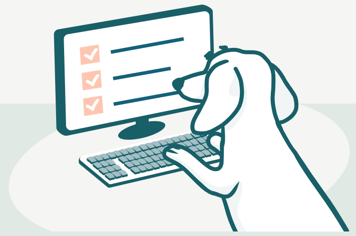
"We strive to create an environment of authenticity, respect and inclusion. A place where people can focus on solving real challenges rather than spending time trying to fit in." – Justus Hammer, CEO

58% Female workforce

Employment across the globe

65	44	16
Australia	Philippines	Other

Environmental, social and governance



ANIMAL WELFARE

Mad Paws are proud sponsors and supporters of the RSPCA, with education and resources dedicated to reinforcing the work that they do across Australia to help fight against animal cruelty.

RSPCA

Including the RSPCA Million Paws Walk, where we raised $1,900, Mad Paws 'spread the word' through our owned channels to our database of 487,000 Pet Owners, Sitters & animal lovers.

More on this space to come in FY24 and beyond...

INFORMATION SECURITY

As part of our ongoing and deepening partnership with our primary IT infrastructure supplier, we've undertaken 'well-architected' reviews of our infrastructure and business practices to ensure we maintain an appropriate level of security by design.

Furthermore, to ensure the highest level of protection, we have implemented a third-party secure Software-as-a-Service (SaaS) platform to store all customer identity document scans.

"Recognised for its best-in-class cybersecurity practices, this platform has been specifically designed to meet rigorous security standards and provides an additional layer of protection for sensitive information." – Phil Douglas, CIO Mad Paws

It employs a range of advanced security measures, including encryption, access controls, and regular security audits, to safeguard your data against unauthorised access or breaches.

MAD PAWS HOSTS THE FIRST EVER WALK WITH PRIDE EVENT

Exemplifying our commitment to inclusivity, Mad Paws showed support for the LGBTQIA+ community by organising a remarkable 'Walk with Pride' event in conjunction with World Pride 2023 in Sydney. This event served as a powerful platform for celebrating diversity, equality, and acceptance, while also promoting pet companionship and well-being.

With this event, we were able to demonstrate our dedication to creating a safe and welcoming environment for all, where individuals from different backgrounds could come together, united by their love for pets and shared values.

COMMITMENT TO CULTURE

With staff working in different locations and timezones, commitment to culture is a key driver in ensuring community. Our 'Culture Club' meet monthly to identify areas of opportunity or improvement.

Built into the state of play for employees are regular 1:1s with their immediate Manager, and 360 degree performance reviews. Plus, support for staff wellbeing through 'bad hair days', pawternity leave and charity leave.

Based on virtual hi-5s shared on our central communication platform, one employee is recognised each month and is gifted a $50 voucher for their high performance, as voted by their peers.

Through continuous focus and improvement in employee culture, our Employee Net Promoter Score improved from 23 to 25 in the 6 months to FY23.

It's all in the name

The 3 most popular pet names on our platform are:

1. Luna
2. Charlie
3. Milo

Group Strategy

> **"Building Australia's number one destination for pet parents."**

Mad Paws blended marketplace and e-Commerce model enables us to take advantage of the attractive benefits of each platform.

We are here

Horizon 1
FOUNDATIONS

- Marketplace Leadership
- Differentiation of revenues
- Build data foundations

Horizon 2
BUILD THE BRAND

- Single Destination
- Data driven cross-sell
- Cover more of the pet life-cycle

Horizon 3
EXPANSION

- Internationalisation
- Data commercialisation
- Home brand strategy

Building a highly engaged, data-rich community across the pet lifecycle

1.1 mil
Subscribed Pet Owner e-mails

1.3 mil
Monthly website visits

40,000
Brand ambassadors: Pet Sitters and Dog Walkers

70%+
Customer repeat rate

Our passionate and loyal pet sitting community are a key part of building a trusted brand.

Our research shows...

Mad Paws customers are highly engaged because of the personalised care their pet receives, the access they have to helpful pet ownership information, and the relevant products & services available when they need them.

- Large valuable community of pet owners who travel
- Multi channel touch points
- Pet parents: pets are part of the family
- Highly trusted brand, leading the charge in pet care

Based on our pet profile data...

160k Unique pet profiles created since November 2022

30% of pets have some sort of health problem

25% of pets have some level of separation anxiety

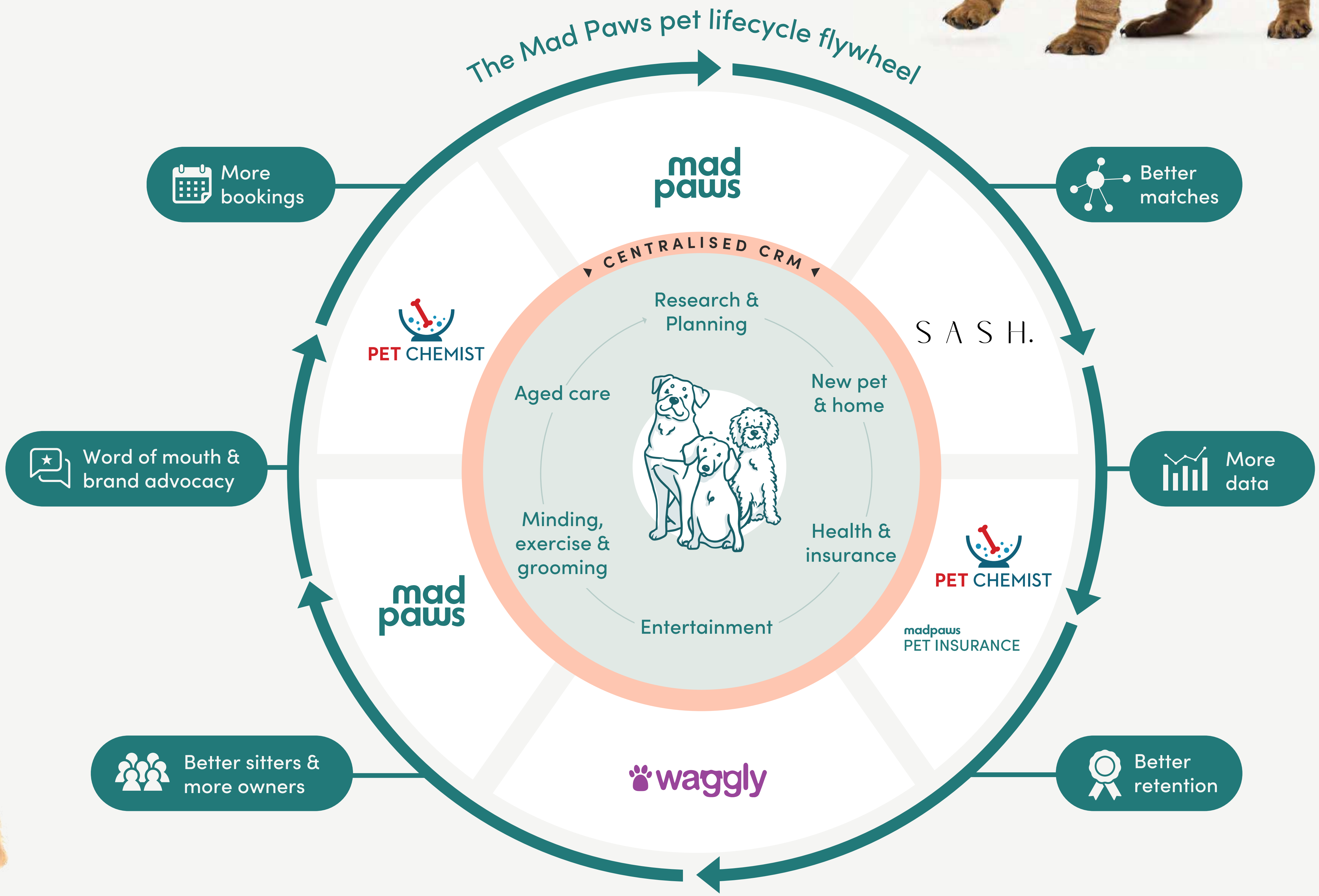
70% of owners have difficulty walking their dog in public

Breadth and depth of our data create an unrivalled competitive advantage

Where personalised care is priority, Mad Paws leverages its multiple verticals to connect with Australian Pet Owners across every stage in the pet lifecycle.

Anchored by our significant first-party data points, we're able to seamlessly attract, engage and delight customers.

- Allows us to capture a larger customer network - more products equals more solutions and more data
- Enabling greater scope to achieve maximum value from owned and earned data



We've had a brand visual overhaul

In January 2023 we unveiled our first brand refresh since inception of Mad Paws in 2016.

The driving force behind this refresh was to enable the family of brands to emerge as a unified Group ready to embark on the next chapter and future direction as a one-stop-shop for pet care in Australia.

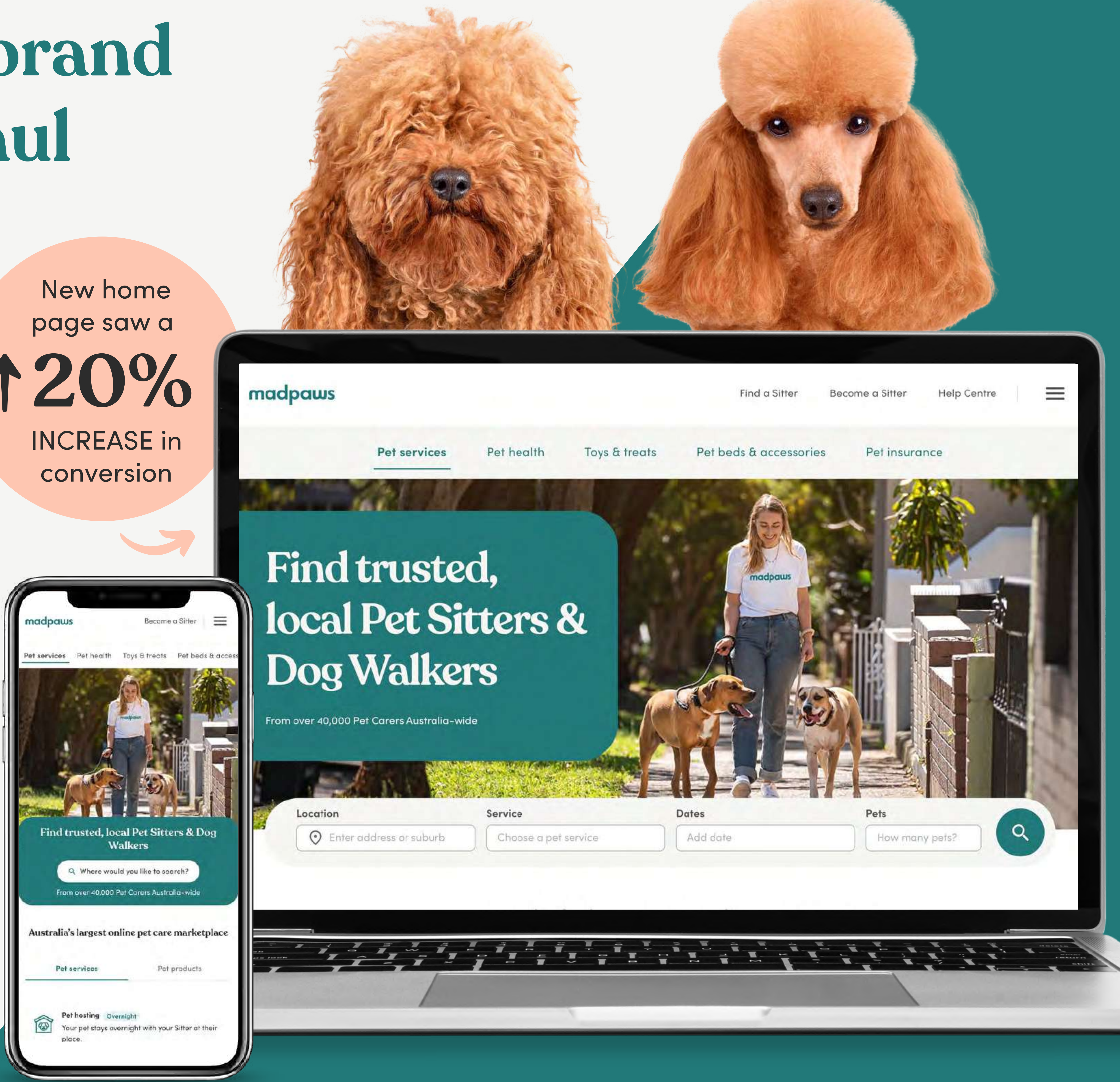
New home page saw a ↑20% INCREASE in conversion

With the brand refresh came a new Mad Paws Group tagline 'Your pets' best life. Sorted.' which aims to signify the solutions the family of brands can offer a family pet across every touchpoint in the life cycle.

MAD paws

↓

madpaws



The positive impact of pet ownership remains strong

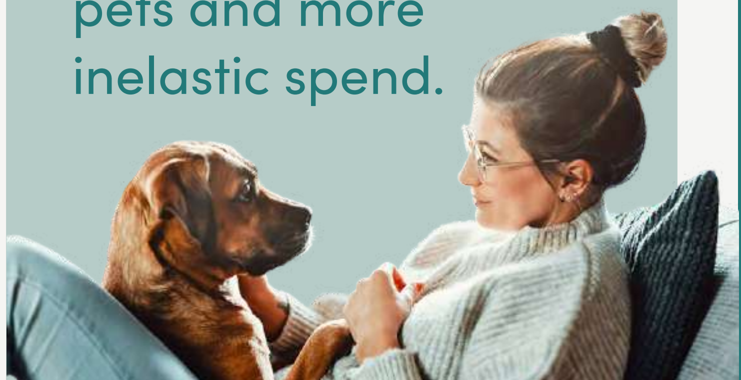
The pet market boom is resulting in a high growth, recession-proof market

73% of all households would like to add a pet to their family. This tells us that pet ownership is becoming a way of life for most Australians, estimated at 7.3 million households.

85% of pet owners say their pet has vastly improved their lives.

Part of the family

Owners nowadays have a more human-like relationship with pets and more inelastic spend.



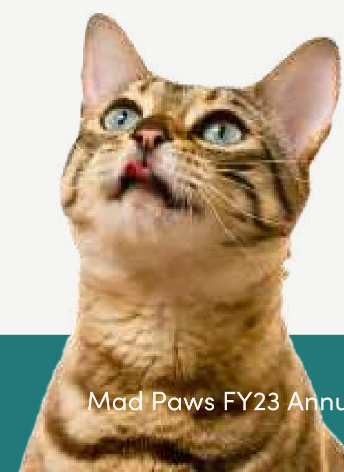
Pet humanisation and premiumisation are driving spend

- Prioritisation of pet needs
- Increasing spend per pet
- Increasing spend on pet products and services
- Recession resilience

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

Dog
$3,237 pa

Cat
$2,074 pa



Customer feedback builds trust and loyalty across our community

As a barometer of product acceptance and effectiveness, for us, customer reviews and feedback are central to our Group's value proposition and longterm growth growth. It's authentic, unbiased feedback from real customers that has been pivotal in building trust and loyalty, assuring potential buyers of quality and reliability – particularly pertinent when we entered but also as we grow in the eCommerce space.

PRODUCT REVIEW .COM.AU

4.7 ★ Rating

2,598 reviews

madpaws

★★★★★

They were amazing.

Mad Paws put in contact with the best, kindest caring sitters for my dog while I was away and at such short notice. I will definitely be using them again.
- Jade G. (QLD)

★★★★★

Great service and experience.

It's hard to leave your beloved pet with someone you don't know, Mad Paws is a great service to find reliable, friendly and amazing walkers/sitters for your furry friends.
- Rupp Z. (VIC)

PET CHEMIST

★★★★★

Amazing price difference!!

I bought a medicine for my dog through this website, and the price difference was amazing almost half price.
- Alexandra M. (NSW)

★★★★★

Medication for my fur baby

Cheaper than buying through veterinary hospital. Efficient delivery. Great service.
- Sherry B. (TAS)

waggly

★★★★★

It's a win win!

Kodi goes nuts for his Waggly box and gets a major case of the wiggly butts when he sees it! Seeing his excitement makes it feel like a present to myself too, so win win!
- Nicolena R. (VIC)

★★★★★

My favourite day!

When my Waggly club subscription box arrives and I get to see which new lil treats and toys are waiting for me.
- Cookie (SA)

SASH.

