

Mad Paws Holdings Limited
Appendix 4E
Preliminary final report



1. Company details

Name of entity:	Mad Paws Holdings Limited
ABN:	39 636 243 180
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	42.8% to	2,855
Loss from ordinary activities after tax attributable to the owners of Mad Paws Holdings Limited	up	445.5% to	(11,935)
Loss for the year attributable to the owners of Mad Paws Holdings Limited	up	445.5% to	(11,935)

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 \$11,934,981 (30 June 2020: \$2,188,019).

The directors and management review the performance using Operational EBITDA. Operational EBITDA for the financial year ended 30 June 2021 ('FY21') was a loss of \$4,704,418 (2020:1,784,146). The Group has outlined its performance under this metric and provided a reconciliation to the reported loss after tax in the results summary below.

	2020 \$'000	2021 \$'000	Change \$'000	Change %
Gross Marketplace Value	10,200.0	12,627.0	2,427.0	24%
Marketplace revenue	1,999.6	2,355.2	355.6	18%
Subscription revenue	-	453.6	453.6	nm
Ecommerce revenue	-	45.8	45.8	nm
Revenue	<u>1,999.6</u>	<u>2,854.6</u>	<u>855.0</u>	<u>43%</u>
Operating expenses				
Employee benefits expense	(1,161.2)	(3,228.5)	(2,067.3)	(178%)
Marketing expenses	(1,376.5)	(2,116.9)	(740.4)	(54%)
Professional and consultancy expenses	(87.2)	(199.9)	(112.7)	(129%)
IT expenses	(580.2)	(761.8)	(181.6)	(31%)
Raw materials and consumables used	(6.4)	(394.5)	(388.1)	nm
Delivery expenses	(2.1)	(159.5)	(157.4)	nm
Other operating expenses	(570.2)	(697.9)	(127.7)	(22%)
Operational EBITDA	<u>(1,784.2)</u>	<u>(4,704.4)</u>	<u>(2,920.2)</u>	<u>(164%)</u>
Non operating, non recurring income and costs				
R&D grant and COVID government support	354.6	649.4	294.8	83%
IPO, acquisition expenses	(4.1)	(923.0)	(918.9)	nm
Depreciation and amortisation expense	(200.4)	(247.6)	(47.2)	(24%)
Share-based payments expense	(522.4)	(6,553.7)	(6,031.3)	(1154%)
Other non-recurring items	-	(27.4)	(27.4)	nm
Net interest (expense)/Income	(31.5)	(128.3)	(96.8)	(307%)
Total non-operating, non recurring income and costs	<u>(403.8)</u>	<u>(7,230.6)</u>	<u>(6,826.8)</u>	<u>(1690%)</u>
Net loss after tax	<u>(2,188.0)</u>	<u>(11,935.0)</u>	<u>(9,747.0)</u>	<u>(445%)</u>

Mad Paws Holdings Limited
Appendix 4E
Preliminary final report



Key:

nm not meaningful

Gross Marketplace Value ('GMV') represents the total value of transactions processed by Mad Paws, on a cash basis, before deducting pet service provider payments, cancellations and refunds, chargebacks, discounts and GST.

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

FY21 revenue grew 43% to \$2.9m with marketplace revenue increasing 18% to \$2.4m driven from the improvement in marketplace bookings (+43%) as domestic borders opened in the 2nd quarter of the financial year. Our subscription Pet food businesses launched in the period and contributed \$0.4m revenue. Waggly, which we acquired in June, contributed an initial \$0.1m in subscription revenue and \$0.05m in e-commerce revenue. 81% of the subscription revenue was contributed in the second half of FY21.

Operational EBITDA loss for the year was \$4.7 million, an increase of \$2.9 million from the financial year ended 30 June 2020 ('FY20'). The increase partly represents the rebasing of expenses post the initial COVID impact and investments for future growth.

Marketing cost increased \$0.7m to \$2.1m for FY21, with \$0.4m relating to the return to a normal level of marketing costs following the pause in activity during the COVID impact in FY20. The balance represents investments to increase customer acquisition in our marketplace and to support the launch of subscription businesses in the year.

The launch of our pet food subscription product, Dinner Bowl as well as the acquisition of toys and treats business, Waggly increased raw materials and consumables to \$0.4m and delivery expenses to \$0.2m.

