Mad Paws Half Yearly Report, Accounts and Commentary

Six months ended 31 Dec 2020

CHAIRMAN LETTER

Dear Shareholders,

Mad Paws is an Australia-based pet services business operating in an exciting and growing industry with strong demographic tailwinds.

Mad Paws was founded with the aspiration to create Australia's number one pet services marketplace, a trusted and valued brand, and to enhance the overall experience of owning a pet in Australia.

With low and falling birth rates, in some households, pets are now seen as a legitimate substitute for children. The 'humanisation' of pets thematic has continued to thrive in Australia with a 2019 report released by Animal Medicines Australia indicating that there are an estimated 29 million pets in Australia, with around 40% of Australian households owning at least one dog.

Mad Paws has built a proprietary, tech-focused online marketplace platform that provides pet owners with a unique, user-friendly experience that always has their pet's wellbeing in mind. With a constant focus on pets and their owners, the Mad Paws marketplace offers pet owners easy and convenient access to a range of pet walking, pet sitting, and pet care services via its community of over 22,000 pet service providers registered on the Mad Paws marketplace.

In addition, Mad Paws has plans to build on this by adding additional pet-focused products and services, such as our recently launched pet food subscription business, Dinner Bowl, as well as proposed expansion to offer a pet insurance product, adding further value to our loyal Mad Paws community of over 22,000 pet service providers and over 600,000 registered users in Australia and allowing pet owners (or 'pet parents' as commonly called) to give their pets the healthy and happy lifestyle they deserve.

Mad Paws' pet services marketplace platform is unique within Australia. We believe the Mad Paws business model provides a compelling proposition for customers and investors by not only offering an existing customer and revenue base with over 253,000 transactions booked on the Mad Paws marketplace today, but also opportunities for future growth and expansion, by both accelerating customer acquisition amongst existing services and rolling out additional offerings which are complementary to our existing pet care services business.

We have been extremely happy with the response to our IPO, with the IPO capital significantly oversubscribed, which allowed us to build a first class institutional grade shareholder register. We are particularly excited about the take up from our customer and pet service provider base, with the priority offer being significantly oversubscribed also.

We thank you for your interest and trust in us and look forward to the growth opportunity at hand.

Yours faithfully,
Jan Pacas

CEO's REPORT

Dear Shareholder,

The Mad Paws team and myself are very excited about the opportunity that presents itself in this fast-growing market. The tailwinds from the COVID pandemic are real with pet ownership at record levels. This is compounded by the humanisation of pets getting stronger and the desire for everyone to resume a normal travelling life as borders open. These are trends that are here to stay.

Our mission is to enable pets to live their life to the fullest.
In order to deliver on this promise, we are focusing on building a strong community of pet lovers and provide them with products and services that make pet ownership easier and more enjoyable. Pet's are part of the family these days and most pet parents want to treat their fur babies as good as they treat themselves.

The pet market is following human trends which is why we are obsessed about providing premium and personalized services on our pet services marketplace Mad Paws as well as premium subscription products through our brands like Dinner Bowl. Similar services have made it to the big time in human markets like food box subscriptions as well as services marketplaces.

Our strategy is simple but effective, we focus on two things
- Marketplace
    - Marketplace health – improve our marketplace dynamics
    - Marketplace offerings – increase our marketplace offerings – new features for pet owners and pet service providers
    - Build out cross selling capabilities between our different platforms and offerings
    - Double down on content to cement our #1 position in Australia
- Subscription Products and Services
    - Grow our existing subscription offerings and drive user acquisition
    - Increase the breath of product and services we offer on our subscription platform

After the initial revenue drop caused by the COVID lockdowns in March, Mad Paws showed stronger growth than expected in the last 3 months of the 2020 calendar year. In December 2020 we achieved $20m annualised GMV. The number of bookings in Dec 2020 was at an all time high of 11,382, despite international borders still being closed and late border issues in NSW causing many families all over Australia to cancel Christmas holidays.

GMV in H1 FY21 was $5.4m for the 6 months, the majority of that was generated in the last two months when the business was accelerating and Australian's started to travel at least within their respective states. Operational loss in H1 FY21 was approx. $1.1m excluding the non-cash share-based payments as the business continues to mature and focus on growth.