★★★★★

Thank you so much SASH!!

Bear has NEVER been so content and relaxed, I'm actually still so surprised at the difference in him 4 weeks in.
- Emma E.

★★★★★

MY PUPS ARE OBSESSED!!

The hype is real and 100% worth it!! I kept seeing these ads pop up and bought two for my pups and obsessed is an understatement, they literally don't move from the bed!
- Natalie (QLD)

Meeting the needs of Pet Owners

The Mad Paws family of brands allows us to offers solutions to Pet Owners throughout the entire lifecycle, providing the best available pet care where and when they need it.

Australia's most looked after pet is a Dachshund named Daphne with **146** bookings this year alone!

OWNER PERSONA

Meet Jodie

OWNER OF ADULT-AGED BORDER COLLIE, *HENRY*

Jodie is a Mum with full time employment. She values her time over her finances, and wants to create a healthy and happy lifestyle for her and her kids.

Her goal is to keep the household running smoothly, so time efficiency is paramount. She's on the hunt for someone to walk Henry 3 times a week while she gets onto other errands with her kids.

Mad Paws has solved a few problems for Jodie:

Henry has stopped digging holes in the backyard and playing up due to boredom.
Jodie no longer feels overwhelmed with juggling the demands of a busy household.

Jodie benefits from easy access to multiple products & services under one roof:

madpaws

Jodie opts for a repeat weekly booking (RWB) = set & forget

PET CHEMIST

Convenience of online ordering interval medications (probiotics, and flea, tick and worm treatments)

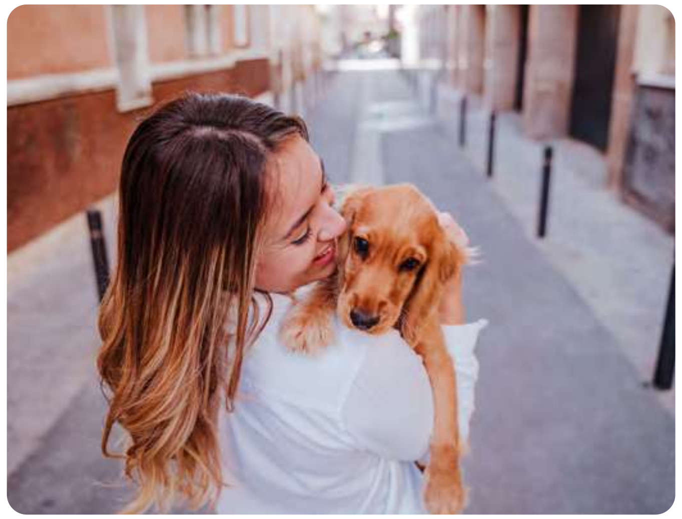
SASH.

Henry's Sash bed settles any anxiety and provides support for his muscles & joints

waggly

Gives Henry enrichment (and distraction) when the house is empty during the day

OWNER PERSONA



Meet Emma

OWNER OF PUPPY COCKER SPANIEL, *PEPPER*

With no children, Emma's dog is her fur baby. She has a demanding full-time role and travels for work, so trust-worthy and reliable support is key.

Her goal is to provide the best life for her pet, which means no expense spared.

Mad Paws has solved a few problems for Emma:

Pepper is regularly cared for by a Pet Sitter she is familiar with, who can maintain the same routine Pepper is used to. Emma can fulfil her work duties while still providing the best of everything for her fur child.

Emma is the ideal candidate for the latest and greatest that will enhance her pet's life:

madpaws

Access to booking the same Sitter means reliability and convenience, and feels assured with the insurance cover that comes with each booking

PET CHEMIST

Having dog food delivered makes it easy for Emma to source the best quality food without having to leave the house

SASH.

Emma's invested in a Calming Bed for when Pepper stays with a Sitter, and a stylish Boucle bed for when she's home

waggly

Because Emma lives to spoil her dog, Pepper receives a constant supply of toys & treats (that Emma promotes on her socials)

Pet Sitter tails of success

With over 40,000 Pet Sitters providing personalised care for Aussie pets, Mad Paws Group has a strong network of brand advocates that benefit from a part time income stream

Walking the walk!

Our sitters have completed

27,688

dog walks this year!

That's **14** trips from Sydney to Perth!

SITTER PROFILE

5.0 (524 reviews) 79 repeat guests

Meet Aylie

View sitter profile

PART TIME MAD PAWS PET SITTER

Aylie has always loved animals and wanted to share her love by caring for as many as she could.

As one half of the dynamic sitting duo with her Mum, she began pet sitting from a young age and it's given her the ability to buy her first car and save for a house, all while completing distance education and graduating high school.

What's your best sitting story?

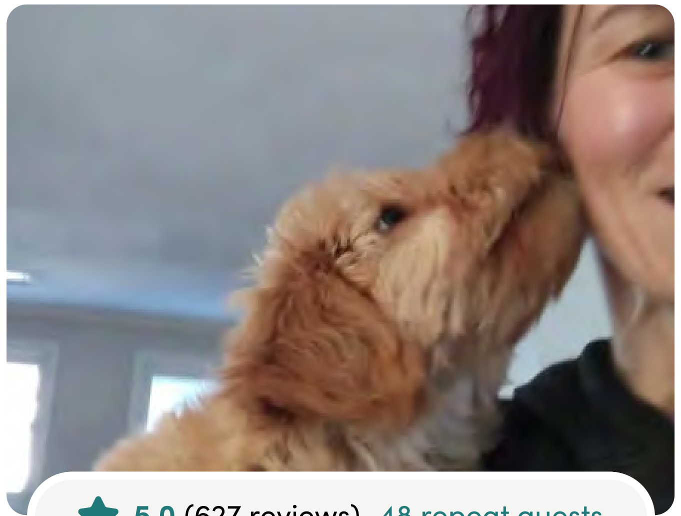
I don't have one particular story, but we actually own a Border Collie named Sassy that used to be a client of ours and now she has been a part of the family for years! We wouldn't have met her if it hadn't been for Mad Paws and we are so grateful for the opportunity to have her come about.

> "It fits my overall lifestyle super well. It's an easy way to save money on the side doing something I love. I've been able to make extra money on top of my other job because it's extremely flexible, and you are your own boss so it teaches you lots of business skills and communication skills."

What's been the most fun or best bonding experience with a pet?

Bonding with the quiet or shy dogs is always so special, there is something so personal about caring for dogs at your house especially when it's for long periods and they get super comfortable being part of your family.

SITTER PROFILE



5.0 (627 reviews) 48 repeat guests

Meet Helen

View sitter profile

PART TIME MAD PAWS PET SITTER

Helen hadn't really considered pet sitting before she came across Mad Paws. Helen and her family have always loved animals, so the thought of getting paid to walk dogs was very appealing. The flexibility also allows her to choose the hours and days she works to fit in with her other responsibilities.

Financially, Helen has turned her Mad Paws Pet Sitter job from a side hustle into a regular income. Taking advantage of the peak holiday periods also allows her to pick up more work and increase her earning potential.

For Helen, pet sitting has become a family affair, with her husband and kids finding joy in caring for pets that come to stay!

> "So many people have heard of Mad Paws and it's got a great reputation. I don't need to do any advertising as the platform does it for me and it's a safe and secure way for pet owners to find my services. I've always found the interactions with the Mad Paws staff to be really positive and helpful too."

What's your best Sitter story?

Nothing specific, but I do lots of fun things for owners because I know they'll appreciate them, and it can help them to feel at ease while they're away from their pets.

I've done video calls with owners so they can say hi to their pets. I also have fun little dress-up photo shoots. One rabbit owner went on a month-long holiday to Europe and for each country she was in, I printed flags to decorate the bunny hutch and made little paper hats for the bunny to wear!

Pet Sitter tails of success

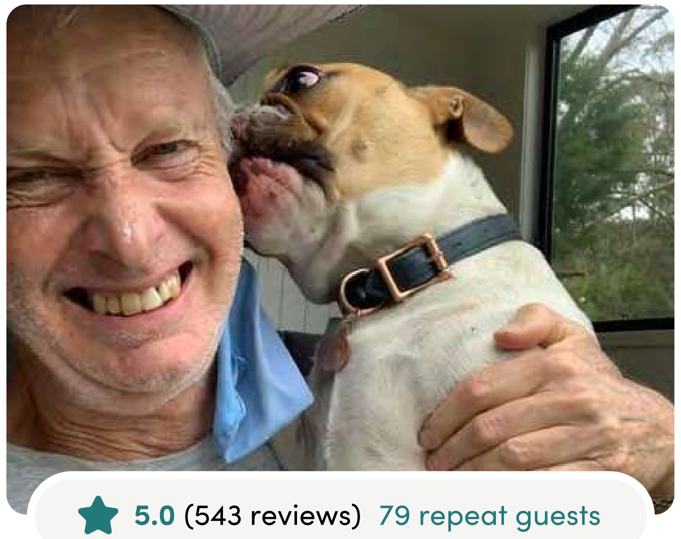
With over 40,000 Pet Sitters providing personalised care for Aussie pets, Mad Paws Group has a strong network of brand advocates that benefit from a full time income stream.

More than just a side-hustle!

The highest amount a Pet Sitter has earned in a month is:

$8189 (In December 2022)

SITTER PROFILE



5.0 (543 reviews) 79 repeat guests

Meet Charles

View sitter profile

FULL TIME MAD PAWS PET SITTER

Charles has been a stay-at-home Dad for many years but once his kids became teenagers, he had more spare time. He didn't want to go back to a 'normal' full time job and still needed some flexibility to juggle home life. After discovering Mad Paws, it was a perfect fit! From his first booking, he fell in love and has since built it into a flexible full-time job.

What Charles finds most fulfilling is his lifestyle. Getting paid to walk dogs in beautiful waterside locations while getting exercise and fresh air. And, when he has pet stays (sitting at the pet's house), he likens it to having a mini vacation with a change of scenery and new furry friends!

The satisfaction Charles gets from meeting wonderful pets and knowing that his clients are able to enjoy their holidays with peace of mind.

> "I'm always putting myself in their shoes and so give lots of communication, videos and photos etc. so they can know their pets are being cared for as if they were my own."

What's been the most fun or best bonding experience with a pet?

I have a lovely, affectionate dog I sometimes sit called Chevy. He's a big heavy boy and loves to come in the bed with me and gives me about 6 inches of room on my side of the bed and also snores - but he is adorable :)

What's the most unique request you've had from an Owner?

A house access problem where they unintentionally double locked a door when they usually use just one key - and gave me instructions on how to 'break in' through the kitchen window!

SITTER PROFILE

5.0 (443 reviews) 36 repeat guests

Meet Imeia

View sitter profile

FULL TIME MAD PAWS PET SITTER

Imeia became a Mad Paws Pet Sitter when her two boys started school. She needed to find something flexible to work around her schedule. Being able to organise her own work hours and calendar means she can still do the school runs, juggle life admin, and block out days when she needs time off.

Imeia's pet sitting bookings have allowed her to afford holidays and her two kids' tuition.

> "I choose Mad Paws because of the help and guidance I receive. I feel at ease if I need any assistance."

What's your best sitting story?

I looked after a covid puppy once. He was so scared to step out of his bed, not eating or drinking and even refused treats from me. I have to bring him water to prevent dehydration and hand feed his food. After a day or two he started to pluck up the courage to come to me, and after 2 weeks staying with us he became a new dog.

Socialising with other dogs and becoming a much more confident dog. The transformation shocked the owner. He was so worried before as his dog was so timid, and now he plans his holiday around my time. To make sure I can look after his fur baby.

What's the most unique request you've had from an Owner?

I was in the park once with my dog, I saw a dog running towards me from the opposite side dragging the owner. And I realised it is one of my regulars. The dog knew from afar that I was in the same park with him and he ran to me. I felt very loved.

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Directors report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Mad Paws') consisting of Mad Paws Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023 (the 'FY2023').

Directors

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

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

Principal activities

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

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

Review of operations

The FY2023 was a transformational year for the Group as it continued to leverage the benefits of increased scale, number of active customers and cross selling opportunities across the unified Mad Paws brand. The pet industry continued to experience significant tailwinds with core sectors remaining recession proof while the broader discretionary retail sector faced challenges. The Group continued its strong rebound following COVID lockdowns in FY2021 and FY2022, delivering record revenues, acquiring record levels of new customers coupled with high customer repeat rates, enabling more and more pets and their parents to live their best lives.

The Group's strategy to build a pet ecosystem gained traction during FY2023 as we completed the full integration of Pet Chemist into the Group, leveraged the sector tailwinds of pet ownership and the post COVID rebound in travel, as well as executed on our 3 key pillars.

- Profitable revenue growth;
- Prudent cost management; and
- Disciplined capital management.

In FY2023, the Group achieved a number of operational milestones supporting the financial results reported:

- The marketplace division focused on improvements to the search experience for our pet owners as this provides a significant opportunity to increase booking growth in a cost-efficient manner. This included major upgrades to our website, customer service and enhanced search filters;
- In the marketplace division we launched our ‘Pet Stepper’ program which is a data collection tool that aims to empower owners and sitters with detailed information about the pet and to facilitate a better match between sitters and owners. This represents a significant competitive advantage for the Mad Paws Group and will be a key area of focus going forward;
- The marketplace team made a number of significant upgrades to the search ranking algorithm or SRA during the year which saw conversion rate improvements between 5% to 10% compared to the pre change performance. In the second half of FY2023, the Group launched a machine learning SRA, to significantly increase the velocity of SRA iterations and hence greater customer conversions;
- The e-Commerce division vastly increased the number of private label products offered, with resulting increases in margins, repeat customer order rates and average basket size. This included a number of products in the Sash and Waggly ranges, the latter now almost entirely Mad Paws products;
- In the e-Commerce division, Pet Chemist underwent a major operational upgrade with a move to a much larger, integrated operating hub, warehouse and distribution centre, completed in early July 2023. This has enabled a growth platform to grow the products offered from 2,000 to 3,000 SKUs;
- In the e-Commerce division, the Dinner Bowl business was refocused into a more profitable operation, by ceasing sale of lightly cooked pet food and growing the kibble component of the business;
- A number of cross selling initiatives were implemented, led by a move to a common Mad Paws branding and single website, all designed to enable an enhanced customer experience and cross selling opportunities;
- A number of new partnering initiatives were advanced to drive customers and add new revenue opportunities; and
- Completed a $3.6 million capital raising which attracted a number of new shareholders.

As a result of these initiatives, the Group reported FY2023 revenues of $24.6 million, a 145% increase on FY2022, and the loss for the Group after providing for income tax amounted to $7.479 million (30 June 2022: $10.510 million).

Group financial performance

As a result of the growth strategies initiated, the FY2023 Operating revenue increased by 145% to $24.6 million, with marketplace revenue increasing 74% to $6.5 million and the e-Commerce division revenues increasing 188% to $18.1 million (FY23 saw the full year integration of Pet Chemist business vs 3 month result in FY22). As the Group focused more on near term profitability, the unprofitable lightly cooked and raw product lines were closed. Excluding FY2023 revenues from these closed lines, Group revenue increased by 136% in FY2023 with operating EBITDA improving by 50% compared to FY2022 with a loss of $4.1m million.

In FY2023, the Gross Margin also increased by $5.9 million to $10.9 million, a 117% improvement versus FY2022. The Group’s Gross Margin was 44%, down from 50% due to the e-Commerce segment increasing to 74% of Group revenue, up from 63% in FY2022. At a segment level, the Group achieved improved margins in FY2023 with the Marketplace division Gross Margin increasing to 94% an increase of 1 percentage point and the e-Commerce division Gross Margin increasing by 12% to 27% (excluding closed Dinner Bowl product lines) from 24% in FY2022. This Gross Margin improvement in the e-Commerce division was a result of the direct sourcing strategy in the Waggly and Sash verticals as well as delivery and freight cost optimisation.

The FY2023 Group Operating EBITDA was ($4.7 million) or ($4.1 million) excluding the closed Dinner Bowl product lines, an improvement of $3.3 million from FY2022. The directors consider operational EBITDA to reflect the core earnings of the Group. 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 Group has outlined its performance under this metric and provided a reconciliation to the reported loss after tax in the results summary below and in note 4.

In FY2023, the Group made significant strides towards positive Group Operating EBITDA, led by profitable revenue growth across all segments and focusing on the key strengths of the business. Looking ahead, the directors believe there is a clear pathway to achieving positive Group Operating EBITDA.