Cash flow

Mad Paws is well capitalised to invest in strategic growth initiatives with a cash balance of \$12.5 million at the end of June.

Refer to our market announcement issued on 27 August 2021 for further commentary on the operational and financial performance of the group.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>4.75</u>	<u>56.85</u>

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

4. Control gained over entities

Name of entities (or group of entities)	Mad Paws Pty Ltd, Gassett Group Pty Ltd	
Date control gained	23 December 2020, 8 June 2021	
		\$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)		(6,447,135)
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)		(2,188,019)

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements are in the process of being audited and an unmodified opinion is expected to be issued.

11. Attachments

Details of attachments (if any):

The Preliminary Financial Report of Mad Paws Holdings Limited for the year ended 30 June 2021 is attached.

12. Signed

DocuSigned by:

Signed  EEB50E42BF81485...

Date: 27 August 2021

Jan Pacas
Chairman



Mad Paws Holdings Limited

ABN 39 636 243 180

Preliminary Financial Report - 30 June 2021

Mad Paws Holdings Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021



	Note	Consolidated Unaudited 2021 \$	2020 \$
Revenue	3	2,854,648	1,999,614
Other income	4	649,425	354,594
Interest revenue calculated using the effective interest method		2,701	4,298
Expenses			
Raw materials and consumables used		(394,481)	(6,396)
Delivery expenses		(159,472)	(2,087)
Employee benefits expense		(3,254,828)	(1,161,223)
Contractors expense		(148,795)	(242,982)
Depreciation and amortisation expense	5	(247,611)	(200,389)
Share-based payments expense	5	(6,553,737)	(522,443)
IT expenses		(761,777)	(580,248)
Marketing expenses		(2,116,926)	(1,376,533)
Travel expenses		(12,594)	(19,635)
Occupancy costs		(108,469)	(38,323)
Professional and consultancy expenses		(775,678)	(91,277)
Share registry and listing expenses		(373,178)	-
Other expenses		(403,245)	(269,157)
Finance costs	5	(130,964)	(35,832)
Loss before income tax expense		(11,934,981)	(2,188,019)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of Mad Paws Holdings Limited		(11,934,981)	(2,188,019)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Mad Paws Holdings Limited		(11,934,981)	(2,188,019)
		Cents	Cents
Basic earnings per share	19	(8.40)	(1.91)
Diluted earnings per share	19	(8.40)	(1.91)

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 2021



	Note	Consolidated Unaudited 2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	6	12,486,625	984,822
Trade and other receivables	7	141,183	7,663
Inventories	8	180,797	-
Research and development tax incentive		226,457	232,594
Other	9	137,974	-
Total current assets		<u>13,173,036</u>	<u>1,225,079</u>
Non-current assets			
Property, plant and equipment		68,567	-
Right-of-use assets	10	-	215,609
Intangibles	11	3,606,680	758,382
Total non-current assets		<u>3,675,247</u>	<u>973,991</u>
Total assets		<u>16,848,283</u>	<u>2,199,070</u>
Liabilities			
Current liabilities			
Trade and other payables	12	1,316,346	267,784
Contract liabilities		67,709	34,349
Borrowings		28,497	-
Lease liabilities		-	79,300
Employee benefits		294,363	114,714
Other	13	1,113,708	456,511
Total current liabilities		<u>2,820,623</u>	<u>952,658</u>
Non-current liabilities			
Lease liabilities		-	139,692
Employee benefits		51,651	39,434
Total non-current liabilities		<u>51,651</u>	<u>179,126</u>
Total liabilities		<u>2,872,274</u>	<u>1,131,784</u>
Net assets		<u>13,976,009</u>	<u>1,067,286</u>
Equity			
Issued capital	14	36,903,944	10,102,685
Reserves	15	(1,257,437)	700,118
Accumulated losses		<u>(21,670,498)</u>	<u>(9,735,517)</u>
Total equity		<u>13,976,009</u>	<u>1,067,286</u>

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

Mad Paws Holdings Limited
Statement of changes in equity
For the year ended 30 June 2021



Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	6,130,266	432,783	(7,547,498)	(984,449)
Loss after income tax expense for the year	-	-	(2,188,019)	(2,188,019)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,188,019)	(2,188,019)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 14)	3,972,419	-	-	3,972,419
Share-based payments	-	267,335	-	267,335
Balance at 30 June 2020	<u>10,102,685</u>	<u>700,118</u>	<u>(9,735,517)</u>	<u>1,067,286</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	10,102,685	700,118	(9,735,517)	1,067,286
Loss after income tax expense for the year	-	-	(11,934,981)	(11,934,981)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(11,934,981)	(11,934,981)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 14)	21,678,056	-	-	21,678,056
Share-based payments	-	3,165,648	-	3,165,648
Other capital reserve - acquisition of Mad Paws Pty. Ltd. (note 15)	5,123,203	(5,123,203)	-	-
Balance at 30 June 2021	<u>36,903,944</u>	<u>(1,257,437)</u>	<u>(21,670,498)</u>	<u>13,976,009</u>

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

Mad Paws Holdings Limited
Statement of cash flows
For the year ended 30 June 2021



	Note	Consolidated Unaudited 2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		11,225,306	9,432,128
Payments to suppliers and employees (inclusive of GST)		(7,126,392)	(3,902,627)
Payments to suppliers - sitters payment		<u>(7,562,874)</u>	<u>(8,199,891)</u>
		(3,463,960)	(2,670,390)
IPO and acquisition costs		(903,921)	-
Interest received		2,701	4,298
Government grants received		342,207	122,000
Interest and other finance costs paid		-	(5,516)
Research and development tax incentive		<u>296,877</u>	<u>321,666</u>
Net cash used in operating activities	18	<u>(3,726,096)</u>	<u>(2,227,942)</u>
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	17	(1,985,078)	-
Cash acquired as part of the acquisition of Mad Paws Pty. Ltd.		975,241	-
Payments for property, plant and equipment		(79,567)	-
Payments for intangibles	11	<u>(253,314)</u>	<u>(429,584)</u>
Net cash used in investing activities		<u>(1,342,718)</u>	<u>(429,584)</u>
Cash flows from financing activities			
Proceeds from issue of shares	14	12,047,190	2,502,418
Share issue transaction costs		(1,050,208)	(90,953)
Proceeds from convertible notes		5,593,000	-
Proceeds from borrowings		11,440	-
Repayment of lease liabilities		<u>(30,805)</u>	<u>(31,393)</u>
Net cash from financing activities		<u>16,570,617</u>	<u>2,380,072</u>
Net increase/(decrease) in cash and cash equivalents		11,501,803	(277,454)
Cash and cash equivalents at the beginning of the financial year		<u>984,822</u>	<u>1,262,276</u>
Cash and cash equivalents at the end of the financial year	6	<u><u>12,486,625</u></u>	<u><u>984,822</u></u>

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



Note 1. Acquisition of Mad Paws Pty Ltd and comparative information

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

Mad Paws was incorporated on 22 July 2014 and has been operating an online marketplace for pet services since 2015.

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

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

Note 2. Operating segments

Identification of reportable operating segments

The Group is organised into one operating segments, being pet goods and services. 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.

The CODM reviews operational EBITDA (earnings before interest, tax, depreciation, amortisation and non-operating, non-recurring income and costs). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

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

Major customers

During the years ended 30 June 2021 and 30 June 2020, no customer contributed more than 10% to the Group's external revenue.

Mad Paws Holdings Limited
Notes to the financial statements
30 June 2021



Note 2. Operating segments (continued)

A reconciliation of the loss after income tax expense to operational EBITDA is as follows:

	Consolidated	
	Unaudited	2020
	2021	2020
	\$	\$
Operational EBITDA	(4,704,418)	(1,784,146)
R&D grant and COVID government support	649,425	354,594
IPO, acquisition expenses	(922,955)	(4,101)
Depreciation and amortisation expense	(247,611)	(200,389)
Share-based payments expense	(6,553,737)	(522,443)
Other non-recurring items	(27,422)	-
Net interest (expense)/income	(128,263)	(31,534)
	<u>(11,934,981)</u>	<u>(2,188,019)</u>

Note 3. Revenue

	Consolidated	
	Unaudited	2020
	2021	2020
	\$	\$
Rendering of services - booking fee	658,701	443,777
Rendering of services - service fee	1,714,519	1,555,837
Subscription revenue	435,588	-
Ecommerce revenue	45,840	-
	<u>2,854,648</u>	<u>1,999,614</u>

Disaggregation of revenue

Revenue from contracts with customers is derived from:

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

Booking fee

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

Service fee

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

Subscription and ecommerce revenue

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

All revenue from contracts with customers is generated in Australia.