We have seen all metrics continue to perform strongly for the start of H2 FY21 and we look forward to executing our growth strategy in the coming months and years.

Thank you for your support
Justus Hammer

NORMALISED P&L

	Note	Consolidated 31 Dec 2020
Revenue	1	980,399
Other income		450,770
Interest revenue calculated using the effective interest method		1,684
Operational expenses		
Employee benefits expense		-992,064
Contractors expense		-60,553
IT expenses		-261,832
Marketing expenses		-794,346
Consulting, accounting & recruitment		-75,171
Other expenses		-246,195
Share-based payments expense (non-cash accounting entry for employee share options)		-1,099,762
Depreciation and amortisation expense		-113,234
Operational loss		-2,210,304
IPO & transaction expenses		
IPO related professional and consultancy expenses		-617,629
Share-based payments expense (non-cash accounting entry for pre IPO merger)	2	-3,552,089
Loss before income tax expense		-6,380,024
Income tax expense		-
Loss after income tax expense for the half-year attributable to the owners of Mad Paws Holdings Limited		-6,380,024
Other comprehensive income for the half-year, net of tax -		-
Total comprehensive income for the half-year attributable to the owners of Mad Paws Holdings Limited		-6,380,024

NOTES:

1. Mad Paws revenue consists of a booking fee and a service 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 revenue is recognised at the point in time of commencement of the sitting service.

2. 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.

Non-IFRS Financial Information

The Mad Paws group results are prepared under Australian Accounting Standards, and also comply with International Financial Reporting Standards ('IFRS'). The information presented in this document includes certain non -IFRS measures. Non -IFRS measures have not been subject to audit or review, however, all items used to calculate these non -IFRS measures have been derived from information used in the preparation of the reviewed financial statements. The non-IFRS information is intended as a summary only and should be read in conjunction with the more detailed discussion on the Financial Information disclosed in the Interim Financial Report as well as the Company's IPO Prospectus dated 12 February 2021

MAD PAWS – Key Metrics

Mad Paws has performed above expectations coming out of COVID, with the tailwinds of new pet ownership being reflected in strong growth numbers for our customers and bookings. With the IPO being finalized we look forward to focusing on building new products & services for our pet owners and improving the experience for pet parents and their pets.
Justus Hammer – CEO