The improvement in FY2023 Group Operating EBITDA was driven by the following factors:

- EBITDA Margin improvement to (5%), compared to (39%) in FY2022, including:
  - Marketplace division 20% EBITDA margin, delivering $1.3 million positive EBITDA or a 300% improvement versus FY2022.
  - e-Commerce EBITDA loss improved to $2.6m, a 20% improvement on FY2022, resulting from disciplined capital allocation across FY2023. This included overall savings following closure of loss-making Dinner Bowl product lines, which accounted for $0.6 million EBITDA loss in FY2023.
- Central and corporate costs decreased by $0.8 million a 18.5% reduction year over year. The focus on prudent cost management optimised the corporate headcount and overhead structure.

Non-operating items

Non-operating items increased $0.6 million in FY2023. This was a result of lower R&D tax rebates, reduced COVID related government support and an additional $1.0 million of amortisation expenses related to the Pet Chemist purchase consideration. These were offset by lower share-based payment expenses of $0.5 million, down from $1.1 million in FY2022, and a $0.5m million reduction in expected earn out payments related to acquisitions completed in previous years.

In addition, the Group had impairment costs of $0.5 million relating to the closure of Dinner Bowl product lines.

Group FY2023 Financial Performance – Reported and Adjusted ($000)

	F22	FY23 reported	Change $'000	Change %	FY23 DB adjusted*	Change $'000	Change %
Marketplace	3,740	6,516	2,777	74	6,516	2,777	74
Ecommerce & Subscription	6,291	18,099	11,808	188	17,144	10,853	173
Operating revenue	**10,031**	**24,615**	**14,585**	**145**	**23,660**	**13,630**	**136**
Costs of goods sold	(5,036)	(13,755)	(8,719)	(173)	(12,982)	(7,947)	158
Gross margin	**4,995**	**10,860**	**5,866**	**117**	**10,678**	**5,683**	**114**
% of revenue	*50%*	*44%*			*45%*		
Marketing	(3,316)	(3,841)	(524)	(16)	(3,776)	(460)	(14)
Employment costs	(4,215)	(6,285)	(2,070)	(49)	(5,821)	(1,607)	(38)
Other opex	(1,331)	(1,955)	(625)	(47)	(1,647)	(315)	(24)
Segment Operating EBITDA	**(3,867)**	**(1,221)**	**2,647**	**68**	**(566)**	**3,301**	**85**
% of revenue	*(39%)*	*(5%)*			*(2%)*		
Central corporate costs	(4,341)	(3,540)	800	18	(3,541)	800	(18)
Group Operating EBITDA	**(8,208)**	**(4,761)**	**3,447**	**42**	**(4,107)**	**4,101**	**50**
% of revenue	*(82%)*	*(19%)*			*(17%)*		
Non-operating and non-cash items	(2,390)	(2,969)	(579)	(19)	(2,969)	(579)	24
Loss before income tax benefit	**(10,598)**	**(7,730)**	**2,868**	**27**	**(7,076)**	**3,522**	**33**
Income tax benefit	88	251	163	186	251	163	186
Loss after income tax benefit	**(10,510)**	**(7,479)**	**3,031**	**29**	**(6,825)**	**3,685**	**35**
<u>*Group Key Performance Metrics*</u>							
GMV $'000s	27,119.9	58,854.2	31,734.3	117%	57,803.3	30,683.3	113%
Bookings/Transactions 000s	232.4	434.6	202.2	87%	426.8	194.4	84%
New Customers 000s	64.4	122.3	57.9	90%	121.6	57.2	89%

**FY23 DB adjusted represents existing products and services only - excludes Dinner Bowl product lines which were closed in FY2023.*

Notes:

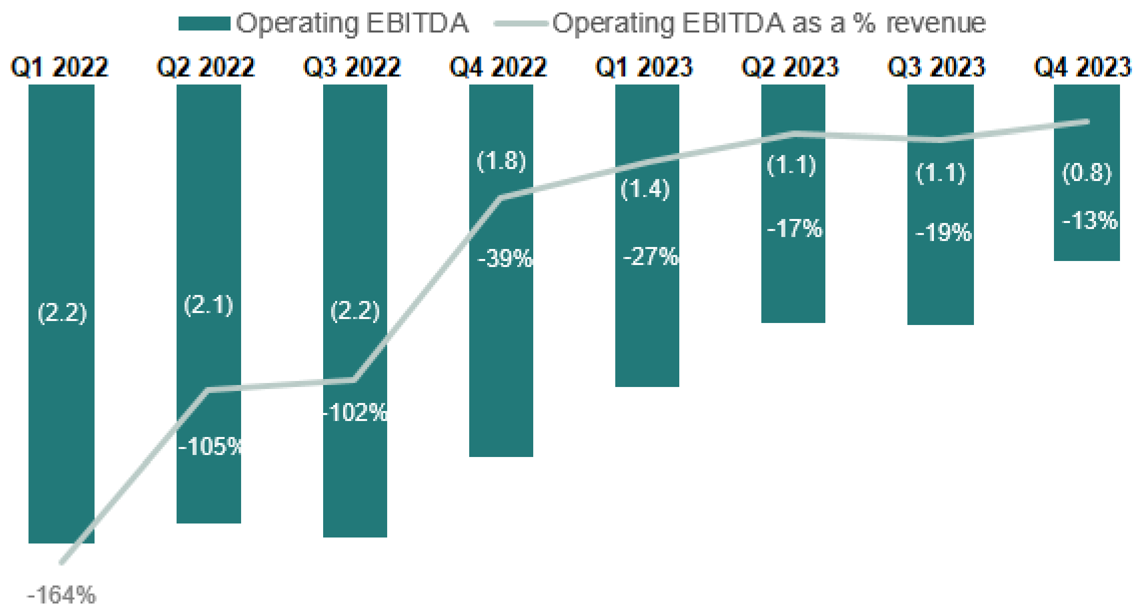
1 *In the MPA Group operating P&L promotional $29,600 (2022: $204,825) off offers are added back to revenue and treated as a marketing expense.*

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.*

Group Operating EBITDA – Quarterly performance

The Group has continued to implement strategies to manage and minimise seasonality in trading, with the growth and consistency in the e-Commerce business starting to offset the high demand periods in the Marketplace division resulting from the Christmas and Easter holiday seasons.

Group Operating EBITDA ($m) – FY2023 and FY2022



Segment performance overview

The Group's core segments being the Marketplace division (for pet sitting and related services) and the e-Commerce division (for pet products sold under the Pet Chemist, Waggly, Sash and Dinner bowl brands) are reported below.

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Marketplace division

	FY22	FY23	Change $'000	Change %
Operating revenue	3,740	6,516	2,777	74
Cost of goods sold	(254)	(403)	(150)	(59)
Gross margin	**3,486**	**6,113**	**2,627**	**15**
% of revenue	*93%*	*94%*		
Marketing	(1,408)	(1,688)	(279)	(20)
Employment costs	(2,042)	(2,143)	(101)	(5)
Other opex	(701)	(950)	(249)	(36)
Segment Operating EBITDA	**(665)**	**1,332**	**1,998**	**300**
% of revenue	*(18%)*	*20%*		
Marketplace Key Performance Metrics				
GMV $'000s	18,487.8	30,287.5	11,799.7	64%
Take rate %	24.7	25.4	0.7	3%
Bookings 000s	127.4	167.1	39.7	31%
New customers	35.2	45.7	10.5	30%
Average booking value	145.1	181.2	36.1	25%

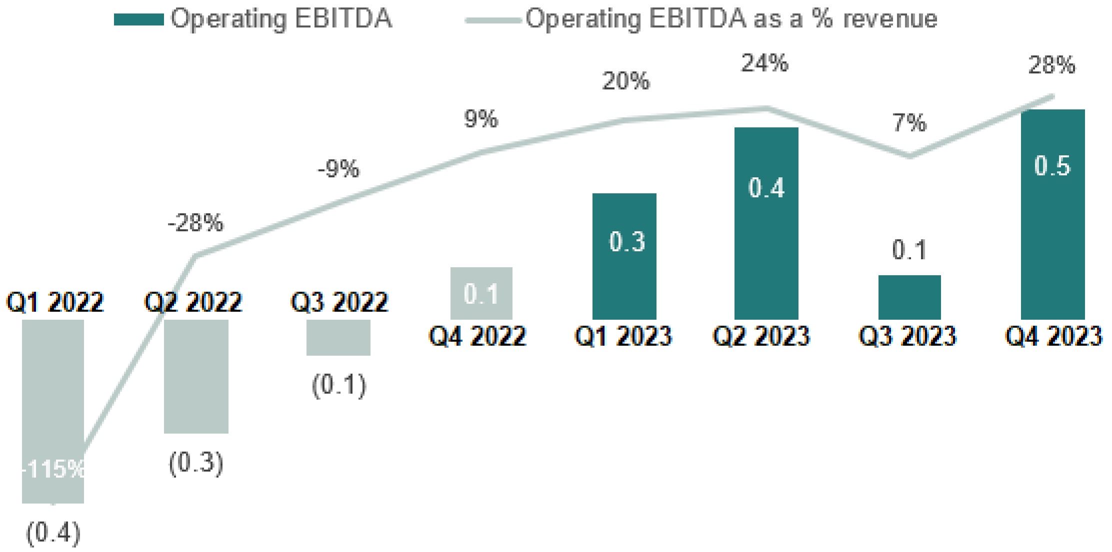
In FY2023, the Marketplace division delivered 74% operating revenue growth to $6.5 million. This growth resulted from a 31% increase in bookings versus FY2022, with average time unit per booking trending back toward pre-COVID levels up 13% and average price per time unit increasing 12%. Overall, this led to a 64% increase in marketplace Gross Merchant Value for FY2023. The Marketplace division also experienced continued rebound in travel which drove booking growth, especially in the first half of FY2023. The second half of FY2023 saw demand normalising, with the Group's product investment and marketing optimisation increasing repeat and overall new customer bookings.

The Marketplace division take rate improved 3% in FY2023 as the Group passed on increased service fees and continued to invest in sitter and owner features that improved the user experience.

The Marketplace division has strong operating leverage as revenue grows, with the cost base increasing at a much lower rate. As a result, the Marketplace division's Gross Margin increased 75% to $3.5million with segment operating expenses increasing 15%.

In FY2023, the Marketplace division Operating EBITDA was $1.3 million, an improvement of $2.0 million or 300% compared to FY2022. The FY2023 EBITDA margin for the Marketplace division was 20%. Throughout the year, the Group continued to optimise technology, support and people costs with the Marketplace division EBITDA margin approaching 28% at the end of FY2023.

Marketplace Operating EBITDA ($m) - Quarterly for FY2022 to FY2023



e-Commerce division

	FY22	FY23	Change $'000	Change %	FY23 DB adjusted*	Change $'000	Change %
Operating revenue	6,291	18,099	11,808	188	17,144	10,853	173
Cost of goods sold	(4,782)	(13,351)	(8,569)	(179)	(12,579)	(7,796)	163
Gross margin	**1,509**	**4,748**	**3,239**	**215**	**4,565**	**3,057**	**203**
% of revenue	*24%*	*26%*			*27%*		
Marketing	(1,908)	(2,153)	(245)	(13)	(2,088)	(181)	(9)
Employment costs	(2,172)	(4,142)	(1,970)	(91)	(3,678)	(1,506)	(69)
Other opex	(631)	(1,006)	(376)	(60)	(698)	(67)	(11)
Segment Operating EBITDA	**(3,202)**	**(2,553)**	**648**	**20**	**(1,899)**	**1,303**	**41**
% of revenue	*(51%)*	*(14%)*			*(11%)*		
e-Commerce Key Performance Metrics							
Transactions	105.0	267.5	162.5	155%	259.7	154.7	147%
New customers	29.2	76.6	47.4	163%	75.9	46.7	160%

**FY23 DB adjusted represents existing products and services only - excludes Dinner Bowl product lines which were closed in FY2023.*

In FY2023, e-Commerce revenue increased 188% to $18.1 million. The successful integration of Pet Chemist, acquired in Q4 FY2022, coupled with organic growth within Pet Chemist, Waggly and Sash were the main drivers of this revenue growth.

During the year, the Group focused on efficient marketing investment, which drove an increase in e-Commerce new customers by 163% versus FY2022, and new customer growth across all brands. In addition, range expansion in the Pet Chemist and Sash businesses assisted to drive new and repeat purchases from customers, also increasing the overall share of the customer's wallet.

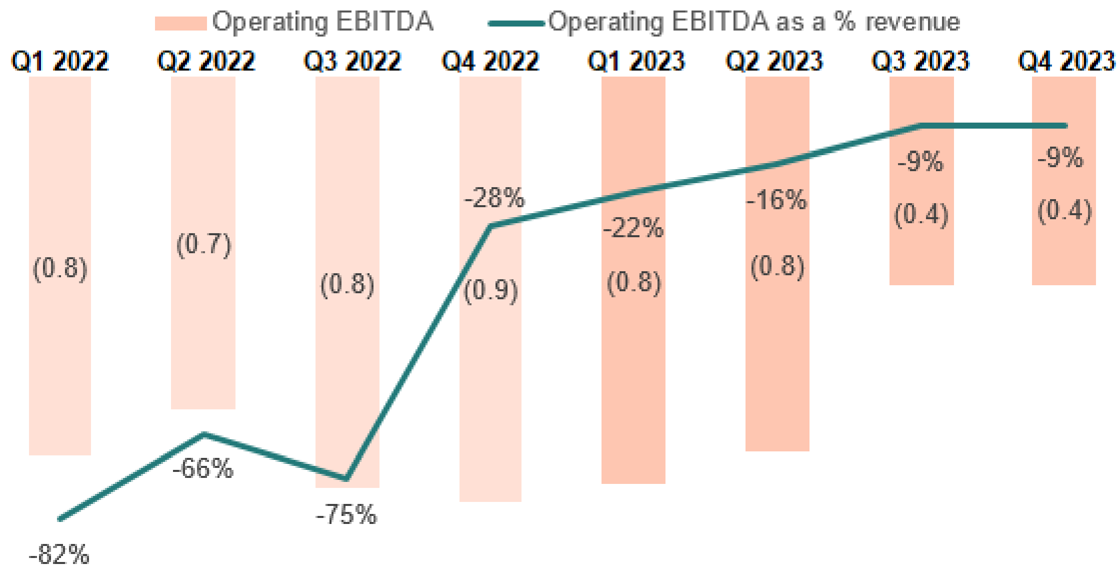
The Gross Margin in the e-Commerce division increased to $4.7 million in FY2023 with Gross Margin improving to 26% (27% excluding the closed Dinner bowl product lines). The execution of the Group's private label strategy was successful, improving Waggly box margins and the Group ended the year with over 80% of Waggly subscription boxes filled with home-branded toys. In the Sash business, the Group continued to optimise the supplier mix, sourcing superior quality items at favourable prices. This was further assisted with in-bound freight costs returning to more normal levels in FY2023. The Group is planning further margin gains as the private label range across Pet Chemist is expanded.

The Group also increased Marketing costs by $0.2 million to $2.2 million, versus FY2022, primarily across paid media channels. This targeted more efficient customer acquisition through site conversion initiatives and campaign performance. Furthermore, the Group significantly reduced the cost of offers, by testing rapid offers with local suppliers and switching to directly sourced products.

In FY2023, employment costs increased $2.0 million in FY2023, due to the full year impact of the Pet Chemist headcount and additional roles to support the significant growth of this business.

In FY2023, the e-Commerce Operating EBITDA loss was $2.6m. During the year a strategic review of the Dinner Bowl operations resulted in the closure of raw and lightly cooked product lines. Excluding the performance of these lines, e-Commerce Operating EBITDA improved 41% in FY2023, to a $1.9 million loss.

e-Commerce Operating EBITDA ($m) - Quarterly for FY2022 to FY2023



Future Outlook

FY2023 was a transformational year for Mad Paws as we built out our e-Commerce offering and fully integrated several acquisitions into the Mad Paws Group. The final quarter of FY2023 saw us achieving EBITDA breakeven from our divisions for the first time, excluding corporate costs, and we recorded significant year on year growth across all of our key operating metrics.