Note 4. Other income

	Consolidated	
	Unaudited	Unaudited
	2021	2020
	\$	\$
Government grants (COVID-19)	342,207	122,000
Research and development rebate	290,740	232,594
Other income	16,478	-
	<u>649,425</u>	<u>354,594</u>
Other income		

Government grants (COVID-19) represents grants received from the Government comprising of:

- (i) JobKeeper support payments - during the Coronavirus (COVID-19) pandemic, the Company has received JobKeeper support payments from the Australian Government which are passed on to eligible employees. These have been recognised as government grants in the financial statements and recorded as other income over the periods in which the related employee benefits are recognised as an expense. The Company is eligible for JobKeeper support from the government on the condition that employee benefits continue to be paid.
- (ii) Cash Boost support payments - during the year the Company received payments from the Australian Government as part of its 'Boosting Cash Flow for Employers' scheme in response to the Coronavirus ('COVID-19') pandemic. These non-tax amounts have been recognised as government grants and recognised as income once there is reasonable assurance that the Company will comply with any conditions attached.

Mad Paws Holdings Limited
Notes to the financial statements
30 June 2021



Note 5. Expenses

	Consolidated	
	Unaudited	2020
	2021	\$
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	11,000	-
Buildings right-of-use assets	-	34,776
	<u>11,000</u>	<u>34,776</u>
Total depreciation	11,000	34,776
<i>Amortisation</i>		
Website and software development	236,611	165,613
	<u>247,611</u>	<u>200,389</u>
Total depreciation and amortisation	247,611	200,389
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	130,964	30,797
Interest and finance charges paid/payable on lease liabilities	-	5,035
	<u>130,964</u>	<u>35,832</u>
Finance costs expensed	130,964	35,832
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	1,212	2,240
	<u>1,212</u>	<u>2,240</u>
<i>Leases</i>		
Short-term lease payments	81,047	38,323
Loss on termination of lease	27,422	-
	<u>108,469</u>	<u>38,323</u>
Leases expensed	108,469	38,323
<i>Superannuation expense</i>		
Defined contribution superannuation expense	243,764	115,434
	<u>243,764</u>	<u>115,434</u>
<i>Share-based payments expense</i>		
Share-based payments - employee share option plan	3,001,648	267,335
Share-based payments - acquisition of Mad Paws Pty. Ltd.	3,552,089	-
	<u>6,553,737</u>	<u>267,335</u>
Share-based payments expense	6,553,737	267,335

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

The share-based payment expense of \$3,552,089 is a non-cash acquisition share based payment expense relating to the Share Sale Agreement on 23 December 2020, as detailed in note 1.

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	Unaudited	2020
	2021	\$
	\$	\$
Cash on hand	177	177
Cash at bank	12,486,448	984,645
	<u>12,486,625</u>	<u>984,822</u>
Total cash and cash equivalents	<u>12,486,625</u>	<u>984,822</u>

Mad Paws Holdings Limited
Notes to the financial statements
30 June 2021



Note 7. Current assets - trade and other receivables

	Consolidated Unaudited	
	2021	2020
	\$	\$
Other receivables	2,027	-
GST receivable	139,156	7,663
	<u>141,183</u>	<u>7,663</u>

Note 8. Current assets - inventories

	Consolidated Unaudited	
	2021	2020
	\$	\$
Stock on hand - at cost	180,797	-

Note 9. Current assets - other

	Consolidated Unaudited	
	2021	2020
	\$	\$
Prepayments	137,974	-

Note 10. Non-current assets - right-of-use assets

	Consolidated Unaudited	
	2021	2020
	\$	\$
Buildings - right-of-use	-	250,385
Less: Accumulated depreciation	-	(34,776)
	<u>-</u>	<u>215,609</u>