$20.2m GMV
Dec 2020 annualised*

$980k Revenue
Jun - Dec 2020

48.0k Bookings
Jun - Dec 2020 actual

$5.4m GMV
Jul - Dec 2020 actual

86.7k Customer
Dec 2020

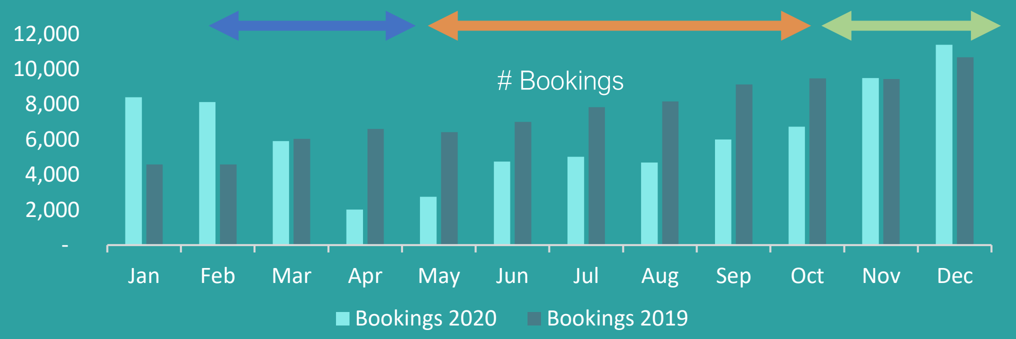
*Dec 2020 GMV of $1.68m * 12 months

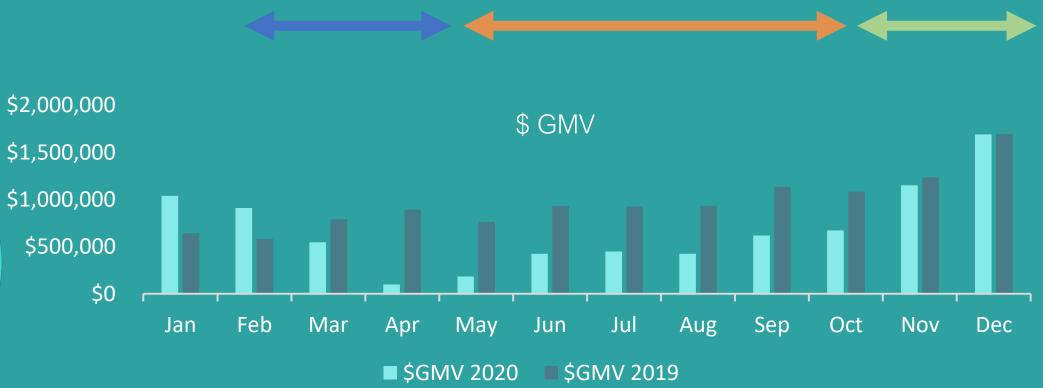
Sales & $GMV have surpassed 2019 levels, despite international borders still being closed

Full Lock Down

Recovery

Accelerated growth – despite Melbourne & Sydney lock downs and closed borders

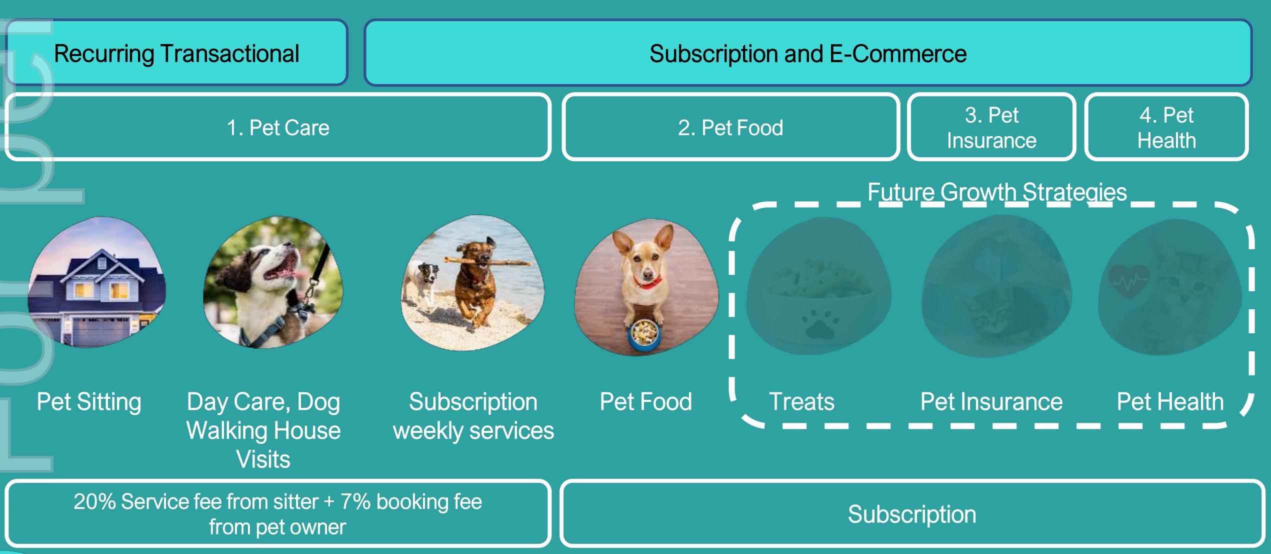




GMV is the total value of transactions processed by Mad Paws, on a cash basis, before deducting pet service provider payments, cancellations and refunds, chargebacks, discounts and GST.