In FY2024, Mad Paws is focused on continuing to grow its share of the Australian pet market and achieving profitability through the expansion of our core services and products, achieving operational efficiencies and driving increased share of wallet and increasing customer loyalty. The Group's key strategies will include:

- **Pet Chemist range expansion** – Targeting a 3,000 SKU range, focussing on higher margin categories of food, health and toys, utilising the significant increased scale from our new distribution centre;
- **Scale private label products** – Continuing the success of the new products launched in Q4 FY2023 in Sash and Waggly, by launching new products in these brands. In addition, launch of the first cohort of private label products by Pet Chemist;
- **Scaling Marketplace efficiency** – Focussed product releases that improve the search for sitter experience, sitter pricing dynamics, and reduce off platform bookings;
- **e-Commerce platform rebuild** – Completing the Pet Chemist website rebuild, and leverage this technology to create a single platform to book or buy Mad Paws products and services; and
- **Cross-sell expansion**- Leveraging our data capabilities and centralised CRM to provide personalised offers and solutions for our customer base. Furthermore, we will launch a Mad Paws loyalty offering, driving our share of wallet and decreasing customer acquisition cost for the verticals.

Key risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Continued Growth of Pet Retail e-Commerce in general and growth may be affected by economic factors
While the B2C Pet e-Commerce market has been growing there is no guarantee this will continue in the future. The Group is subject to factors outside of its current control including Australia's outlook for economic growth, interest rates, taxation, unemployment rate, consumer sentiment, and cost of living pressures. One or more of these factors could cause a slowing or decrease in the market and industry Mad Paws operates.

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

Significant changes in the state of affairs
On 10 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 resulted 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. Mad Paws successfully raised $0.6 million in new funds, being $0.3 million from the SPP and a further $0.3 million by placement of the of the SPP shortfall. As a result of this additional capital raise 4,492,335 new shares were issued.

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

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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

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

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

Name:	Jan Pacas
Title:	Chair and Non-Executive Director
Qualifications:	MSc, MBA, GAICD
Experience and expertise:	Jan has a proven track record in creating shareholder value as a founder of tech-start-ups scaling from 0 to IPO, as a CEO of a 1000+ employees company as well as scaling a global $1Bn+ business. Jan has experience in leading publicly listed companies as well as private companies and was CEO of the year winner in Australia (2015 AHRI). Jan is Best of the Best #1 Employer in Australia (AON Hewitt) achieving exceptional business results through a highly engaged workforce aligned with company vision. Jan also has industry experience across digital technology (SaaS fin-tech/HR-tech, E-commerce, B2C market places), consumer (pet industry, consumer durables, retail, food & beverage) and financial services (wealth management). Jan has global experience and has worked in 5 countries, speaking 6 languages.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit and Risk Committee
Interests in shares:	7,336,857 ordinary shares
Interests in options:	4,082,656 options over ordinary shares
Interests in rights:	None

Name:	Justus Hammer
Title:	CEO, Managing Director and Executive Director
Qualifications:	Diploma Macro Economics, MCom (IT)
Experience and expertise:	Justus is a seasoned entrepreneur who has been working in the technology space for over a decade. Born in Munich, Germany, he played professional basketball while finishing his master in Economics before moving to Australia where he received a Master of Information Technology from Macquarie University. He founded Spreets in 2011 and grew it to be Australia’s leading Group Buying company with over 1.5 million members and over 100 employees in less than 12 months, exiting the company successfully to Yahoo7! for $40 million just 10 months after it was founded. Recently, Justus has been working as the CMO for ASX listed company Mint Payments, a mobile payments company that provides white label solutions for companies such as MYOB and Bank of New Zealand. Justus is also an active investor and advisor to over 10 start-ups in Australia and overseas. He has been a member and mentor of Sydney’s Founder Institute where he was recently voted mentor of the year.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	9,560,021 ordinary shares
Interests in options:	10,822,927 options over ordinary shares

Name:	Joshua May
Title:	Non-Executive Director
Qualifications:	BA (Accountancy), Member CAANZ
Experience and expertise:	Josh was previously a Director at Ernst & Young’s M&A Advisory Practice in Sydney, before co-founding Oaktower Partnership in 2005, an independent corporate advisory business based in Sydney and Melbourne. His advisory transaction experience includes private equity, entrepreneurial clients seeking growth capital, succession planning for large established private businesses, and the sale of non-core assets for large corporations.
Other current directorships:	None
Former directorships (last 3 years):	Acrow Formwork and Construction Limited (ASX:ACF)
Special responsibilities:	Chair of Audit and Risk Committee
Interests in shares:	489,936 ordinary shares
Interests in options:	1,950,000 options over ordinary shares
Interests in rights:	None

Name:	Michael Hill
Title:	Non-Executive Director
Qualifications:	BA (Accountancy), Member CAANZ
Experience and expertise:	Formerly a Partner of Ernst & Young, Mike has been involved in working with management teams and boards across a number of companies and industries for more than 20 years. He is the MD & CIO, Founder of the Bombora Special Investment Growth Fund. Prior to Bombora he was an Investment Partner with Ironbridge, a private equity investment fund which invested $1.5bn. Mike has served as Chairman of multiple ASX-listed companies over the past nine years. He is a member of Chartered Accountants Australia and New Zealand.
Other current directorships:	Non-Executive Chairman of Design Milk Co Limited (ASX: DMC), Non-Executive Chairman of Janison Education Group Limited (ASX: JAN), Non-Executive Chairman of Beamtree Holdings Limited (BMT) and Non-Executive Director Gratifi Limited (ASX: GTI).
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Nomination and Remuneration Committee and member of Audit and Risk Committee
Interests in shares:	2,242,886 ordinary shares
Interests in options:	1,950,000 options over ordinary shares
Interests in rights:	None

Name:	Vicki Aristidopoulos
Title:	Non-Executive Director
Qualifications:	BA
Experience and expertise:	Vicki has spent more than 20 years in senior executive roles across a range of listed Australian companies bringing her significant experience in brand, customer growth and e-commerce. Most recently Vicki was the founding Chief Marketing Officer for Afterpay where she played a key role supporting buy-now-pay-later provider through its hyper-growth phase. Prior to her time at Afterpay, Vicki also held senior executive roles at NewsCorp, Fairfax Media, CommSec and FOXTEL where she was recognised for her ability to deliver digital transformation programs to defend brands facing disruption while also designing customer experience strategies to fuel innovation and disruption. Vicki currently sits on the global board of App-based travel insurance provider Freely, a Cover-More Zurich-owned digital venture, and is also an independent advisor to financial services firm Wilsons.
Other current directorships:	Janison Education Group Limited (ASX: JAN)
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit and Risk Committee and member of Nomination and Remuneration Committee
Interests in shares:	461,419 ordinary shares
Interests in options:	1,950,000 options over ordinary shares
Interests in rights:	None

Name:	Howard Humphreys
Title:	Executive Director
Qualifications:	B. Economic, M. Economics (Hons)
Experience and expertise:	Howard founded Pet chemist in 2016, in addition he has owned and operated vet clinics for 7+ years and has deep veterinary and pet market expertise. Prior to this, Howard has over 6 years' experience within investment research and corporate finance with Martin Place Securities and Seismic Research.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Nomination and Remuneration Committee
Interests in shares:	35,304,348 ordinary shares
Interests in options:	None
Interests in rights:	None

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

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

Company secretary

Belinda Cleminson has held the role of Company Secretary since 8 February 2021.

Belinda has over 19 years' experience as a Company Secretary of Australian listed and unlisted companies including ASX 200 clients. Belinda is the company secretary of various public and private companies, including ASX, NZX and OTC listed companies across a range of industries including investment management, biotechnology, healthcare and e-commerce.

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

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Jan Pacas	10	10	-	-	2	2
Justus Hammer	10	10	-	-	-	-
Joshua May	10	10	-	-	2	2
Michael Hill	8	10	1	1	2	2
Vicki Aristidopoulos	9	10	1	1	2	2
Howard Humphreys	10	10	1	1	-	-

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

Remuneration report (audited)

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

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

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

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

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

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

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

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

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

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

Non-executive director fees proposed for the year ending 30 June 2024 are summarised as follows:

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

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

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

The executive remuneration and reward framework comprise of the following components:
(i) Base pay and non-monetary benefits;
(ii) Short-term performance incentives; and
(iii) Long-term performance incentives.

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

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

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

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

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

The short-term incentive plan seeks to promote individual accountability and performance during the applicable performance period, tested against key performance indicators and other milestones set by the Board. In addition, the short-term incentive awards may be offered as a cash and equity award paid as follows:
- 50% as a cash payment paid upon satisfaction or waiver of the applicable milestones; and
- 50% delivered in options granted under the Company's Equity Incentive Plan ('STI Options').

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

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

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

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

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

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Group. A portion of the short term incentive and incentive payments are dependent on defined financial targets being met. For the financial year ended 30 June 2023 ('FY23'), revenue and operating EBITDA are the financial targets. Any remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee. For FY22, the financial target metric was revenue.

Operating revenue and Operating EBITDA between the financial years ended 30 June 2020 and 30 June 2023 are summarised below:

In $'millions	FY20 $m	FY21 $m	FY22 $m	FY23 $m
Operating Revenue	2.0	2.9	10.0	24.6
Operating EBITDA*	(2.0)	(4.7)	(8.2)	(4.1)

*Excludes closed Dinner bowl product lines Operating EBITDA losses in FY23

Operating Revenue reflects revenue in line with accounting standards with promotional discounts added back to revenue and treated as a marketing expense.

Operating EBITDA refers to the Group's EBITDA (Earnings before interest, tax, depreciation, amortisation and non-operating income and costs).

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

Use of remuneration consultants

During the financial year ended 30 June 2023, the Group did not engage remuneration consultants to review its remuneration policies.

Voting and comments made at the Company's 2022 Annual General Meeting ('AGM')

At the 2022 AGM, 99.48% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

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

The key management personnel of the Group consisted of the following directors of Mad Paws Holdings Limited:
- Jan Pacas - Chair and Non-Executive Director
- Justus Hammer - CEO, Managing Director and Executive Director
- Joshua May - Non-Executive Director
- Michael Hill - Non-Executive Director
- Vicki Aristidopoulos - Non-Executive Director
- Howard Humphreys - Executive Director

And the following persons:
- Alexis Soulopoulos - CEO of New Business
- Graham Mason - CFO

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		
2023	Cash salary and fees $	Cash bonus $	Super-annuation $	Long service leave $	Equity-settled shares ** $	Equity-settled options $	Total $
Non-Executive Directors:							
Jan Pacas	36,670	-	3,850	-	47,663	-	88,183
Joshua May	30,000	-	3,150	-	33,000	-	66,150
Michael Hill	27,500	-	2,888	-	35,750	-	66,138
Vicki Aristidopoulos	27,500	-	2,888	-	35,750	-	66,138
Executive Directors:							
Justus Hammer *	120,000	-	12,600	(1,796)	123,095	-	253,899
Howard Humphreys	176,250	-	18,506	-	-	-	194,756
Other Key Management Personnel:							
Alexis Soulopoulos *	170,000	-	17,850	5,015	31,034	-	223,899
Graham Mason *	217,814	-	23,568	(447)	38,786	134,028	413,749
	805,734	-	85,300	2,772	345,078	134,028	1,372,912

* The FY22 STI for Justus Hammer, Alexis Soulopoulos and Graham Mason was expected to be settled in shares of Mad Paws Group. The remuneration committee concluded as part of its review of FY22 STI performance that 50% of the STI should be settled in STI options which vest over 2 years. As a result, FY23 includes an adjustment of $14,365 to the FY22 STI expense reflecting the final payout terms.

For FY23 STI due to Justus Hammer, Alexis Soulopoulos and Graham Mason will be settled in STI options with the expense reflected from grant date in FY24 over the 2 year vesting period.

** At the November 2022 AGM, shareholders approved to issue shares to directors in lieu of cash for the period from 15 September 2022 to 14 September 2023. The amount for FY23 includes the value from 15 September 2022 to 30 June 2023. The remainder will be expensed in FY24.

Equity-settled shares include amounts where the shares will be issued after 30 June 2023.

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

* Represents remuneration from the date of appointment

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

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

Name	Fixed remuneration 2023	Fixed remuneration 2022	At risk - STI 2023 *	At risk - STI 2022	At risk - LTI 2023	At risk - LTI 2022
Non-Executive Directors:						
Jan Pacas	100%	39%	-	-	-	61%
Joshua May	100%	100%	-	-	-	-
Michael Hill	100%	100%	-	-	-	-
Vicki Aristidopoulos	100%	30%	-	-	-	70%
Executive Directors:						
Justus Hammer	52%	31%	-	9%	48%	60%
Howard Humphreys	100%	100%	-	-	-	-
Other Key Management Personnel:						
Alexis Soulopoulos	86%	73%	-	11%	14%	16%
Graham Mason	58%	66%	-	9%	42%	25%

* For FY23 STI due to Justus Hammer, Alexis Soulopoulos and Graham Mason will be settled in STI options with the expense reflected from grant date in FY24 over the 2 year vesting period.

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

Name	STI bonus paid/payable 2023 *	STI bonus paid/payable 2022	STI bonus forfeited 2023	STI bonus forfeited 2022
Executive Directors:				
Justus Hammer	100%	65%	-	35%
Other Key Management Personnel:				
Alexis Soulopoulos	100%	65%	-	35%
Graham Mason	100%	65%	-	35%

* For FY23 STI due to Justus Hammer, Alexis Soulopoulos and Graham Mason will be settled in STI options with the expense reflected from grant date in FY24 over the 2 year vesting period.

Service agreements

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

Name:	Justus Hammer
Title:	CEO, Managing Director and Executive Director
Agreement commenced:	23 December 2020
Term of agreement:	No fixed term
Details:	Mr Hammer will receive a fixed annual remuneration of approximately $240,000 per annum (exclusive of any statutory superannuation contributions). In addition to base salary, Mr Hammer is eligible to receive other employment benefits in connection with the duties under his employment agreement, including short and long-term incentives, comprising both cash bonuses and equity awards under the Equity Incentive Plan. Mr Hammer is entitled to annual STI of $80,000 per annum, subject to the achievement of financial and individual KPI's. Participation in future short or long-term incentives is at the discretion of the Board. Mr Hammer's employment is ongoing, with a termination notice period of six months in all cases (where notice is given by Mr Hammer) and three months in all cases (where notice is given by Mad Paws) other than where terminated by Mad Paws for cause in which case Mr Hammer can be terminated without notice. Following cessation of employment, Mr Hammer will be subject to customary non-compete and non-solicit covenants for a maximum restraint period of up to 12 months following cessation of employment within in any country in which the Mad Paws business is carried on, and otherwise within a cascading geographical area within Australia. Mr Hammer's executive services agreement contains other standard terms and conditions expected to be included in contracts of this nature.

Name:	Howard Humphreys
Title:	Executive Director and CEO of Aussie Pet Meds Pty Ltd
Agreement commenced:	1 April 2022
Term of agreement:	No fixed term
Details:	Mr Humphreys will receive a fixed annual remuneration of approximately $180,000 per annum (exclusive of any statutory superannuation contributions). Mr Humphreys may from time to time be entitled to other incentives and/or remuneration as determined by the Group. Mr Humphreys employment is ongoing, with a termination notice period of six months in all cases (where notice is given by Mr Humphreys) and three months in all cases (where notices is given by Mad Paws) other than where terminated by Mad Paws for cause in which case Mr Humphreys can be terminated without notice. Following cessation of employment, Mr Humphreys will be subject to customary non-compete and non-solicit covenants for a maximum restraint period of up to 12 months following cessation of employment within any country in which the Mad Paws business is carried on, and other within a cascading geographical area within Australia. Mr Humphreys executive services agreement contains other standard terms and conditions expected to be included in the contracts of this nature.

Name:	Alexis Soulopoulos
Title:	CEO of New Business
Agreement commenced:	23 December 2020
Term of agreement:	No fixed term
Details:	Mr Soulopoulos will receive a fixed annual remuneration of approximately $200,000 per annum (exclusive of any statutory superannuation contributions). In addition to base salary, Mr Soulopoulos' is eligible to receive other employment benefits in connection with the duties under his employment agreement, including short and long-term incentives, comprising both cash bonuses and equity awards under the Equity Incentive Plan. Mr Soulopoulos is entitled to an annual STI of $40,000 per annum, subject to the achievement of financial and individual KPI's. Mr Soulopoulos' employment is ongoing, with a termination notice period of six months in all cases (where notice is given by Mr Soulopoulos) and three months in all cases (where notice is given by Mad Paws) other than were terminated by the Mad Paws for cause in which case Mr Soulopoulos can be terminated without notice. Following cessation of employment, Mr Soulopoulos will be subject to customary non-compete and non-solicit covenants for a maximum restraint period of up to 12 months following cessation of employment within in any country in which the Mad Paws business is carried on, and otherwise within a cascading geographical area within Australia. Mr Soulopoulos' executive services agreement contains other standard terms and conditions expected to be included in contracts of this nature.