Reconciliations

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

Consolidated	Buildings - right-of-use \$
Balance at 1 July 2019	-
Additions	250,385
Depreciation expense	<u>(34,776)</u>
Balance at 30 June 2020	215,609
Termination of lease	<u>(215,609)</u>
Balance at 30 June 2021	<u>-</u>

Mad Paws Holdings Limited
Notes to the financial statements
30 June 2021



Note 11. Non-current assets - intangibles

	Consolidated	
	Unaudited	2020
	2021	2020
	\$	\$
Goodwill - at cost	2,831,595	-
Patents and trademarks - at cost	1,803	1,803
Website and software development - at cost	1,355,191	1,101,877
Less: Accumulated amortisation	(581,909)	(345,298)
	<u>773,282</u>	<u>756,579</u>
	<u>3,606,680</u>	<u>758,382</u>

Reconciliations

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

Consolidated	Goodwill	Patents and	Website and	Total
	\$	trademarks	software	\$
		\$	development	
			\$	
Balance at 1 July 2019	-	1,803	492,608	494,411
Additions	-	-	429,584	429,584
Amortisation expense	-	-	(165,613)	(165,613)
			<u>756,579</u>	<u>758,382</u>
Balance at 30 June 2020	-	1,803	756,579	758,382
Additions	-	-	253,314	253,314
Additions through business combinations (note 17)	2,831,595	-	-	2,831,595
Amortisation expense	-	-	(236,611)	(236,611)
			<u>773,282</u>	<u>3,606,680</u>
Balance at 30 June 2021	<u>2,831,595</u>	<u>1,803</u>	<u>773,282</u>	<u>3,606,680</u>

Note 12. Current liabilities - trade and other payables

	Consolidated	
	Unaudited	2020
	2021	2020
	\$	\$
Trade payables	765,030	139,821
Accrued expenses and other payables	551,316	127,963
	<u>1,316,346</u>	<u>267,784</u>

Note 13. Current liabilities - other

	Consolidated	
	Unaudited	2020
	2021	2020
	\$	\$
Sitter deposit accounts	1,113,708	456,511
	<u>1,113,708</u>	<u>456,511</u>

Mad Paws Holdings Limited
Notes to the financial statements
30 June 2021



Note 14. Equity - issued capital

	Unaudited 2021 Shares	Consolidated 2020 Shares	Unaudited 2021 \$	2020 \$
Ordinary shares - fully paid	218,523,989	549,295	36,903,944	9,102,685
Preference shares - fully paid	-	32,958	-	1,000,000
	<u>218,523,989</u>	<u>582,253</u>	<u>36,903,944</u>	<u>10,102,685</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2019	392,701		5,130,266
Conversion of convertible note to ordinary shares	18 December 2019	69,005	\$22.86	1,577,454
Issue of ordinary shares	18 December 2019	87,589	\$28.57	2,502,418
Share issue transaction costs, net of tax		-		(107,453)
Balance	30 June 2020	549,295		9,102,685
Conversion of preference shares to ordinary shares	23 December 2020	32,958	\$30.34	1,000,000
Issue of ordinary shares	23 December 2020	22,205,551	\$0.20	4,441,110
Capital adjustment on acquisition of Mad Paws Pty. Ltd.	23 December 2020	91,836,021		5,123,203
Conversion of convertible note to ordinary shares	23 March 2021	37,335,483	\$0.16	5,973,964
Ordinary shares issued on IPO	23 March 2021	60,000,000	\$0.20	12,000,000
Shares issued on the exercise of share options	23 March 2021	2,564,681	\$0.02	47,190
Shares issued on acquisition of subsidiary	28 June 2021	4,000,000	\$0.17	680,000
Less: share issue transaction costs, net of tax		-		(1,464,208)
Balance	30 June 2021	<u>218,523,989</u>		<u>36,903,944</u>

Movements in preference shares

Details	Date	Shares	Issue price	\$
Balance	1 July 2019	32,958		1,000,000
Balance	30 June 2020	32,958		1,000,000
Conversion of preference shares to ordinary shares		(32,958)	\$30.34	(1,000,000)
Balance	30 June 2021	<u>-</u>		<u>-</u>