HOW THE MARKET PLACE WORKS

DISTINCT REVENUE STREAMS



Mad Paws Holdings Limited

ABN 39 636 243 180

Interim Report - 31 December 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Mad Paws Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

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

Joshua May
Michael Hill (appointed on 23 December 2020)
Jan Pacas (appointed on 23 December 2020)
Justus Hammer (appointed on 23 December 2020)
Gregg Taylor (resigned on 23 December 2020)
David Willington (resigned on 23 December 2020)

Principal activities

During the financial half-year, the principal continuing activities of the Group consisted of the provision of an online pet platform, making the process of owning and caring for a pet more accessible, convenient and cheaper. The Group's platforms enable Pet Owners to find Pet Sitters who provide pet boarding and other services.

Review of operations

The loss for the Group after providing for income tax amounted to $6,380,024 (31 December 2019: $1,350,289).

Refer to note 2 for further information on going concern.

Significant changes in the state of affairs

On 23 December 2020, a subsidiary of the Company, Mad Paws Pty. Ltd. entered into a Share Sale Agreement with Mad Paws Holdings Limited (formerly named Arugam Limited). The sale transaction was given effect via a share exchange, with existing shareholders of Mad Paws Pty. Ltd. obtaining newly issued shares in Mad Paws Holdings Limited. Following the completion of the sale transaction, Mad Paws Pty Ltd became a 100% subsidiary of Mad Paws Holdings Limited, with existing shareholders of Mad Paws Pty Ltd obtaining an 80% shareholding in Mad Paws Holdings Limited. The transaction resulted in the Company having access to an additional $975,000 of cash, being the cash balance held by Mad Paws Holdings Limited immediately prior to the sale transaction. Existing share options under the Company ESOP Plan were cancelled and replaced with new share options in Mad Paws Holdings Limited (under similar terms and conditions to the historical Company ESOP Plan).

The acquisition has been accounted for as a share-based payment and the principles of reverse acquisition have been applied. The consolidated results reflects the full half-year of Mad Paws Pty. Ltd. plus Mad Paws Holdings Limited from 23 December 2020 to 31 December 2020. The comparative period results reflect Mad Paws Pty. Ltd. only.

On 23 December 2020, the newly formed group (being Mad Paws Holdings Limited and its 100% subsidiary, Mad Paws Pty. Ltd.) issued $5,600,000 of convertible notes to both new and existing investors. This gave the Group access to additional funding of $5,600,000 to fund future growth initiatives. These convertible notes will convert to ordinary shares on the occurrence of any of the following conversion events – Initial Public Offering ('IPO'), Share Sale, Asset Sale or a Capital Raising in excess of $5,000,000. The notes mature in 24 months and will be required to be repaid should they not have converted prior to maturity (repayable amount being principal plus 8% interest per annum). A further $250,000 of convertible notes were issued to the IPO Broker in December 2020.

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

Matters subsequent to the end of the financial half-year

The newly formed Group is in the process of preparing for an initial public offering ('IPO') of fully paid ordinary shares in Mad Paws Holdings Limited, with plans to have the IPO completed by the end of March 2021.

In advance of the IPO, the following securities were issued on 23 March 2021:

- 60,000,000 ordinary fully paid shares at an issue price of $0.20 per share;
- 37,335,483 ordinary fully paid shares to the Convertible Note holders;
- 2,000,000 Broker Options with an exercise price of $0.30 and expiring 5 years from quotation;
- 18,650,000 IPO Options with an exercise price of $0.34 and expiring on the earlier of 6 years from the date of issue and the date the participant ceases to be an employee of MPA; and
- 2,564,681 Shares from the Exercise of Legacy Options.

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.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's independence declaration

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

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

On behalf of the directors

DocuSigned by:
Justus Hammer
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Justus Hammer
Director and Chief Executive Officer

DocuSigned by:
Joshua May
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Joshua May
Director

24 March 2021

Crowe

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24 March 2021

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

Dear Directors

Auditor's Independence Declaration Under Section 307C of the *Corporations Act 2001* to Directors of Mad Paws Holdings Limited

As lead auditor for the review of the half year financial report of Mad Paws Holdings Limited and its controlled entities for the half year ended 31 December 2020, I declare that to the best of my knowledge and belief, that there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

Yours sincerely,

Crowe Audit Australia.