Name:	Graham Mason
Title:	Chief Financial Officer
Agreement commenced:	21 June 2021
Term of agreement:	No fixed term
Details:	Mr Mason will receive a fixed annual remuneration of approximately $256,250 per annum (exclusive of any statutory superannuation contributions). In addition to base salary, Mr Mason is eligible to receive other employment benefits in connection with the duties under his employment agreement, including short and long-term incentives, comprising both cash bonuses and equity awards under the Equity Incentive Plan. Mr Mason is entitled to an annual STI of $50,000 per annum, subject to the achievement of financial and individual KPI's. Participation in future short or long-term incentives is at the discretion of the Board. Mr Mason’s employment is ongoing, with a termination notice period of three months in all cases (where notice is given by Mr Mason) and three months in all cases (where notice is given by Mad Paws) other than where terminated by the Mad Paws for cause in which case Mr Mason can be terminated without notice. Following cessation of employment, Mr Mason will be subject to customary non-compete and non-solicit covenants for a maximum restraint period of up to 12 months following cessation of employment within in any country in which the Mad Paws business is carried on, and otherwise within a cascading geographical area within Australia. Mr Mason’s executive services agreement contains other standard terms and conditions expected to be included in contracts of this nature.

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

Share-based compensation

Issue of shares
Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2023 are set out below:

Name	Date	Shares	Issue price	$
Jan Pacas	01/07/2022	72,150	$0.138	10,000
	21/12/2022	28,932	$0.111	3,333
	21/12/2022	29,866	$0.111	3,333
	21/12/2022	28,932	$0.115	3,333
	21/12/2022	28,708	$0.116	3,333
	21/12/2022	25,897	$0.128	3,333
	21/12/2022	24,525	$0.135	3,333
Joshua May	21/12/2022	21,701	$0.111	2,500
	21/12/2022	22,401	$0.111	2,500
	21/12/2022	21,701	$0.115	2,500
	21/12/2022	21,533	$0.116	2,500
	21/12/2022	19,425	$0.128	2,500
	21/12/2022	18,396	$0.135	2,500
Michael Hill	21/12/2022	21,701	$0.111	2,500
	21/12/2022	22,401	$0.111	2,500
	21/12/2022	21,701	$0.115	2,500
	21/12/2022	21,533	$0.116	2,500
	21/12/2022	19,425	$0.128	2,500
	21/12/2022	18,396	$0.135	2,500
Vicki Aristidopoulos	01/07/2022	54,113	$0.138	7,500
	21/12/2022	21,701	$0.111	2,500
	21/12/2022	22,401	$0.111	2,500
	21/12/2022	21,701	$0.115	2,500
	21/12/2022	21,533	$0.116	2,500
	21/12/2022	19,425	$0.128	2,500
	21/12/2022	18,396	$0.135	2,500
Justus Hammer	01/07/2022	216,450	$0.138	28,712
	15/12/2022	205,674	$0.139	30,000
	21/12/2022	86,806	$0.111	10,000
	21/12/2022	89,606	$0.111	10,000
	21/12/2022	86,806	$0.115	10,000
	21/12/2022	86,133	$0.116	10,000
	21/12/2022	77,700	$0.128	10,000
	21/12/2022	73,584	$0.135	10,000
Alexis Soulopoulos	27/10/2022	114,703	$0.000	-
	21/12/2022	21,701	$0.111	2,500
	21/12/2022	22,401	$0.111	2,500
	21/12/2022	21,701	$0.115	2,500
	21/12/2022	21,533	$0.116	2,500
	21/12/2022	19,425	$0.128	2,500
	21/12/2022	18,396	$0.135	2,500

Name	Date	Shares	Issue price	$
Graham Mason	27/10/2022	138,434	$0.000	-
	21/12/2022	27,804	$0.111	2,500
	21/12/2022	28,701	$0.111	2,500
	21/12/2022	27,804	$0.115	2,500
	21/12/2022	27,588	$0.116	2,500
	21/12/2022	24,887	$0.128	2,500
	21/12/2022	23,569	$0.135	2,500

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

Name	Number of options granted	Grant date	Vesting and exercisable date	Expiry date	Exercise price	Fair value per options at grant date	Number of options exercised
Jan Pacas[1]	1,482,656	01/07/2020	01/07/2023	Nil expiry date	$0.018	$0.18	-
Vicki Aristidopoulos[2]	1,950,000	15/11/2021	15/11/2021	04/11/2027	$0.340	$0.08	-
Justus Hammer[1]	3,646,707	01/07/2020	01/07/2023	Nil expiry date	$0.018	$0.18	-
	113,110	16/11/2022	15/12/2023	19/10/2027	$0.000	$0.12	-
	113,110	16/11/2022	15/12/2024	19/10/2027	$0.000	$0.12	-
Alexis Soulopoulos[1]	921,233	09/01/2019	01/01/2022	Nil expiry date	$0.023	$0.12	-
	63,080	11/11/2022	11/11/2023	19/10/2027	$0.000	$0.12	-
	63,081	11/11/2022	11/11/2024	19/10/2027	$0.000	$0.12	-
Graham Mason[2, 3]	770,600	08/08/2022	08/08/2023	07/08/2026	$0.284	$0.06	-
	770,601	08/08/2022	08/08/2024	07/08/2026	$0.284	$0.06	-
	770,600	08/08/2022	08/08/2025	07/08/2026	$0.284	$0.06	-
	76,132	11/11/2022	11/11/2023	19/10/2027	$0.000	$0.12	-
	76,132	11/11/2022	11/11/2024	19/10/2027	$0.000	$0.12	-
	788,790	23/08/2022	23/09/2023	23/09/2028	$0.230	$0.06	-
	788,790	23/08/2022	23/09/2024	23/09/2028	$0.230	$0.06	-
	788,791	23/08/2022	23/09/2024	23/09/2028	$0.230	$0.06	-

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

Options granted carry no dividend or voting rights.

Additional disclosures relating to key management personnel

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Jan Pacas *	7,022,847	239,010	75,000	-	7,336,857
Justus Hammer *	8,407,262	922,759	230,000	-	9,560,021
Joshua May	364,779	125,157	-	-	489,936
Michael Hill	886,606	125,157	1,231,123	-	2,242,886
Vicki Aristidopoulos	282,149	179,270	-	-	461,419
Alexis Soulopoulos	3,106,617	239,860	-	-	3,346,477
Howard Humphreys	35,304,348	-	-	-	35,304,348
Graham Mason	139,935	298,787	-	-	438,722
	55,514,543	2,130,000	1,536,123	-	59,180,666

* The opening shareholding for Jan Pacas and Justus Hammer has been adjusted by 741,328 and 1,823,353 respectively, to include indirect holdings held by the Mad Paws Share Trust.

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

	Balance at the start of the year	Granted	Exercised	Expired/ Forfeited/ other	Balance at the end of the year	Vested and exercisable	Unvested
Options over ordinary shares							
Jan Pacas	4,082,656	-	-	-	4,082,656	4,082,656	-
Justus Hammer	10,596,707	226,220	-	-	10,822,927	10,822,927	-
Joshua May	1,950,000	-	-	-	1,950,000	1,950,000	-
Michael Hill	1,950,000	-	-	-	1,950,000	1,950,000	-
Vicki Aristidopoulos	1,950,000	-	-	-	1,950,000	1,950,000	-
Alexis Soulopoulos	8,594,036	126,161	-	-	8,720,197	8,720,197	-
Graham Mason	500,000	4,830,436	-	-	5,330,436	500,000	-
	29,623,399	5,182,817	-	-	34,806,216	29,975,780	-

* Options granted to Justus Hammer, Alexis Soulopoulos and Graham Mason as part of their FY22 STI, however were issued in FY23.

Other transactions with key management personnel and their related parties
There were no transaction with key management personnel and their related parties during the financial year ended 30 June 2023.

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Exercise price	Number under option
01/07/2015	$0.002	300,036
01/10/2015	$0.002	1,667,750
15/11/2015	$0.002	212,837
01/02/2016	$0.002	212,837
26/04/2016	$0.093	427,262
01/07/2017	$0.002	584,665
01/09/2018	$0.023	207,119
17/09/2018	$0.023	36,108
09/01/2019	$0.023	2,763,700
15/01/2019	$0.023	198,542
01/02/2019	$0.023	100,647
03/06/2019	$0.016	103,559
08/07/2019	$0.016	622,944
01/07/2020	$0.018	5,127,775
01/10/2020	$0.018	2,162,514
18/12/2020	$0.200	10,000,000
23/03/2021	$0.300	2,000,000
23/03/2021	$0.340	18,150,000
21/06/2021	$0.340	500,000
15/11/2021	$0.340	1,950,000
08/08/2022	$0.284	3,056,714
23/08/2022	$0.229	3,865,072
11/11/2022	$0.000	841,067
15/12/2022	$0.000	226,220
		55,317,368

Shares issued on the exercise of options

There were no ordinary shares of Mad Paws Holdings Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional (including Independence Standards) and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

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

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

Auditor's independence declaration

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

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

On behalf of the directors

Jan Pacas
Chairman

Justus Hammer
Chief Executive Officer

29 August 2023

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29 August 2023

The Board of Directors
Mad Paws Holdings Limited
Level 5, 126 – 130 Phillip Street
Sydney NSW 2000

Dear Board Members

Mad Paws Holdings Limited

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

As lead audit partner for the audit of the financial report of Mad Paws Holdings Limited for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit

Yours sincerely,

Crowe Audit Australia

Crowe Audit Australia

Suwarti Asmono
Partner

madpaws

Financial statements

	Note	Consolidated 2023 $	Consolidated 2022 $
Revenue	5	24,585,894	9,825,788
Other income	6	601,712	834,773
Interest revenue calculated using the effective interest method		28,343	3,440
Expenses			
Raw materials and consumables used	7	(9,782,334)	(3,286,092)
Delivery expenses		(3,309,414)	(1,542,753)
Employee benefits expense		(7,963,887)	(6,930,924)
Contractors expense		(557,198)	(515,362)
Depreciation and amortisation expense	7	(1,873,629)	(831,104)
Impairment of assets	7	(556,884)	-
Share-based payments expense	7	(525,492)	(1,398,519)
IT expenses		(1,553,833)	(1,169,403)
Marketing expenses		(3,810,938)	(3,111,262)
Merchant fees		(873,039)	(388,128)
Professional and consultancy expenses		(389,999)	(739,758)
Travel expenses		(28,056)	(36,219)
Other expenses		(1,660,613)	(1,274,753)
Finance costs	7	(61,162)	(37,859)
Loss before income tax benefit		(7,730,529)	(10,598,135)
Income tax benefit	8	251,213	87,948
Loss after income tax benefit for the year attributable to the owners of Mad Paws Holdings Limited		(7,479,316)	(10,510,187)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Mad Paws Holdings Limited		(7,479,316)	(10,510,187)
		Cents	**Cents**
Basic earnings per share	36	(2.26)	(4.26)
Diluted earnings per share	36	(2.26)	(4.26)

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

Mad Paws Holdings Limited
Statement of financial position
As at 30 June 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Assets			
Current assets			
Cash and cash equivalents	9	3,087,340	5,562,394
Trade and other receivables	10	167,856	195,862
Inventories	11	1,492,863	921,374
Research and development tax incentive		-	341,920
Other	12	747,351	397,707
Total current assets		5,495,410	7,419,257
Non-current assets			
Property, plant and equipment	13	144,949	230,501
Right-of-use assets	14	2,585,441	1,251,990
Intangibles	15	23,642,444	23,843,793
Other assets	12	10,336	10,336
Total non-current assets		26,383,170	25,336,620
Total assets		31,878,580	32,755,877
Liabilities			
Current liabilities			
Trade and other payables	16	4,352,992	4,126,190
Contract liabilities	17	655,274	451,236
Borrowings	18	186,241	160,042
Lease liabilities	19	356,925	192,227
Employee benefits		497,472	402,073
Other liabilities	20	3,005,214	2,695,418
Total current liabilities		9,054,118	8,027,186
Non-current liabilities			
Borrowings	18	15,819	36,159
Lease liabilities	19	2,306,835	1,114,983
Deferred tax	8	1,809,989	2,061,202
Employee benefits		88,421	84,240
Total non-current liabilities		4,221,064	3,296,584
Total liabilities		13,275,182	11,323,770
Net assets		18,603,398	21,432,107
Equity			
Issued capital	21	58,532,038	54,270,660
Reserves	22	(268,639)	(657,868)
Accumulated losses		(39,660,001)	(32,180,685)
Total equity		18,603,398	21,432,107

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 benefit for the year	-	-	(10,510,187)	(10,510,187)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(10,510,187)	(10,510,187)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 21)	17,366,716	-	-	17,366,716
Share-based payments (note 22)	-	599,569	-	599,569
Balance at 30 June 2022	54,270,660	(657,868)	(32,180,685)	21,432,107

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2022	54,270,660	(657,868)	(32,180,685)	21,432,107
Loss after income tax benefit for the year	-	-	(7,479,316)	(7,479,316)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(7,479,316)	(7,479,316)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 21)	4,261,378	-	-	4,261,378
Share-based payments (note 22)	-	389,229	-	389,229
Balance at 30 June 2023	58,532,038	(268,639)	(39,660,001)	18,603,398

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

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	Note	Consolidated 2023 $	Consolidated 2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		47,071,760	23,227,096
Payments to suppliers - sitters payment		(21,480,687)	(10,869,898)
		25,591,073	12,357,198
Interest received		28,343	3,440
Government grants received		-	362,869
Payments to suppliers and employees (inclusive of GST)		(29,945,697)	(19,442,092)
Research and development tax incentive		410,558	356,359
Interest and other finance costs paid		(61,162)	(37,859)
Income taxes paid		-	(1,073)
Net cash used in operating activities	33	(3,976,885)	(6,401,158)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	30	-	(125,000)
Payment for purchase of subsidiary, net of cash acquired	30	-	(5,118,837)
Payments for property, plant and equipment		(110,872)	(165,758)
Payments for intangibles		(1,546,758)	(879,903)
Net cash used in investing activities		(1,657,630)	(6,289,498)
Cash flows from financing activities			
Proceeds from issue of shares		3,584,089	6,102,799
Share issue transaction costs	21	(177,926)	(210,540)
Repayment of borrowings	35	29,726	(59,794)
Repayment of lease liabilities	35	(276,428)	(66,040)
Net cash from financing activities		3,159,461	5,766,425
Net decrease in cash and cash equivalents		(2,475,054)	(6,924,231)
Cash and cash equivalents at the beginning of the financial year		5,562,394	12,486,625
Cash and cash equivalents at the end of the financial year	9	3,087,340	5,562,394

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

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Notes to financial statements

Note 1. General information

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

Mad Paws Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business 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 29 August 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments
AASB 2020-3 was issued in June 2020 and is applicable to annual periods beginning on or after 1 January 2022. Early adoption is permitted.

This standard amends:
- AASB 1 ‘First-time Adoption of Australian Accounting Standards’ to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;
- AASB 3 ‘Business Combinations’ to update a reference to the Conceptual Framework (see below) without changing the accounting requirements for business combinations;
- AASB 9 ‘Financial Instruments’ to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
- AASB 116 ‘Property, Plant and Equipment’ to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset; and
- AASB 137 ‘Provisions, Contingent Liabilities and Contingent Assets’ to specify the costs that an entity includes when assessing whether a contract will be loss-making.

Going concern

The Group has prepared the financial statements for the year ended 30 June 2023 on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2023, the Group recorded a net loss of $7,479,316 (2022: $10,510,187) and had net cash outflows from operating activities of $3,976,885 (2022: $6,401,158). At 30 June 2023, the Group had cash and cash equivalents of $3,087,340 (2022: $5,562,394); net assets of $18,603,398 (2022: $21,432,107) and net current liabilities of $3,558,708 (2022: $607,929).