Note 15. Equity - reserves

	Consolidated Unaudited 2021 \$	2020 \$
Share-based payments reserve	3,865,766	700,118
Other capital reserve	(5,123,203)	-
	<u>(1,257,437)</u>	<u>700,118</u>

Note 15. Equity - reserves (continued)

Share-based payments reserve

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

Other capital reserve

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

Consolidated	Share-based payments \$	Other capital reserve \$	Total \$
Balance at 1 July 2019	432,783	-	432,783
Share-based payments	267,335	-	267,335
Balance at 30 June 2020	700,118	-	700,118
Share-based payments - employee share option plan	3,001,648	-	3,001,648
Share-based payments - broker options	164,000	-	164,000
Other capital reserve - acquisition of Mad Paws Pty. Ltd.	-	(5,123,203)	(5,123,203)
Balance at 30 June 2021	<u>3,865,766</u>	<u>(5,123,203)</u>	<u>(1,257,437)</u>

Note 16. Equity - dividends

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

Note 17. Business combinations

Acquisition of Gassett Group Pty Ltd

On 8 June 2021, the Group acquired 100% of the ordinary shares of Gassett Group Pty Ltd (trading as 'Waggly Club' or 'Waggly') for the total consideration transferred of \$2,680,000. This is a dog treat and toys subscription business. It was acquired to expand the service offering and accelerate the growth of the Group. The goodwill of \$2,831,595 represents revenue synergies arising from cross selling opportunities and expanding the Group's existing client base. The acquired business contributed revenues of \$113,039 and a loss after tax of \$4,535 to the Group for the period from 8 June 2021 to 30 June 2021. If the acquisition occurred on 1 July 2020, the full year contributions would have been revenues of \$1,615,221 and profit after tax of \$44,958. The values identified in relation to the acquisition of Waggly Club are provisional as at 30 June 2021.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	14,922
Inventories	58,326
Other current assets	10,337
Trade payables	(191,158)
Other payables	(16,476)
Employee benefits	(10,489)
Borrowings	(17,057)
	<hr/>
Net liabilities acquired	(151,595)
Goodwill	2,831,595
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>2,680,000</u>
Representing:	
Cash paid or payable to vendor	2,000,000
Mad Paws Holdings Limited shares issued to vendor	680,000
	<hr/>
	<u>2,680,000</u>
	<hr/>
Acquisition costs expensed to profit or loss	<u>80,000</u>
	<hr/>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	2,680,000
Less: cash and cash equivalents	(14,922)
Less: shares issued by Company as part of consideration	(680,000)
	<hr/>
Net cash used	<u>1,985,078</u>

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

Note 18. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	Unaudited 2021	2020
	\$	\$
Loss after income tax expense for the year	(11,934,981)	(2,188,019)
Adjustments for:		
Depreciation and amortisation	247,611	200,389
Share-based payments	6,553,737	267,335
Non-cash finance costs	130,964	30,316
Other non-cash expenses	27,422	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(123,183)	(7,663)
Increase in inventories	(122,471)	-
Decrease/(increase) in prepayments	(108,694)	185,324
Decrease/(increase) in research and development tax incentive receivable	6,137	89,072
Increase/(decrease) in trade and other payables	1,382,625	(773,184)
Increase/(decrease) in contract liabilities	33,360	(80,862)
Increase in employee benefits	181,377	49,350
Net cash used in operating activities	<u>(3,726,096)</u>	<u>(2,227,942)</u>

Note 19. Earnings per share

	Consolidated	
	Unaudited 2021	2020
	\$	\$
Loss after income tax attributable to the owners of Mad Paws Holdings Limited	<u>(11,934,981)</u>	<u>(2,188,019)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>142,026,610</u>	<u>114,623,825</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>142,026,610</u>	<u>114,623,825</u>
	Cents	Cents
Basic earnings per share	(8.40)	(1.91)
Diluted earnings per share	(8.40)	(1.91)

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

The weighted average number of ordinary shares for the comparative period has been adjusted to give effect to capital reorganisation which occurred during the financial year.



Note 20. Events after the reporting period

On 6 August 2021, the Group issued 500,000 new fully paid ordinary shares at nil consideration for the services rendered by Red Leaf Securities Pty Ltd.

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Group, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the Group's operations going forward. The Group now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

No other matter or circumstance has arisen since 30 June 2021 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.