Crowe Audit Australia

Barbara Richmond

Partner

Contents

Mad Paws Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

	Note	Consolidated 31 Dec 2020 $	Consolidated 31 Dec 2019 $
Revenue	4	980,399	1,289,353
Other income		450,770	116,297
Interest revenue calculated using the effective interest method		1,684	251
Expenses			
Employee benefits expense		(992,064)	(771,254)
Contractors expense		(60,553)	(156,019)
Depreciation and amortisation expense		(113,234)	(74,248)
Share-based payments expense	5	(4,651,851)	(154,768)
IT expenses		(261,832)	(329,436)
Marketing expenses		(794,346)	(975,685)
Occupancy costs		-	(39,054)
Professional and consultancy expenses		(692,802)	(32,074)
Travel expenses		(323)	(13,177)
Other expenses		(231,768)	(180,575)
Finance costs		(14,104)	(29,900)
Loss before income tax expense		(6,380,024)	(1,350,289)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Mad Paws Holdings Limited		(6,380,024)	(1,350,289)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Mad Paws Holdings Limited		(6,380,024)	(1,350,289)

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 31 December 2020

	Note	Consolidated 31 Dec 2020 $	30 Jun 2020 $
Assets			
Current assets			
Cash and cash equivalents		2,123,571	984,822
Trade and other receivables	6	5,667,723	7,663
Research and development tax incentive		377,964	232,594
Prepayments		77,639	-
Total current assets		8,246,897	1,225,079
Non-current assets			
Property, plant and equipment		19,839	-
Right-of-use assets		-	215,609
Intangibles		751,188	758,382
Total non-current assets		771,027	973,991
Total assets		9,017,924	2,199,070
Liabilities			
Current liabilities			
Trade and other payables		1,241,561	267,784
Contract liabilities		112,678	34,349
Lease liabilities		-	79,300
Employee benefits		169,493	114,714
Other	7	1,519,532	456,511
Total current liabilities		3,043,264	952,658
Non-current liabilities			
Borrowings	8	5,697,104	-
Lease liabilities		-	139,692
Employee benefits		49,422	39,434
Total non-current liabilities		5,746,526	179,126
Total liabilities		8,789,790	1,131,784
Net assets		228,134	1,067,286
Equity			
Issued capital	9	19,666,998	10,102,685
Reserves	10	(3,323,323)	700,118
Accumulated losses		(16,115,541)	(9,735,517)
Total equity		228,134	1,067,286

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 2019	6,130,266	432,783	(7,547,498)	(984,449)
Loss after income tax expense for the half-year	-	-	(1,350,289)	(1,350,289)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,350,289)	(1,350,289)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	3,972,419	-	-	3,972,419
Share-based payments (note 15)	-	154,768	-	154,768
Balance at 31 December 2019	10,102,685	587,551	(8,897,787)	1,792,449

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 half-year	-	-	(6,380,024)	(6,380,024)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(6,380,024)	(6,380,024)
Transactions with owners in their capacity as owners:				
Share-based payments (note 15)	-	1,099,762	-	1,099,762
Contributions of equity, net of transaction costs	4,441,110	-	-	4,441,110
Other capital reserve - acquisition of Mad Paws Pty. Ltd.	5,123,203	(5,123,203)	-	-
Balance at 31 December 2020	19,666,998	(3,323,323)	(16,115,541)	228,134

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 half-year ended 31 December 2020

	Consolidated 31 Dec 2020 $	Consolidated 31 Dec 2019 $
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	4,348,904	6,314,825
Payments to suppliers and employees (inclusive of GST)	(2,032,736)	(2,224,008)
Payments to suppliers - sitters payment	(2,294,215)	(4,021,560)
	21,953	69,257
Interest received	1,684	251
Interest and other finance costs paid	-	(32,755)
Government grants received	305,400	-
Research and development tax incentive	-	321,666
Net cash from operating activities	329,037	358,419
Cash flows from investing activities		
Cash acquired as part of the acquisition of Mad Paws Pty. Ltd.	975,241	-
Payments for property, plant and equipment	(19,839)	(1,270)
Payments for intangibles	(106,040)	(222,674)
Net cash from/(used in) investing activities	849,362	(223,944)
Cash flows from financing activities		
Proceeds from issue of shares	-	2,502,418
Share issue transaction costs	-	(3,070)
Repayment of lease liabilities	(39,650)	-
Net cash from/(used in) financing activities	(39,650)	2,499,348
Net increase in cash and cash equivalents	1,138,749	2,633,823
Cash and cash equivalents at the beginning of the financial half-year	984,822	1,262,276
Cash and cash equivalents at the end of the financial half-year	2,123,571	3,896,099