Note 2. Significant accounting policies (continued)

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

- The directors are of the view the Group will continue to experience revenue growth for the 30 June 2024 financial year. It is expected that, as the monthly revenue levels increase, the Group's operating segments will be in a position to contribute positive cash flows;
- A significant portion of marketing expense and employee benefit expense relates to expenditure on activities to drive future growth in the business, as opposed to maintaining current levels of operations. The Group has the ability to flexibly manage such expenses as and when required.
- The Group has the ability to conduct future capital raises as and when required to meet operational and investment requirements.
- The cashflow forecast for the Group for the next 12 months demonstrates the ability of the Group to continue as a going concern.

Based on these considerations, the directors are of the view that the Group will be able to pay its debts as and when they fall due for at least 12 months following the date of these financial statements and that it is appropriate for the financial statements to be prepared on the going concern basis.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mad Paws Holdings Limited ('Company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Mad Paws Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

Revenue recognition
The Group recognises revenue as follows:

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

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

Judgment is required in determining whether the Company is the principal or agent in the delivery of the services for the marketplace revenue streams. The Company has determined that it is an agent, and therefore recognises revenue on a net basis, for the following reasons:
(i) The Company does not pre-purchase or otherwise obtain control of the services prior to the transfer to the end-user.
(ii) The Company does not direct the pet sitters to perform the service on the Company’s behalf, and the pet sitters have the sole ability to decline a transaction request.
(iii) The Company does not set the price for the services.

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

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

Note 2. Significant accounting policies (continued)

e-Commerce & Subscription revenue
e-Commerce & Subscription revenue from the sale of goods, related to the sale of pet food, toys, accessories and non prescription products, is recognised at the point in time when the customer obtains control of the goods, which is generally when the products are received by the customer.

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

Judgment is required in determining whether the Company is the principal or agent in the delivery of the services. The Company has determined that it is an agent, and therefore recognises revenue on a net basis, for the following reasons:
(i) The Company does not own or control the medication products inventory.
(ii) The Company does not set the selling price for the products.
(iii) All regulatory matters in relation to the medication products is the responsibility of the Pharmacy.

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

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

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

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

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Note 2. Significant accounting policies (continued)

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

Mad Paws Holdings Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

The entities within the tax consolidated group do not have a tax sharing agreement nor a tax funding agreement, therefore all members of the tax consolidated group are jointly and severally liable for any unpaid tax liability.

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

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

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

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

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

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

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

Inventories
Stock in transit comprises stock that has been despatched but not yet received by the end customer. Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

Brand, domain and trademarks
Brand, domain and trademarks acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being the finite life of 10 years.

Customer relationships
Customer relationships acquired in a business combination is amortised on a straight-line basis over the period of its expected benefit, being the finite life of 5 years.

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

Note 2. Significant accounting policies (continued)

Product listings
Product listings acquired in a business combination is amortised on a straight-line basis over the period of its expected benefit, being the finite life of 3 years.

Pharmacy supply agreement
Pharmacy supply agreement acquired in a business combination is amortised on a straight line basis over the period of its expected benefit, being the finite life of 10 years.

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

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

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

Sitter deposit accounts
Sitter deposit accounts represent liabilities to sitters comprising the following:
- Payments for bookings made where the sitting event has not yet occurred; or
- Amounts due to sitters post the sitting event, which have not yet been redeemed.

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

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

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

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

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

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

Note 2. Significant accounting policies (continued)

Employee benefits

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

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

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

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

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

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

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

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

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

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

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

Issued capital
Ordinary shares are classified as equity.

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

Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

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

Earnings per share

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

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Note 2. Significant accounting policies (continued)

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

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

Comparatives
Certain comparatives in the statement of profit or loss and other comprehensive income, the statement of financial position and notes to the financial statements have been reclassified, where necessary, to be consistent with current year presentation.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants
AASB 2020-1 was issued in March 2020 and is applicable to annual periods beginning on or after 1 January 2024, as extended by AASB 2020-6. Early adoption is permitted. AASB 2022-6 was issued in December 2022 and is applicable to annual periods beginning on or after 1 January 2023. Early adoption is permitted where AASB 2020-1 is also early adopted.

These standards amend AASB 101 ‘Presentation of Financial Statements’ to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. If the deferral right is subject to the entity complying with covenants in the loan arrangement based on information up to and including reporting date, the deferral right will exist where the entity is able to comply with the covenant on or before the end of the reporting date even if compliance is assessed after the reporting date. The deferral right will be deemed to exist at reporting date if the entity is required to comply with the covenant only after the reporting date based on post-reporting date information. Additional disclosure is required about loan arrangements classified as non-current liabilities in such circumstances which enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period. Classification of a liability as non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting date or even if the entity settles the liability prior to issue of the financial statements. The meaning of settlement of a liability is also clarified. The Group does not expect that there will be any significant impact on the financial statements upon adoption of the amendments.

Note 3. Critical accounting judgements, estimates and assumptions

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

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

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

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

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

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

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

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

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

Research and development tax incentives
The Group determines the estimated research and development tax incentive. These calculations incorporate a number of key assumptions and estimates to determine the expenditure that is eligible for the research and development tax incentive including project eligibility for R&D tax incentives, estimation of employee time and overhead allocations.

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

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

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

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

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

Business combinations
As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported. Fair value adjustments to acquired assets, liabilities and contingent liabilities use a variety of estimates including discounted cash flow analysis, these include a number of key estimates including royalty rates, estimated projection periods, attrition rates and discount rates.

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

Fair value measurement of identifiable intangible assets in a business combination
The fair value of identifiable intangible assets acquired in a business combination is determined using valuation techniques, taking into consideration all available information at the acquisition date. The Group uses its judgement to select the valuation method and make assumptions in determining the fair value at the date of acquisition. The identifiable intangible assets includes brand, domain and trademarks, customer relationship, product listing and pharmacy supply agreement.

Note 4. 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).

Note 4. Operating segments (continued)

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

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

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

Marketplace	An Australian based pet services marketplace that matches 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 of various pet product verticals including medication, over the counter pet related products, pet food and toys and treats.

Major customers
During the years ended 30 June 2023 and 30 June 2022, no customer contributed more than 10% to the Group's external revenue.

Consolidated - 2023	Marketplace $	e-Commerce & Subscription $	Other segments $	Total $
Revenue				
Sales to external customers	6,516,262	18,096,176	-	24,612,438
Promotion discounts on subscription products	-	(26,544)	-	(26,544)
Total sales revenue	6,516,262	18,069,632	-	24,585,894
Interest revenue	-	-	28,343	28,343
Total revenue	6,516,262	18,069,632	28,343	24,614,237
Operational EBITDA	1,332,403	(2,553,018)	(3,540,840)	(4,761,455)
Research and development rebate				68,638
Acquisition costs				(145,717)
Share-based payments				(283,815)
Depreciation and amortisation				(1,873,629)
Deferred consideration - linked to remuneration				(120,520)
Impairment of assets				(556,884)
Other non-operating items				(24,328)
Interest revenue				28,343
Finance costs				(61,162)
Loss before income tax benefit				(7,730,529)
Income tax benefit				251,213
Loss after income tax benefit				(7,479,316)

Note 4. Operating segments (continued)

Consolidated - 2022	Marketplace $	e-Commerce & Subscription $	Other segments $	Total $
Revenue				
Sales to external customers	3,739,604	6,291,009	-	10,030,613
Promotion discounts on subscription products	-	(204,825)	-	(204,825)
Total sales revenue	3,739,604	6,086,184	-	9,825,788
Interest revenue	-	-	3,440	3,440
Total revenue	3,739,604	6,086,184	3,440	9,829,228
Operational EBITDA	(665,409)	(3,201,533)	(4,341,260)	(8,208,202)
R&D grant and COVID government support				834,691
Acquisition costs				(268,594)
Share-based payments expense				(1,398,519)
Depreciation and amortisation				(831,104)
Deferred consideration - linked to remuneration				(635,560)
Other non-operating items				(56,428)
Interest revenue				3,440
Finance costs				(37,859)
Loss before income tax benefit				(10,598,135)
Income tax benefit				87,948
Loss after income tax benefit				(10,510,187)

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

Note 5. Revenue

	Consolidated 2023 $	Consolidated 2022 $
Rendering of services - booking fee	1,953,732	1,182,023
Rendering of services - service fee	4,562,530	2,557,581
Subscription revenue	4,046,302	2,892,781
e-Commerce revenue	12,750,389	2,945,352
Pet Medication order management fees	1,263,101	248,051
Other	9,840	-
Revenue	24,585,894	9,825,788

Disaggregation of revenue
Revenue from contracts with customers is derived from:
- booking fees;
- service fees;
- sale of goods; and
- Pet Medication order management fees.

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

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

Note 5. Revenue (continued)

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 the goods are received by the customer.

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

All revenue from contracts with customers is generated in Australia.

Note 6. Other income

	Consolidated	
	2023 $	2022 $
Remeasurement of contingent consideration (note 25)	294,000	-
Surrendering of lease liabilities (note 35) *	239,074	-
Government grants (COVID-19)	-	362,869
Research and development rebate	68,638	471,822
Other income	-	82
Other income	601,712	834,773

Government grants (COVID-19) represents grants received from the Federal and State Governments in response to the COVID-19 pandemic. During the year ended 30 June 2023, government grants comprised of JobSaver and JobMaker support payments were $nil. During the year ended 30 June 2022, government grants comprised of JobKeeper support payments and Cash Boost support payments.

* Refer to note 15 for impairment details.

Note 7. Expenses

	Consolidated	
	2023 $	2022 $
Loss before income tax includes the following specific expenses:		
Cost of sales		
Cost of sales *	9,782,334	3,286,092
Depreciation		
Leasehold improvements	3,534	-
Plant and equipment	52,957	20,210
Computer equipment	35,146	31,678
Office equipment	4,292	1,118
Buildings right-of-use assets	211,400	121,260
Total depreciation	307,329	174,266

Note 7. Expenses (continued)

	Consolidated 2023 $	Consolidated 2022 $
Amortisation		
Brand, domain and trademarks	442,710	110,678
Customer relationship	197,800	150,283
Website and software development	562,453	305,042
Product listing	30,267	7,567
Pharmacy supply agreement	333,070	83,268
Total amortisation	1,566,300	656,838
Total depreciation and amortisation	1,873,629	831,104
Impairment of assets		
Impairment of Pet Food property, plant and equipment (note 13)	112,775	-
Impairment of Pet Food right-of-use assets (note 14)	235,357	-
Impairment of Pet Food intangible assets (note 15)	208,752	-
Total impairment	556,884	-
Finance costs		
Interest and finance charges paid/payable on lease liabilities	61,162	37,859
Net foreign exchange loss		
Net foreign exchange loss	54,189	37,109
Leases		
Short-term lease payments	206,437	248,311
Superannuation expense		
Defined contribution superannuation expense	714,859	537,260
Share-based payments expense		
Share-based payments - employee share option plan	275,228	713,000
Share-based payments - bonus accrued in lieu of options granted after year end	-	243,671
Share-based payments - to employees in lieu of cash remuneration	250,628	356,848
Share-based payments - to third parties in lieu of services provided	-	85,000
Deferred consideration linked to remuneration - equity settled	172,842	-
	698,698	1,398,519

* Includes a write off of inventories of $125,096 related to the Dinner Bowl closed product lines (2022: $nil).

Note 8. Income tax

	Consolidated 2023 $	Consolidated 2022 $
Income tax benefit		
Deferred tax - origination and reversal of temporary differences	(251,213)	(87,948)
Aggregate income tax benefit	(251,213)	(87,948)
Deferred tax included in income tax benefit comprises:		
Decrease in deferred tax liabilities	(251,213)	(87,948)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(7,730,529)	(10,598,135)
Tax at the statutory tax rate of 25% (2022: 26%)	(1,932,632)	(2,755,515)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences	457,869	622,855
	(1,474,763)	(2,132,660)
Current year tax losses not recognised	1,223,550	2,044,712
Income tax benefit	(251,213)	(87,948)

	Consolidated 2023 $	Consolidated 2022 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	24,955,573	20,061,372
Potential tax benefit @ 25%	6,238,893	5,015,343

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

	Consolidated 2023 $	Consolidated 2022 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Employee benefits	146,473	191,038
Total deferred tax assets not recognised	146,473	191,038

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

Note 8. Income tax (continued)

	Consolidated 2023 $	Consolidated 2022 $
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Customer contracts	27,729	58,230
Intangibles acquired on business combinations	1,782,260	2,002,972
Deferred tax liability	1,809,989	2,061,202
Movements:		
Opening balance	2,061,202	91,000
Credited to profit or loss	(251,213)	(87,948)
Additions through business combinations (note 30)	-	2,058,150
Closing balance	1,809,989	2,061,202

Note 9. Cash and cash equivalents

	Consolidated 2023 $	Consolidated 2022 $
Current assets		
Cash on hand	177	177
Cash at bank	3,087,163	5,562,217
	3,087,340	5,562,394

Note 10. Trade and other receivables

	Consolidated 2023 $	Consolidated 2022 $
Current assets		
Trade receivables	140,124	96,260
Other receivables	27,732	6,115
GST receivable	-	93,487
	167,856	195,862

Allowance for expected credit losses
The Group has recognised a loss of $nil (2022: $nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2023.

The ageing of the receivables is not overdue, all current.

Note 11. Inventories

	Consolidated 2023 $	Consolidated 2022 $
Current assets		
Stock in transit - at cost	212,805	24,500
Stock on hand - at cost	1,280,058	896,874
	1,492,863	921,374

Note 12. Other

	Consolidated 2023 $	Consolidated 2022 $
Current assets		
Prepayments	747,351	397,707
Non-current assets		
Other deposits	10,336	10,336

Note 13. Property, plant and equipment

	Consolidated 2023 $	Consolidated 2022 $
Non-current assets		
Leasehold improvements - at cost	31,810	22,162
Less: Accumulated depreciation	(23,911)	(20,377)
	7,899	1,785
Plant and equipment - at cost	478,444	371,201
Less: Accumulated depreciation	(264,817)	(211,860)
Less: Impairment	(112,775)	-
	100,852	159,341
Computer equipment - at cost	118,134	116,044
Less: Accumulated depreciation	(90,240)	(55,094)
	27,894	60,950
Office equipment - at cost	28,769	24,596
Less: Accumulated depreciation	(20,465)	(16,171)
	8,304	8,425
	144,949	230,501

Note 13. Property, plant and equipment (continued)

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

Consolidated	Leasehold improvements $	Plant and equipment $	Computer equipment $	Office equipment $	Total $
Balance at 1 July 2021	-	-	68,567	-	68,567
Additions	1,003	179,551	24,061	9,259	213,874
Additions through business combinations (note 30)	782	-	-	284	1,066
Depreciation expense	-	(20,210)	(31,678)	(1,118)	(53,006)
Balance at 30 June 2022	1,785	159,341	60,950	8,425	230,501
Additions	9,648	107,243	2,090	4,171	123,152
Impairment of assets*	-	(112,775)	-	-	(112,775)
Depreciation expense	(3,534)	(52,957)	(35,146)	(4,292)	(95,929)
Balance at 30 June 2023	7,899	100,852	27,894	8,304	144,949

* Refer to note 15 for impairment details.

Note 14. Right-of-use assets

	Consolidated 2023 $	Consolidated 2022 $
Non-current assets		
Buildings - right-of-use	3,026,530	1,373,250
Less: Accumulated depreciation	(230,745)	(121,260)
Less: Impairment	(235,357)	-
	2,560,428	1,251,990
Plant and equipment - right-of-use	30,016	-
Less: Accumulated depreciation	(5,003)	-
	25,013	-
	2,585,441	1,251,990

In the current year, the Group entered into a lease for additional warehouse space for its Pet Chemist business for 5 years during the year. The lease includes a 5 year option to extend. The option has not been assumed to be taken up due to the Group's growth expectations.

Note 14. 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 and previous financial year are set out below:

Consolidated	Buildings right-of-use $	Plant and equipment right-of-use $	Total $
Balance at 1 July 2021	-	-	-
Additions	1,373,250	-	1,373,250
Depreciation expense	(121,260)	-	(121,260)
Balance at 30 June 2022	1,251,990	-	1,251,990
Additions	1,750,192	30,016	1,780,208
Impairment of assets *	(235,357)	-	(235,357)
Depreciation expense	(206,397)	(5,003)	(211,400)
Balance at 30 June 2023	2,560,428	25,013	2,585,441

* Refer to note 15 for impairment details.

For other lease related disclosures refer to:
- note 7 for details of interest on lease liabilities;
- note 19 for lease liabilities at the end of the reporting period;
- note 24 for undiscounted future lease commitments; and
- consolidated statement of cash flows for repayment of lease liabilities.

Note 15. Intangibles

	Consolidated 2023 $	Consolidated 2022 $
Non-current assets		
Goodwill - at cost	14,250,043	14,250,043
Brand, domain and trademarks - at cost	4,429,303	4,429,303
Less: Accumulated amortisation	(553,388)	(110,678)
	3,875,915	4,318,625
Customer relationships - at cost	747,000	747,000
Less: Accumulated amortisation	(348,083)	(150,283)
	398,917	596,717
Website and software development - at cost	3,808,397	2,234,694
Less: Accumulated amortisation	(1,449,404)	(886,951)
Less: Impairment	(208,752)	-
	2,150,241	1,347,743
Product listings - at cost	90,800	90,800
Less: Accumulated amortisation	(37,834)	(7,567)
	52,966	83,233
Pharmacy supply agreement - at cost	3,330,700	3,330,700
Less: Accumulated amortisation	(416,338)	(83,268)
	2,914,362	3,247,432
	23,642,444	23,843,793

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

Consolidated	Goodwill $	Brand, domain and trademarks $	Customer relationships $	Website and software development $	Product listings $	Pharmacy supply agreement $	Total $
Balance at 1 July 2021	2,559,595	1,803	363,000	773,282	-	-	3,697,680
Additions	-	400	-	879,503	-	-	879,903
Additions through business combinations (note 30)	11,690,448	4,427,100	384,000	-	90,800	3,330,700	19,923,048
Amortisation expense	-	(110,678)	(150,283)	(305,042)	(7,567)	(83,268)	(656,838)
Balance at 30 June 2022	14,250,043	4,318,625	596,717	1,347,743	83,233	3,247,432	23,843,793
Additions	-	-	-	1,573,703	-	-	1,573,703
Impairment of assets *	-	-	-	(208,752)	-	-	(208,752)
Amortisation expense	-	(442,710)	(197,800)	(562,453)	(30,267)	(333,070)	(1,566,300)
Balance at 30 June 2023	14,250,043	3,875,915	398,917	2,150,241	52,966	2,914,362	23,642,444

* During FY 2023 the Mad Paws Group performed a strategic review of its Dinner Bowl pet food operations within the e-Commerce segment. As a result the Group closed its raw and lightly cooked product lines, resulting in an impairment of website software development costs of $208,752.

Goodwill acquired through business combinations have been allocated to the following CGU:

Note 15. Intangibles (continued)

	Consolidated 2023 $	Consolidated 2022 $
Waggly	2,559,595	2,559,595
Sash	106,927	106,927
Pet Chemist	10,528,821	11,583,521
Marketplace	1,054,700	-
	14,250,043	14,250,043

Goodwill is allocated to the CGU it belongs, Goodwill related to the Pet Chemist acquisition was provisional in FY22. In finalising the acquisition of the Pet Chemist acquisition management assessed that a proportion of goodwill resulting from the Pet Chemist acquisition should be allocated to the Marketplace representing the cross-sell benefits for the marketplace from the acquisition. As a result $1,054,700 goodwill is allocated from Pet Chemist to Marketplace. The allocation amount is determined based on a five-year discounted cashflow model with a terminal value applied to the discounted cash flows after year five. Key inputs include estimated monthly cross-sold customers, customer retention curve and incremental EBITDA margins.

Goodwill and the CGU to which it belongs is tested annually in May for impairment or when indicators of impairment have been identified. At 30 June 2023, management re-assessed the recoverable amount of all CGUs. An impairment exists when the carrying amount of each CGU at the balance sheet date exceeds its recoverable amount.

Impairment testing - Sash CGU
An impairment test was not performed as Sash goodwill is not material to the Group. Sash achieved positive free cash flow for FY23.

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

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

- 16.1% pre-tax discount rate;
- Revenue growth in year 1 as per the next financial year budget approved by the board;
- Revenue growth in years 2 to 5 is calculated using historical growth rates (adjusted for expected changes) across key drivers such as marketing spend growth, customer acquisition costs, and subscriber attrition rates;
- Gross margins in years 2 to 5 reference historical performance adjusted for expected scale and volume benefits. Average gross margin is 45%; and
- 3% terminal growth rate based on the estimated long term market growth rate.

Impairment test results:
Based on the VIU calculation methodology and assumptions stated above, the carrying amount of the Waggly CGU at balance sheet date does not exceed its recoverable amount. No impairment existed at 30 June 2023.

Impact of possible changes in assumptions:
A 0.08% increase in the pre-tax discount rate would result in break even for the Waggly CGU calculation.

Pet Chemist CGU
Key assumptions
The key assumptions used in the VIU calculation are as follows:

Note 15. Intangibles (continued)

- 15.6% pre-tax discount rate;
- Revenue growth in year 1 as per the next financial year budget approved by the board;
- Revenue growth in years 2 to 5 is calculated using historical growth rates (adjusted for expected changes) across key drivers such as marketing spend growth, customer acquisition costs, range expansion and average order value;
- Gross margins in years 2 to 5 reference historical performance adjusted for expected scale and volume benefits. Average gross margin is 20% - 26%; and
- 3% terminal growth rate based on the estimated long term market growth rate.

Impairment test results:
Based on the VIU calculation methodology and assumptions stated above, the carrying amount of the Pet Chemist CGU at balance sheet date does not exceed its recoverable amount. No impairment existed at 30 June 2023.

Impact of possible changes in assumptions:
No reasonable change in assumptions would result in impairment to the CGU.

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

- 18.4% pre-tax discount rate;
- Revenue growth in year 1 as per the next financial year budget approved by the board;
- Revenue growth in years 2 to 5 is calculated using historical growth rates (adjusted for expected changes) across key drivers such as marketing spend growth, customer acquisition costs, customer retention curve, average price per booking and take rate;
- Gross margins in years 2 to 5 reference historical performance adjusted for expected scale and volume benefits. Gross margins range between 94% to 96%; and
- 3% terminal growth rate based on the estimated long term market growth rate.

Impairment test results:
Based on the VIU calculation methodology and assumptions stated above, the carrying amount of the Marketplace CGU at balance sheet date does not exceed its recoverable amount. No impairment existed at 30 June 2023.

Impact of possible changes in assumptions:
No reasonable change in assumptions would result in impairment to the CGU.

Note 16. Trade and other payables

	Consolidated	
	2023 $	2022 $
Current liabilities		
Trade payables	2,547,400	2,010,110
Accrued expenses and other payables	1,636,253	2,116,080
GST payable	169,339	-
	4,352,992	4,126,190

Refer to note 24 for further information on financial instruments.

Accrued expenses and other payables
Included in accrued expenses and other payables is deferred consideration of $325,975 (2022: $646,393) associated with the acquisition of Pet Chemist, Sash and Waggly which is payable subject to the vendors continuing employment with Mad Paws for a specified period of time after the acquisition. Due to its link to employment services, it is recorded as an employee benefit expense over the specified employment period. Refer to note 30.

Note 17. Contract liabilities

	Consolidated 2023 $	Consolidated 2022 $
Current liabilities		
Contract liabilities	655,274	451,236

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

	2023 $	2022 $
Opening balance	451,236	67,709
Payments received in advance	23,516,792	2,889,935
Additions through business combinations (note 30)	-	118,882
Transfer to revenue - included in the opening balance	(451,236)	(67,709)
Transfer to revenue (service) - performance obligations satisfied in current year	(22,861,518)	(2,557,581)
Closing balance	655,274	451,236

Unsatisfied performance obligations
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $655,274 as at 30 June 2023 ($451,236 as at 30 June 2022) and is expected to be recognised as revenue in future periods as follows:

	Consolidated 2023 $	Consolidated 2022 $
Within 6 months	655,274	451,236

Note 18. Borrowings

	Consolidated 2023 $	Consolidated 2022 $
Current liabilities		
Bank loan - asset finance	8,430	11,957
Insurance premium funding	177,811	148,085
	186,241	160,042
Non-current liabilities		
Bank loan - asset finance	15,819	36,159

Refer to note 24 for further information on financial instruments.

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

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

Note 19. Lease liabilities

	Consolidated 2023 $	Consolidated 2022 $
Current liabilities		
Lease liabilities	356,925	192,227
Non-current liabilities		
Lease liabilities	2,306,835	1,114,983

Refer to note 24 for the contractual maturity of lease liability.

Note 20. Other liabilities

	Consolidated 2023 $	Consolidated 2022 $
Current liabilities		
Sitter deposit accounts	3,005,214	2,401,418
Contingent consideration	-	294,000
	3,005,214	2,695,418

Contingent consideration
Contingent consideration represents contingent consideration associated with the acquisition of Pet Chemist which is payable subject to achievement of specified performance criteria. Refer to note 30.

Refer to note 25 for further information on the fair value measurement.

Note 21. Issued capital

	Consolidated 2023 Shares	Consolidated 2022 Shares	Consolidated 2023 $	Consolidated 2022 $
Ordinary shares - fully paid	351,662,572	318,094,577	58,532,038	54,270,660

Note 21. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2021	218,523,989		36,903,944
Issue of shares	6 August 2021	500,000	$0.178	85,000
Issue of shares	27 September 2021	419,884	$0.168	70,541
Issue of shares	15 November 2021	122,897	$0.168	20,606
Issue of shares	26 November 2021	407,633	$0.230	93,756
Issue of shares	26 November 2021	330,876	$0.230	76,490
Issue of shares	26 November 2021	310,887	$0.230	71,504
Issue of shares on exercise of options	8 December 2021	148,244	$0.018	2,728
Issue of shares on exercise of options	1 February 2022	134,956	$0.018	2,483
Issue of shares	1 March 2022	30,555,558	$0.180	5,495,000
Issue of shares	31 March 2022	500,002	$0.180	90,000
Issue of shares	1 April 2022	63,043,478	$0.175	11,032,609
Issue of shares	14 April 2022	2,586,095	$0.180	465,500
Issue of shares	6 June 2022	116,576	$0.146	16,500
Issue of shares	30 June 2022	393,502	$0.138	54,539
Less: share issue transaction costs, net of tax		-		(210,540)
Balance	30 June 2022	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	$0.133	450,000
Issue of shares	15 December 2022	205,673	$0.139	28,712
Issue of shares	21 December 2022	1,328,476	$0.160	217,536
Issue of shares	17 February 2023	23,076,924	$0.130	3,000,000
Issue of shares	7 March 2023	4,492,632	$0.130	584,089
Less: share issue transaction costs, net of tax		-		(177,926)
Balance	30 June 2023	351,662,572		58,532,038

* Refer to note 37 for share-based payment details.

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

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

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

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

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

Note 21. Issued capital (continued)

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

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

Note 22. Reserves

	Consolidated 2023 $	Consolidated 2022 $
Share-based payments reserve	4,854,564	4,465,335
Other capital reserve	(5,123,203)	(5,123,203)
	(268,639)	(657,868)

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

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

Consolidated	Share-based payments $	Other capital reserve $	Total $
Balance at 1 July 2021	3,865,766	(5,123,203)	(1,257,437)
Share-based payments - employee share option plan	599,569	-	599,569
Balance at 30 June 2022	4,465,335	(5,123,203)	(657,868)
Share-based payments - employee share option plan	389,229	-	389,229
Balance at 30 June 2023	4,854,564	(5,123,203)	(268,639)

Note 23. Dividends

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

Note 24. Financial instruments

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

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

Note 24. Financial instruments (continued)

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

Market risk

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

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

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

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

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

Consolidated - 2023	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	2,547,400	-	-	-	2,547,400
Accrued expenses and other	-	1,636,253	-	-	-	1,636,253
Sitter deposit accounts	-	3,005,214	-	-	-	3,005,214
Interest-bearing - fixed rate						
Bank loan - asset finance	5.05%	9,462	9,462	7,097	-	26,021
Insurance premium funding	6.11%	177,811	-	-	-	177,811
Lease liability	5.65%	500,269	587,744	1,890,540	123,273	3,101,826
Total non-derivatives		7,876,409	597,206	1,897,637	123,273	10,494,525

Note 24. Financial instruments (continued)

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

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

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

Note 25. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2022	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Contingent consideration	-	-	294,000	294,000
Total liabilities	-	-	294,000	294,000

There were no transfers between levels during the financial year.

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

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

Valuation techniques for fair value measurements categorised within level 2 and level 3
Contingent consideration has been valued using a probability weighted average payout approach.

Note 25. Fair value measurement (continued)

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

Consolidated	Contingent consideration $
Balance at 1 July 2021	-
Additions	294,000
Balance at 30 June 2022	294,000
Amounts not used (note 6)*	(294,000)
Balance at 30 June 2023	-

* Corresponds to the Pet Chemist earnout not paid as it was unlikely to achieve the minimum levels required.

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 be unchanged.

Note 26. Key management personnel disclosures

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

	Consolidated 2023 $	Consolidated 2022 $
Short-term employee benefits	805,734	828,262
Post-employment benefits	85,300	90,906
Long-term benefits	2,772	3,106
Share-based payments	479,106	1,027,927
	1,372,912	1,950,201

Note 27. Remuneration of auditors

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

	Consolidated 2023 $	Consolidated 2022 $
Audit services - Crowe Audit Australia		
Audit or review of the financial statements	171,500	140,000
Other services - Crowe Audit Australia		
Tax - due diligence	-	45,350
Tax - compliance	17,600	50,600
	17,600	95,950
	189,100	235,950

Note 28. Contingent liabilities

There are no contingent liabilities as at 30 June 2023 and 30 June 2022.

Note 29. Related party transactions

Parent entity
Mad Paws Holdings Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 32.

Key management personnel
Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

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

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates, except where stated otherwise.

Note 30. Business combinations

Acquisition of Aussie Pet Meds Pty ('Pet Chemist') (prior year)
On 1 April 2022, the Group acquired 100% of the ordinary shares of Animal Magnesium Pty Ltd and its wholly owned subsidiary Aussie Pet Meds Pty Ltd (collectively 'Pet Chemist') for the total consideration transferred of $16,882,609. This is Australia's leading online supplier of pet medication and premium healthcare products. It was acquired to expand the Group's products and offerings into the health vertical. The goodwill of $11,583,521 represents revenue synergies from cross selling opportunities in the respective customer base as well as revenue growth and margin expansion. The acquired business contributed revenues of $1,969,240 and a loss after tax of $168,277 to the Group for the period from 1 April 2022 to 30 June 2022. If the acquisition occurred on 1 July 2021, the full year contributions would have been revenues of $7,316,440 and a loss after tax of $533,934.

The values identified in relation to the acquisition of Pet Chemist were provisional as at 30 June 2022 and have been adjusted during the year ended as at 30 June 2023. The adjustments made to reflect the fair value of the net assets acquired at the acquisition date are as follows:

- Recognition and measurement of brand, domain and trademarks of $4,427,100 (note 15);
- Recognition and measurement of product listings of $90,800 (note 15);
- Recognition and measurement of pharmacy supply agreement of $3,330,700 (note 15);
- Recognition and measurement of customer relationships of $384,000 (note 15);
- Recognition of deferred tax liability of $2,058,150 as a result of the assets identified above (note 8); and
- A reduction in goodwill of $6,174,450, resulting in $11,583,521 of total goodwill arising on the acquisition (note 15).

Note 30. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	437,163
Trade receivables	92,654
Other receivables	4,590
Inventories	257,287
Prepayments	3,618
Plant and equipment	1,066
Brand, domain and trademarks	4,427,100
Customer relationships	384,000
Product listings	90,800
Pharmacy supply agreement	3,330,700
Other deposits	4,286
Trade payables	(1,238,208)
Other payables	(291,182)
Contract liabilities	(118,882)
Employee benefits	(27,754)
Deferred tax liability	(2,058,150)
Net assets acquired	5,299,088
Goodwill	11,583,521
Acquisition-date fair value of the total consideration transferred	16,882,609
Representing:	
Cash paid or payable to vendor	5,850,000
Mad Paws Holdings Limited shares issued to vendor	11,032,609
	16,882,609
Acquisition costs expensed to profit or loss	186,913
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	16,882,609
Less: cash and cash equivalents	(437,163)
Less: contingent consideration	(294,000)
Less: shares issued by Company as part of consideration	(11,032,609)
Net cash used	5,118,837

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

(i) An employment based earn out payable to founding shareholders of Pet Chemist who will continue employment with Mad Paws after the acquisition. Given the link to employment services, this portion of the earn out will be recorded as remuneration over the period.