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

Note 1. General information

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

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

Level 3
55 Pyrmont Bridge Road
Pyrmont NSW 2009

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 March 2021.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. These financial statements are to be read in conjunction with the Annual Report of Mad Paws Holdings Limited for the financial year ended 30 June 2020 and the Annual Report of Mad Paws Pty. Ltd. for the financial year ended 30 June 2020.

The principal accounting policies adopted in the preparation of the financial statements are set out below.

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.

Acquisition accounting 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 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.

Note 2. Significant accounting policies (continued)

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 half-year ended 31 December 2020 comprise the consolidated results for the half-year of Mad Paws together with the results of the Company from 23 December 2020 to 31 December 2020; and
- the comparative results represents the results of Mad Paws only.

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

The Group has prepared the financial statements for the half-year ended 31 December 2020 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 half-year ended 31 December 2020, the Group recorded a net loss of $6,380,024 (31 December 2019: $1,350,289) and had net cash outflows from operating activities of $329,037 (31 December 2019: $358,419). At 31 December 2020, the Group had cash and cash equivalents of $2,123,571 (30 June 2020: $984,822) and net assets of $228,134 (30 June 2020: net assets of $1,067,286).

Note 2. Significant accounting policies (continued)

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

- While revenue in the period March 2020 to June 2020 was negatively impacted by COVID-19, subsequent to year end the business has returned to growth and is currently meeting budget. As travel restrictions continue to be unwound by the Australian Government, it is expected that this will have a positive impact on year on year revenue growth over the coming months.
- 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 loss after tax included a one-off, non-cash and non-recurring share-based payment expense of $3,552,089 relating to the acquisition of Mad Paws Pty. Ltd. that occurred on 23 December 2020, as detailed in note 2.
- The Group has consistently demonstrated the ability to raise capital from investors. On 23 December 2020, the newly formed group (being Mad Paws Holdings Limited and its100% subsidiary, Mad Paws Pty Ltd) issued $5,600,000 of convertible notes to both new and existing investors. This gave the Group access to additional funding of $5,600,000 to fund current operations and future growth initiatives. This cash was received into the bank account of the Group in January 2021.
- The cashflow forecast for the Group for the next 12 months demonstrates the ability of the Group to continue as a going concern.
- The Group is currently undertaking an IPO process which is expected to raise between $10m and $12m.
- All convertible notes were converted into ordinary shares in the Company on 23 March 2021.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amount and classification of liabilities that might be necessary should the Company not continue as a going concern.

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 31 December 2020 and the results of all subsidiaries for the half-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.

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.

Note 2. Significant accounting policies (continued)

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. 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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

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

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.

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:

Computer equipment	1-2 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Note 2. Significant accounting policies (continued)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

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.

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.

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.

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

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial half-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.

Note 2. Significant accounting policies (continued)

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.

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.

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 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 to receive payment. No account is taken of any other vesting conditions.

Note 2. Significant accounting policies (continued)

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, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee 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.

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.

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.

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 31 December 2020. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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.

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

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the services offered, customers, supply chain, staffing and geographic regions in which the Company operates. While revenue in the period March 2020 to June 2020 was negatively impacted by COVID–19, the business has returned to growth and is currently meeting budget. As travel restrictions continue to be unwound by the Australian Government, it is expected that this will have a positive impact on revenue growth over the coming months.

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.

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.

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 costs 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 Company 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.

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.

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.

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

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.

Note 4. Revenue

	Consolidated 31 Dec 2020 $	Consolidated 31 Dec 2019 $
Rendering of services - booking fee	726,222	955,077
Rendering of services - service fee	254,177	334,276
Revenue	980,399	1,289,353

Disaggregation of revenue
Revenue from contracts with customers is derived from bookings fees and service 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.