(ii) A performance based earn out payable to founding shareholders which is calculated based on revenue targets to be assessed over a two year period post-acquisition.

(iii) A performance based earn out payable to non-founding shareholders which is calculated based on revenue targets to be assessed over a two year period post-acquisition.

Note 30. Business combinations (continued)

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

Details of the acquisition are as follows:

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

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

Note 31. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2023 $	Parent 2022 $
Profit/(loss) after income tax	162,368	(1,488,762)
Total comprehensive loss	162,368	(1,488,762)

Note 31. Parent entity information (continued)

Statement of financial position

	Parent 2023 $	Parent 2022 $
Total current assets	20,660,520	16,201,444
Total assets	58,427,029	54,247,717
Total current liabilities	535,714	1,169,377
Total liabilities	535,714	1,169,377
Equity		
Issued capital	58,532,038	54,270,660
Share-based payments reserve	3,634,741	3,245,512
Accumulated losses	(4,275,464)	(4,437,832)
Total equity	57,891,315	53,078,340

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

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

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

Note 32. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2023 %	Ownership interest 2022 %
Mad Paws Pty. Ltd.	Australia	100.00%	100.00%
Gassett Group Pty Ltd	Australia	100.00%	100.00%
Animal Magnesium Pty Ltd	Australia	100.00%	100.00%
Aussie Pet Meds Pty Ltd	Australia	100.00%	100.00%

Note 33. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2023 $	Consolidated 2022 $
Loss after income tax benefit for the year	(7,479,316)	(10,510,187)
Adjustments for:		
Depreciation and amortisation	1,873,629	831,104
Impairment of assets	556,884	-
Share-based payments - employee share option plan	275,228	713,000
Share-based payments - to employees in lieu of cash remuneration	250,628	356,848
Deferred consideration linked to remuneration - equity settled	172,842	-
Share-based payments - bonus accrued in lieu of options granted after year end	-	243,671
Share-based payments - to third parties in lieu of services provided	-	85,000
Non-cash expenses/income	(10,192)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(43,864)	36,515
Increase in inventories	(571,489)	(465,217)
Increase in income tax refund due	-	(1,073)
Increase in prepayments	(349,644)	(255,042)
(Increase)/decrease in research and development tax incentive receivable	341,920	(115,463)
Increase in other operating assets	(21,616)	-
Increase in trade and other payables	975,700	2,335,266
Increase in contract liabilities	204,038	264,645
Decrease in deferred tax liabilities	(251,213)	(32,770)
Increase in employee benefits	99,580	112,545
Net cash used in operating activities	(3,976,885)	(6,401,158)

Note 34. Non-cash investing and financing activities

	Consolidated 2023 $	Consolidated 2022 $
Acquisition of plant and equipment by means of loans	-	48,116
Additions to the right-of-use assets	1,780,208	1,373,250
Shares issued in relation to business combinations	564,650	11,032,609
Shares issued to employees as in lieu of cash remuneration	373,188	419,812
Shares issued to third party service provider in lieu of services provided	3,750	85,000
	2,721,796	12,958,787

Note 35. Changes in liabilities arising from financing activities

Consolidated	Lease liabilities $	Bank loan $	Insurance premium funding $	Total $
Balance at 1 July 2021	-	-	28,497	28,497
Net cash used in financing activities	(66,040)	-	(59,794)	(125,834)
Settlement of expenses by means of loan	-	-	179,382	179,382
Acquisition of plant and equipment by means of loan	-	48,116	-	48,116
Acquisition of leases	1,373,250	-	-	1,373,250
Balance at 30 June 2022	1,307,210	48,116	148,085	1,503,411
Net cash used in financing activities	(276,428)	(23,867)	-	(300,295)
Settlement of expenses by means of loan	-	-	29,726	29,726
Acquisition of leases	1,780,208	-	-	1,780,208
Surrender of leases (note 6)	(239,074)	-	-	(239,074)
Other changes	91,844	-	-	91,844
Balance at 30 June 2023	2,663,760	24,249	177,811	2,865,820

Note 36. Earnings per share

	Consolidated 2023 $	2022 $
Loss after income tax attributable to the owners of Mad Paws Holdings Limited	(7,479,316)	(10,510,187)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	331,508,690	246,751,218
Weighted average number of ordinary shares used in calculating diluted earnings per share	331,508,690	246,751,218
	Cents	**Cents**
Basic earnings per share	(2.26)	(4.26)
Diluted earnings per share	(2.26)	(4.26)

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

Note 37. 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.

Note 37. Share-based payments (continued)

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.

Deferred consideration of $450,000 in relation to the acquisition of Gassett Group was settled by issuing 3,383,459 shares on 14 December 2022.

Set out below are summaries of options granted as at 30 June 2023:

2023 Grant Date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/2015	$0.0022	300,036	-	-	-	300,036
01/10/2015	$0.0022	1,667,750	-	-	-	1,667,750
15/11/2015	$0.0022	212,837	-	-	-	212,837
31/01/2016	$0.0022	212,837	-	-	-	212,837
26/04/2016	$0.0929	427,262	-	-	-	427,262
01/07/2017	$0.0022	584,665	-	-	-	584,665
01/09/2018	$0.0230	207,119	-	-	-	207,119
17/09/2018	$0.0230	36,108	-	-	-	36,108
09/01/2019	$0.0230	2,763,700	-	-	-	2,763,700
15/01/2019	$0.0230	198,542	-	-	-	198,542
01/02/2019	$0.0230	100,647	-	-	-	100,647
03/06/2019	$0.0159	103,559	-	-	-	103,559
08/07/2019	$0.0159	622,944	-	-	-	622,944
01/07/2020	$0.0184	5,127,775	-	-	-	5,127,775
01/10/2020	$0.0184	2,162,514	-	-	-	2,162,514
18/12/2020	$0.2000	10,000,000	-	-	-	10,000,000
23/03/2021	$0.3000	2,000,000	-	-	-	2,000,000
23/03/2021	$0.3400	18,150,000	-	-	-	18,150,000
21/06/2021	$0.3400	500,000	-	-	-	500,000
15/11/2021	$0.3400	1,950,000	-	-	-	1,950,000
08/08/2022	$0.2900	-	3,467,701	-	(410,987)	3,056,714
23/08/2022	$0.2300	-	4,496,104	-	(631,032)	3,865,072
11/11/2022	$0.0000	-	948,630	-	(107,563)	841,067
15/12/2022	$0.0000	-	226,220	-	-	226,220
		47,328,295	9,138,655	-	(1,149,582)	55,317,368
Weighted average exercise price		$0.19	$0.22	$0.00	$0.23	$0.19

Note 37. Share-based payments (continued)

2022

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

Note 37. Share-based payments (continued)

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

Grant date	2023 Number	2022 Number
01/07/2015	300,036	300,036
01/10/2015	1,667,750	1,667,750
15/11/2015	212,837	212,837
01/02/2016	212,837	212,837
26/04/2016	427,262	427,262
01/07/2017	584,665	584,665
01/09/2018	207,119	207,119
17/09/2018	36,108	36,108
09/01/2019	2,763,700	2,763,700
15/01/2019	198,542	198,542
01/02/2019	100,647	100,647
03/06/2019	103,559	103,559
08/07/2019	622,944	622,944
24/02/2020	-	18,531
01/07/2020	5,127,775	5,127,775
01/10/2020	2,162,514	2,390,124
18/12/2020	10,000,000	10,000,000
21/06/2021	500,000	500,000
23/03/2021	2,000,000	2,000,000
23/03/2021	18,150,000	18,150,000
15/11/2021	1,950,000	1,950,000
	47,328,295	47,574,436

The weighted average share price during the financial year was $0.19 (2022: $0.19).

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

Grant date	Notional expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
08/08/2022	07/08/2026	$0.135	$0.284	61.000%	-	3.412%	$0.060
23/08/2022	23/08/2028	$0.135	$0.230	61.000%	-	3.412%	$0.063
11/11/2022	19/10/2027	$0.135	$0.000	61.000%	-	3.412%	$0.127
15/12/2022	15/12/2027	$0.135	$0.000	61.000%	-	3.412%	$0.127

Note 38. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

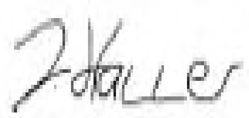
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Jan Pacas
Chairman



Justus Hammer
Chief Executive Officer

29 August 2023

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mad Paws Holdings Limited (the Company and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended;

b) and complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

Key Audit Matter	How we addressed the Key Audit Matter
Revenue Recognition *Refer to Note 2, Note 5 and Note 17*	
The Group generates revenue from booking fees and service fees for pet sitting services and from the sale of goods through ecommerce and subscription channels. The Group's accounting policies for the recognition of revenue are outlined in Note 2 to the financial statements. Due to the risk of revenue overstatement and its impact to the financial statements, differing revenue streams and timing of the completion of the respective performance obligations revenue recognition is considered to be a key audit matter.	Our audit procedures included the following: • Assessed whether the revenue recognition policy applied to each revenue stream is in accordance with Australian Accounting Standard AASB 15 *Revenue from Contracts with Customers*. • Selected a sample of booking fee revenue and service fee revenue. Performed substantive testing to determine whether the revenue occurred and was recorded in the appropriate period by tracing through to evidence of booking payment and commencement of sitting service. • Assessed the completeness of contract liabilities, being the service fee paid where the sitting service has not yet commenced at 30 June 2023. • Performed a recalculation of expected booking fee and services fee revenue. • Selected a sample of subscription and ecommerce transactions. Performed substantive testing to determine whether the revenue was recorded in the appropriate period by tracing through to evidence of payment for the goods and delivery to the customer. • For ecommerce sales revenues, checked receipts of funds to supporting documents. • Considered the adequacy of the revenue related disclosures in the financial statements.
Calculation of Goodwill and Other Identifiable Intangible Assets from Acquisition *Refer to Note 2, Note 3 and Note 30*	
On 1 April 2022, the Group acquired 100% of the ordinary shares of Animal Magnesium Pty Ltd (trading as 'Pet Chemist') for the total consideration of $16,882,609. The measurement period ended on 1 April 2023 and the Group made adjustments to the provisional values included in the comparative information for the prior period to reflect the finalisation of the Purchase Price Allocation (PPA). The adjustments included allocation of goodwill to separately identifiable intangible assets with finite useful lives and recognition of deferred tax liabilities. Due to the material balances of goodwill and other identifiable intangible assets and the complexity of the	Our audit procedures included the following: • Engaged Crowe Valuation Experts to review the accuracy of the fair value calculation and reasonableness of key assumptions used by management in determining the final PPA. • Checked accuracy of the recognition and measurement of deferred tax liability. • Checked accuracy of the measurement period adjustments recognised during the reporting period and the adjustments made to

estimates and judgement involved in calculating the fair value of the intangible assets, this is considered to be a key audit matter.	the comparative information for the prior period. • Considered the adequacy of the related disclosures in the financial statements.
Goodwill Impairment Testing *Refer to Note 2 and Note 15*	
The consolidated balance sheet includes a goodwill balance of $14,250,043 at the reporting date. Goodwill is required to be tested for impairment at least annually. Due to the material goodwill balance to the financial statements in the current year, and the complexity of the estimates and judgements involved in the goodwill impairment model, this is considered to be a key audit matter.	Our audit procedures included the following: • Assessed the appropriateness of the value in use impairment models, being a five year discounted cashflow plus terminal value, in accordance with AASB 136 *Impairment of Assets.* • Engaged Crowe Valuation Experts to review reasonableness of key assumptions used and the mathematical accuracy of the models. • Considered the adequacy of the related disclosures in the financial statements.
Completeness of sitter deposit liability account *Refer to Note 2 and Note 20*	
The sitter deposit account represents liabilities to sitters for bookings made where the sitting event has not yet occurred, together with amounts due to sitters post the sitting event which have not yet been redeemed. Due to the risk of understatement and the volume of transactions, this is considered to be a key audit matter.	Our audit procedures included the following: • Inspected monthly reconciliations of the sitter liability account for the current year, verifying on a sample basis inputs and outputs to source documentation, including cash movements and revenue recognised. • Performed omitted liabilities testing by checking a sample of July 2023 post year end payments made to sitters and verifying the accuracy of the liability recorded in the 30 June 2023 sitter deposit account. • Considered the adequacy of the related disclosures in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in pages 35 to 46 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Mad Paws Holdings Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Crowe Audit Australia

Suwarti Asmono
Partner

29 August 2023
Sydney

Shareholder information

The shareholder information set out below was applicable as at 1 August 2023.

Distribution of equitable securities

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

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	22	-	-	-
1,001 to 5,000	357	0.34	-	-
5,001 to 10,000	381	0.92	2	0.03
10,001 to 100,000	459	4.59	14	1.07
100,001 and over	215	94.15	27	98.90
	1,434	100.00	43	100.00
Holding less than a marketable parcel	328	0.26	-	-

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
National Nominees Limited	52,949,892	15.06
Howard Humphreys	35,304,348	10.04
HSBC Custody Nominees (Australia) Limited	18,637,134	5.30
Prual Investments Pte Ltd	13,310,859	3.79
Melissa Therese Mary Cronin (NYE Pet Chemist A/C)	12,608,696	3.59
Wesi Corp Pty Ltd	10,086,956	2.87
J P Morgan Nominees Australia Pty Limited	8,394,146	2.39
Justus Hammer	7,736,668	2.20
Mr Jan Pacas	6,595,529	1.88
HSBC Custody Nominees (Australia) Limited - A/C 2	6,000,000	1.71
Mainstream Fund Services Pty Ltd (Bombora Special Investments)	5,978,987	1.70
Bridgelane Capital Pty Ltd	5,555,556	1.58
Beach Haus Pty Ltd (Rolf Weber A/C)	5,487,055	1.56
Elyuma Enterprises Pty Ltd (Elyuma Family A/C)	5,377,224	1.53
Citicorp Nominees Pty Limited	5,194,509	1.48
Qantas Ventures Pty Ltd and Scaleup Mediafund Pty Ltd*	10,355,296	2.94
Lenmar Nominees Pty Ltd (Humphreys Family A/C)	5,042,228	1.43
Tomana Super Pty Ltd (A & T Patsakos Superfund A/C)	4,931,576	1.40
Katherine Herbert	3,767,215	1.07
Andrew Wayland	3,691,729	1.05
	227,005,603	64.57

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

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	55,317,368	43

Substantial holders
Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Bombora Special Investments Growth Fund (BIM)	57,153,320	16.25
Howard Humphreys	35,304,348	10.04
SG Hiscocks	18,592,308	5.29

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

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

There are no other classes of equity securities.

Securities subject to escrow

Class	Expiry date	Number of shares
Ordinary shares	30 September 2023	15,760,870
Ordinary shares	31 December 2023	15,760,870
		31,521,740

madpaws

Corporate directory

Directors	Jan Pacas Justus Hammer Joshua May Michael Hill Vicki Aristidopoulos Howard Humphreys
Company secretary	Belinda Cleminson
Notice of annual general meeting	The details of the annual general meeting of Mad Paws Holdings Limited are: 02:00pm, Wednesday, 15 November 2023 to be held virtually and at: Level 5, 126-130 Phillip Street Sydney NSW 2000
Registered office and principal place of business	Level 5, 126-130 Phillip Street Sydney NSW 2000 Tel: +61 1300 288 664
Share register	Automic Pty Limited Level 5, 126 Philip Street Sydney NSW 2000 Tel: +61 1300 288 664
Auditor	Crowe Audit Australia Level 24, 1 O'Connell Street Sydney NSW 2000
Solicitors	Talbot Sayer Level 27, Riverside Centre 123 Eagle Street Brisbane QLD 4000
Bankers	Commonwealth Bank of Australia 48 Martin Place Sydney NSW 2000
Stock exchange listing	Mad Paws Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: MPA)
Website	www.madpaws.com.au
Corporate Governance Statement	The directors and management are committed to conducting the business of Mad Paws Holdings Limited in an ethical manner and in accordance with the highest standards of corporate governance. Mad Paws Holdings Limited has adopted and substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, was approved by the Board of Directors at the same time as the Annual Report and can be found on the Investor Relations page at www.madpaws.com.au/investor-centre/corporate-governance