All revenue from contracts with customers is generated in Australia.

Note 5. Share based payment expense

	Consolidated 31 Dec 2020 $	Consolidated 31 Dec 2019 $
Share-based payments - employee share option plan (note 15)	1,099,762	154,768
Share-based payments - acquisition of Mad Paws Pty. Ltd.	3,552,089	-
	4,651,851	154,768

Share-based payments - acquisition of Mad Paws Lty. 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 2.

Note 6. Current assets - trade and other receivables

	Consolidated 31 Dec 2020 $	Consolidated 30 Jun 2020 $
Other receivables	5,593,000	-
GST receivable	74,723	7,663
	5,667,723	7,663

Other receivables
Other receivables represents $5,593,000 receivable by the Group following the issue of convertible notes totalling $5,600,000 on 23 December 2020. Refer to note 8 for further details.

Note 7. Current liabilities - other

	Consolidated 31 Dec 2020 $	Consolidated 30 Jun 2020 $
Sitter deposit accounts	1,519,532	456,511

Note 8. Non-current liabilities - borrowings

	Consolidated 31 Dec 2020 $	Consolidated 30 Jun 2020 $
Convertible notes payable	5,697,104	-

As at 31 December 2020, convertible notes payable comprise of:
(1) $5,600,000 convertible notes issued on 23 December 2020; and
(2) $250,000 convertible notes issued on 20 December 2020.

$5,600,000 convertible notes issued on 23 December 2020
These convertible notes will convert to ordinary shares on the occurrence of any of the following conversion events – Initial Public Offering ('IPO'), Share Sale, Asset Sale or a Capital Raising in excess of $5,000,000. The notes mature in 24 months and will be required to be repaid should they not have converted prior to maturity (repayable amount being principal plus 8% interest per annum).

$250,000 convertible notes issued on 20 December 2020
These convertible notes were issued to the IPO Broker and will convert to ordinary shares on the occurrence of an IPO. The notes mature in 24 months and will be required to be repaid should they not have converted prior to maturity (repayable amount being principal plus 8% interest per annum).

Note 9. Equity - issued capital

	Consolidated 31 Dec 2020 Shares	Consolidated 30 Jun 2020 Shares	Consolidated 31 Dec 2020 $	Consolidated 30 Jun 2020 $
Ordinary shares - fully paid	114,623,825	549,295	19,666,998	9,102,685
Preference shares - fully paid	-	32,598	-	1,000,000
	114,623,825	581,893	19,666,998	10,102,685

Note 9. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2020	549,295		9,102,685
Conversion of preference shares to ordinary shares		32,958	$30.34	1,000,000
Issue of shares		22,205,551	$0.20	4,441,110
Capital adjustment on acquisition of Mad Paws Pty. Ltd.		91,836,021		5,123,203
Balance	31 December 2020	114,623,825		19,666,998

Movements in preference shares

Details	Date	Shares		$
Balance	1 July 2020	32,958		1,000,000
Conversion of preference shares to ordinary shares		(32,958)	$30.34	(1,000,000)
Balance	31 December 2020	-		-

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. 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.

Preference shares
Preference shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held, with priority over ordinary shareholders.

Preference shares do not have any voting rights.

Note 10. Equity - reserves

	Consolidated	
	31 Dec 2020 $	30 Jun 2020 $
Share-based payments reserve	1,799,880	700,118
Other capital reserve	(5,123,203)	-
	(3,323,323)	700,118

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.

Note 10. Equity - reserves (continued)

Movements in reserves
Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Share-based payments $	Other capital reserve $	Total $
Balance at 1 July 2020	700,118	-	700,118
Share-based payments	1,099,762	-	1,099,762
Other capital reserve - acquisition of Mad Paws Pty. Ltd.	-	(5,123,203)	(5,123,203)
Balance at 31 December 2020	1,799,880	(5,123,203)	(3,323,323)

Note 11. Equity - dividends

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

Note 12. Fair value measurement

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.

Note 13. Contingent liabilities

There are no contingent liabilities as at 31 December 2020 and 30 June 2020.

Note 14. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 31 Dec 2020 %	Ownership interest 30 Jun 2020 %
Mad Paws Pty. Ltd.	Australia	100.00%	-

Note 15. Share-based payments

Under the existing employee share options plan ('ESOP'), employee share options have been granted to certain employees as part of their remuneration package. 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 no expiry date.

During the half-year ended 31 December 2020, employee share options were granted to certain employees as part of their remuneration package as follows:

- On 1 July 2020, 48,431 share options were granted. 33% of the shares options vested immediately and the remaining share options vest over 2 years. The share options had an exercise price of $2.93. The options have no expiry date.
- On 1 October 2020, 15,048 share options were granted. 10,683 of the shares options vested immediately and the remaining share options vest over a 3 year period 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 share options had an exercise price of $2.93. The options have no expiry date.

Note 15. Share-based payments (continued)

Following the acquisition of Mad Paws Pty. Ltd. as detailed in note 2, 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. The share options granted in Mad Paws Holdings Limited were issued under the same terms and conditions as the historical ESOP. The modification did not result in a change to the fair value of the share options.

Set out below are summaries of options granted under the plan as at 31 December 2020:

Grant date	Exercise price pre-modification	Exercise price post-modification	Balance at the start of the financial half-year	Granted	Modification adjustment (1:158)	Exercised	Expired/ forfeited/ other	Balance at the end of the financial half-year
01/07/2015	$0.35	$0.0022	1,889	-	298,147	-	-	300,036
01/10/2015	$0.35	$0.0022	10,500	-	1,657,250	-	-	1,667,750
15/11/2015	$0.35	$0.0022	1,340	-	211,497	-	-	212,837
01/02/2016	$0.35	$0.0022	1,340	-	211,497	-	-	212,837
26/04/2016	$14.76	$0.0929	2,690	-	424,572	-	-	427,262
01/07/2017	$0.35	$0.0022	3,681	-	580,984	-	-	584,665
01/09/2018	$3.65	$0.0230	1,304	-	205,815	-	-	207,119
17/09/2018	$3.65	$0.0230	326	-	51,454	-	(15,672)	36,108
09/01/2019	$3.65	$0.0230	17,400	-	2,746,300	-	-	2,763,700
15/01/2019	$3.65	$0.0230	1,250	-	197,292	-	-	198,542
01/02/2019	$3.65	$0.0230	1,250	-	197,292	-	(97,895)	100,647
03/06/2019	$2.52	$0.0159	652	-	102,907	-	-	103,559
08/07/2019	$2.52	$0.0159	3,922	-	619,022	-	-	622,944
24/02/2020	$2.93	$0.0184	350	-	55,242	-	-	55,592
01/07/2020	$2.93	$0.0184	-	48,431	7,644,025	-	-	7,692,456
01/10/2020	$2.93	$0.0184	-	15,048	2,375,076	-	-	2,390,124
			47,894	63,479	17,578,372	-	(113,567)	17,576,178

Note 16. Events after the reporting period

The newly formed Group is in the process of preparing for an initial public offering ('IPO') of fully paid ordinary shares in Mad Paws Holdings Limited, with plans to have the IPO completed by the end of March 2021.

In advance of the IPO, the following securities were issued on 23 March 2021:
- 60,000,000 ordinary fully paid shares at an issue price of $0.20 per share;
- 37,335,483 ordinary fully paid shares to the Convertible Note holders;
- 2,000,000 Broker Options with an exercise price of $0.30 and expiring 5 years from quotation;
- 18,650,000 IPO Options with an exercise price of $0.34 and expiring on the earlier of 6 years from the date of issue and the date the participant ceases to be an employee of MPA; and
- 2,564,681 Shares from the Exercise of Legacy Options.

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.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and

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

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

On behalf of the directors

DocuSigned by:
Justus Hammer
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Justus Hammer
Director and Chief Executive Officer

DocuSigned by:
Joshua May
B02925A936EE49A...
Joshua May
Director

24 March 2021

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

Conclusion

We have reviewed the half-year financial report of Mad Paws Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis of Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Crowe Audit Australia.

Crowe Audit Australia

Barbara Richmond
Partner

24 March 2021